New York Regulator Says Sandy Complaints Show Need for Uniformity, Clarity in Policies

Property Casualty 360

BY MARK E. RUQUET, PROPERTYCASUALTY360February 27, 2013 New York's top insurance regulator says Superstorm Sandy has revealed glaring gaps in consumer knowledge about coverages, and has highlighted the need for uniformity and clarity in property-insurance policies.Addressing members of the State Assembly Standing Committee on Insurance at a hearing in New York yesterday, the state's Department of Financial Services Superintendent Benjamin M. Lawsky said complaints to the department after Sandy showed many consumers did not understand that their homeowners policy does not cover flood. The fact that 50 percent of affected homeowners did not have flood insurance when the Oct. 29 storm brought storm surge that was measured as high as 15 feet in some places underscores the point. He told Assembly members that the responsibility for educating consumers rests with the department in part, but agents will also need to do their part to ensure buyers know what they are purchasing.While education is important, some degree of uniformity is also needed, Lawsky said. "We need to have a very serious discussion, with all of you and others about what we can do to make polices, especially homeowners policies, a little more uniform and a little bit easier to understand," he said. "I would hazard to guess that if we went around this room, and we all had to admit whether we understand what is in our homeowners policy and what is not, many of us would say we do not."Lawsky said complaints to the department "have been overwhelming," with over 3,000 filed since the storm. While that amounts to less than 1 percent of the total number of claims insurers have dealt with, it remains a firm indicator that there are problems with the way insurance addresses catastrophes in New York, he asserted.Lawsky said among the top complaints the department feels are legitimate are those concerning speed and response time, mortgage holders retaining insurance payments, and anti-concurrent causation clauses.New York has addressed the speed and response time to adjusting and resolving claims by cutting extensions and requiring adjusters to be out at a claim site in eight days instead of 15.Gov. Andrew Cuomo announced yesterday that the major holders of mortgage guarantees, Fannie Mae and Freddie Mac, would streamline their approval process to banks for insurance checks so payouts will get into the hands of homeowners sooner.On anti-concurrent causation clauses, Lawsky said it is one of the policy-language issues that require greater examination.Anti-concurrent causation permits denial of a claim when one of a multiple number of perils, occurring simultaneously, is excluded under the policy.During the hearing, Assembly Speaker Sheldon Silver said it “sounds to me like there is something inherently unfair in that,” and asked the superintendent if regulation could eliminate anti-concurrent causation clauses.Lawsky said he had to check, but he cautioned that the department needs to understand the impact of changes before it takes action. He emphasized, during questioning by other committee members, the need to balance consumer protection with market availability.“We need to be fair and watch out for unintended consequences,” said Lawsky. “We have to make sure that what we do to deal with an emergent circumstance makes sense for all the other days…and if not, we have to make sure we tailor them so they are only applicable when you really need them and do not have market disruption more broadly.”