

Rutgers Law School in New Jersey Launches Project to Improve Homeowners' Insurance

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Rutgers Law School's Camden, N.J., location, in collaboration with United Policyholders, is seeking to improve homeowners' insurance nationally through its recently launched project.

The Rutgers Center for Risk and Responsibility at Rutgers Law School in Camden and United Policyholders have launched a national project that analyzes state laws to ensure policyholders are receiving essential insurance coverage.

"Policyholders need to know what they are buying, insurance companies need to deliver on the promises they make and state regulators have a responsibility to make sure that happens," said Jay Feinman, author of the project report, professor of insurance law, torts and contract law at Rutgers Law School and co-director of the Rutgers Center for Risk and Responsibility. "Last month was Hurricane Matthew, and the month before that was the California wildfires, so there is always something going on somewhere. This is important, even though it's not something most people focus on everyday."

The Essential Protections for Policyholders Project is a two-year project that focuses much of its research on consumers that file ordinary claims, examining what they are surprised or disappointed by and how some of the best states are protecting insurance consumers, Feinman said.

The Rutgers Center for Risk and Responsibility at Rutgers Law School explores the ways society makes choices about risk, its proper allocation and compensation for the harm caused when risks materialize, according to the project website. United Policyholders is a non-profit 501(c)(3) organization co-founded in 1991 by Amy Bach, a consumer advocate and attorney. Its mission is to be an information resource for consumers of all types of insurances in all 50 states, the website states.

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The project aims to identify and expand on essential protections in an effort to strengthen what can be a complicated and challenging process, as there is a significant knowledge gap in how homeowners' coverage varies nationally, according to Feinman. It focuses primarily on state legislation and regulation concerning the relationship between homeowners and insurance companies.

Protections the project found as essential for homeowners were selected by importance based on United Policyholders' and Feinman's experience in the insurance industry.

"For most state legislators, unless a lot of constituents face damage due to a flood, a wildfire or a tornado, this isn't a high priority issue," Feinman said. "We want to provide these resources for when they do focus on it more heavily."

A team of research assistants for the project examined the laws in place nationally across all fifty states and worked to evaluate which states were doing the best job protecting insurance consumers, Feinman said. The project outlines four key issues for insurance consumers: buying insurance, coverage, the claims process and disaster victims.

"This is not a wish list of what I would like to see every state doing; these are essential protections and the most important things that many states are already doing," he added. "They're practical, and we worked to boil it down into something that's manageable."

Although each state regulates insurance and insurance companies, states often differ dramatically in how much and what kind of regulation is provided for policyholders, the project website states, adding that the project serves as a guide every state can follow to improve homeowners' insurance coverage.

"With homeowners' insurance, it can be difficult to find out what a policy covers, and no insurance company is going to give you a copy of the policy in advance," Feinman said. "Even if they did, most people wouldn't understand it and wouldn't know how to compare it to other policies. People tend to shop on price rather than coverage and quality."

With this in mind, one change recommended for states is requiring insurance companies to offer a policy comparison tool as well as list the most important terms of the policy on their websites, Feinman explained. Additionally, it is recommended that states provide real information to help measure the

quality of each policy, he said.

“Right now, there are really only three measures of quality – commercials, which aren’t that valuable, and surveys and consumer complaint data, which aren’t always reliable,” Feinman said.

State insurance departments should put together indices based on data collected around the number of claims filed and how long it takes to resolve those claims, he stated. In most states, that information is private, but if it is made publicly available, it could help consumers assess the quality of coverage, he added.

“I don’t expect that any state will adopt the whole package, but as certain issues become important in particular states, we are able to say, ‘This is what everybody is doing currently, and here are our recommendations,’” Feinman said. “For example, I received a call from someone in a state regulator’s office recently who said they were thinking of exploring this topic and would like to know what other states are doing. I was able to send a 17-page memo based on this research saying, ‘Here is what other states are doing right now.’ So it’s a very important resource.”

One reason the project provides an important resource for state legislators, insurance companies and policyholders alike is that it goes beyond simply buying insurance, he explained.

“That’s certainly important, but one attraction of this project is that it is comprehensive and goes across the whole life span – from buying insurance, to questions consumers may have filing a claim, to what happens when lots of people have claims,” he said. “It addresses the whole process.”