Property Insurance Policy Coverage Trends Point to Less Coverage at Greater Cost

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Amy Bach of United Policyholders has a feel for the pulse of property insurance coverage trends that impact policyholders throughout the United States. She has a seat at the table with the National Association of Insurance Commissioners (NAIC) when discussing topics impacting insurance consumers. I was fascinated with the content of her speech at the California Association of Public Insurance Adjusters Annual Conference yesterday. If there is a macro view of the current coverage trend in standard insurance property insurance, it has to be one of shrinkage and fewer benefits for policyholders while insurance rates increase.

The title of Bach's speech, "A Flood of Issues on the Coverage Waterfront," should have switched the word "tsunami" for "flood" because the speed of policy coverage change is every bit as significant as the amount of change. My notes indicated that she covered the following national property insurance trends:

1. Managed Repair Requirements
2. Limitation or removal of water damage
3. Reduction or elimination of coverage for smoke
4. Roof repair valuation limits to actual cash value or scheduled
5. Equivalent repair versus like kind and quality
6. Expanded marring exclusions
7. Expanded exclusions for cosmetic damage
8. Reduced Matching Coverage

She also made the following observations:

1. Homeowners are increasingly being non-renewed or dropped by insurance companies they've been

insured with for decades.
2. Brand name insurers may not be an option in many markets.
3. Coverage in the residential market is being purchased through the non-admitted market, and even surplus lines carriers owned by admitted carriers is increasing.
4. States are having to institute non-renewal moratoriums following disasters while policyholders are trying to rebuild following widespread disasters.
5. Policies are increasingly being written through state-sponsored plans.
6. Some carriers are providing insurance to communities where significant change is needed to reduce or mitigate the wildfire risk.
7. The NAIC and a number of specific state insurance commissioners are working for changes through regulation and incentives to reduce loss severity and frequency from catastrophic risk.

The insurance coverage gap is problematic, as I have noted in *Insurance Coverage Gaps—An Increasing Insurance Crisis Which Needs To Be Addressed and Stopped*. But positive reform is not happening to stop the problem. In fact, Amy Bach highlighted that these coverage gap problems are getting worse for policyholders.

What can a policyholder do about it? Not much except to find and work with the best insurance agents. Amy Bach correctly noted that consumers are not the best at shopping for themselves because they typically look only at price versus a full understanding of major risk management issues they face. Valuation gaps exist and are growing by insurers selling new policies with less coverage through subtle changes to policy wording that consumers and regulators often do not discern as significant.

Amy Bach and I had dinner the night before her speech. She was discussing the upcoming NAIC meeting to be held in Tampa on December 12-16. We both expressed a concern that the insurance industry proclaims statistics that often are non-transparent and without full backup to support its various agendas. The increasing policy changes filed by the insurance industry often overwhelm many state regulators who simply do not have enough staff to analyze the requested changes nor expertise with property insurance to fully understand the significance of the proposed policy changes.

I will certainly be updating readers on the agenda and issues raised at the NAIC meeting. Since it is in Tampa, I will do my best to get more of an insider's report to you.