Testimony of Amy Bach, Executive Director, United Policyholders, NAIC Consumer Representative

Public Hearing on Catastrophe Claims, NAIC Fall National Meeting, Washington D.C.
Sunday December 2, 2012

1) UP recovery survey results document catastrophe claim handling deficiencies/problems. (See attachment)

2) States are implementing reforms via legislation, regulation, bulletins and negotiations with industry.

3) Some carriers are using best practices and flexibility during the claim process. (E.G. CEA, State Farm waiver of inventory itemization requirement)

4) “Normal” cat claim problems related to adjuster/training/deployment limitations, the availability of reputable contractors, price-gouging/demand surge increases are being aggravated by:
   - The trend away from all-risk to named peril policies with an ever-growing list of exclusions
   - Over-reliance and improper use of Xactimate repair cost estimating software
   - Improper use of the appraisal process
   - The (un)professional “circus” that comes to town after disasters

5) Reforms should include:
   a) Requiring that policyholder gets a complete, current copy of their policy as soon as possible after a loss and before any claim settlement offer is tendered.
   b) Giving policyholders the right to review all non-privileged copies of documents in their claims file
   c) Requiring carriers that rotate more than 3 adjusters in 3 months on a claim to give the policyholder written status reports
   d) Reforms that carriers have voluntarily agreed to, including:
      - Relaxing contents inventory itemization requirements
      - Advancing ALE, Dwelling and Contents payments to aid in recovery
   e) Reforms already implemented in Maryland, California, and elsewhere that include:
      - Min. 24 months of ALE
      - Min. 24 months to replace to collect full replacement value
      - Make appraisal informal and offer mediation options
      - Limit depreciation holdbacks under replacement cost policies