

[Rutgers/UP Report Recommends Law Changes to Protect Home Insurance Consumers](#)

Rutgers University

As homeowners affected by Hurricanes Harvey and Irma file insurance claims, many will find out that the level of protection they have when there are problems dealing with their insurance companies depends on the state where their damaged home is located.

Research by Jay Feinman of Rutgers Law School in Camden finds that most state insurance laws need to be revised to provide stronger protection to consumers when the company and policyholder disagree about claims, such as whether the cause of loss is covered by the policy, how much of the loss is covered, or how much it will cost to repair or replace damaged property.

The report, “State Rankings of Homeowners Insurance Protections: Consumer Remedies,” finds that only ten states require insurance companies to act reasonably in the claims process and enable policyholders to sue companies for failing to do so.

The report is part of the Essential Protections for Policyholders legislative reform 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.

Feinman, the co-director of the Rutgers center, says for an insurance policy to provide the protection and security it promises, the policyholder must have access to a fair, effective, and efficient process for resolving these disputes and for remedying any improper conduct by the company.

“Homeowners who do not receive prompt payment may have additional expenses due to being out of their homes and may suffer extreme aggravation and distress,” says Feinman, a distinguished professor at the law school. “If policyholders have to pay attorneys and incur other litigation expenses to get what they are entitled to, they are never fully compensated for their losses.”

“Insurance funds are make or break for an individual’s ability to rebound after a disaster,” says Amy Bach, executive director of United Policyholders. “History tells us that those funds don’t always flow as they should, and many have to fight to get the protection they’ve paid for.”

Feinman’s research shows that half of the states allow policyholders to sue insurance companies only if

they have intentionally or recklessly denied a claim. Nearly 15 states give consumers no remedy if insurance companies act wrongfully.

The report suggests that states should adopt a mediation program for property insurance disputes and adopt an appraisal process providing neutral parties to assess aspects of a claim. It also calls for states to prohibit companies from including clauses in insurance policies that force policyholders to arbitrate claims instead of giving them a chance to have their case heard in court.

The entire report is available at: epp.law.rutgers.edu. and <http://uphelp.org/guide/essential-protections-policyholders>

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