

Rutgers Law School's Essential Protections for Policyholders report recommends improvements by states to help homeowners buy insurance

Rutgers University

Coverage, quality, and price are the top issues consumers need to consider when buying or renewing a homeowners insurance policy, but a report by the Rutgers Law School in Camden finds that most states do not require insurance companies to provide adequate information to consumers to help them make wise choices in buying insurance and choosing an insurance provider.

The report, "State Rankings of Homeowners Insurance Protections: Buying Insurance," is part of the Essential Protections for Policyholders project, an initiative of the Rutgers Center for Risk and Responsibility in cooperation with United Policyholders, an advocacy organization and information resource for insurance consumers.

Jay Feinman, the co-director of the Rutgers center, says most consumers do not know what they are buying when they choose homeowners insurance and an insurance company because companies only provide information about the price of coverage, but not other important facts. "Policies from different companies differ dramatically on what's covered and what's not covered," says Feinman, a distinguished professor at the law school. "The only way to know that is to look at the policies themselves. If the policies are available, state insurance departments, consumer groups, and even commercial websites can publish easy comparisons for ordinary consumers."

Only five states make homeowners insurance policy forms available online.

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The report also showed that no state requires that claims payment data be made available to consumers.

“As a result, insurers are free to make vague and unverifiable claims about the quality of their coverage,” says Daniel Schwarcz, a professor at the University of Minnesota Law School, and a leading insurance expert, whose research revealed the inadequacy of state regulations. “Consumers are forced to make ill-informed guesses about which companies are most likely to pay their claims when a large loss occurs.”

The report recommends that states publish data by company on what proportion of claims are denied, how long it takes to pay claims, and how many policyholders have to sue to receive payment.

The report recommends ways that states can help protect consumers. It calls for state insurance departments to post on their websites: the text of homeowners insurance policies used in the state, summaries of key terms of the policies and a tool consumers can use to compare terms, comparisons of premiums, and statistics about insurance companies’ practices in paying claims.

“State regulators can and should use their expertise to provide that guidance so consumers can shop for quality, not just low price,” says Amy Bach, co-founder and executive director of United Policyholders.

The report has been distributed to every state insurance commissioner and to the National Conference of Insurance Legislators.

The entire report is available at <https://epp.law.rutgers.edu/node/30>.

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