



Essential Protection for Policyholders
State Rankings of Homeowners Insurance Protections:
Buying Insurance

A report from
the Rutgers Center for Risk and Responsibility at Rutgers Law School
in cooperation with United Policyholders

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Consumers need information about three things when buying or renewing homeowners insurance policies: Coverage, Quality, and Price. If consumers have full, understandable information about insurance policies and insurance companies they are better able to make wise buying decisions, and that creates competition among companies that leads to better products and fairer prices.

Insurance companies typically only provide information about price. Government action is needed to provide consumers with more and better information. This report measures how well states provide information themselves and require insurance companies to provide to insurance consumers. Every state regulates homeowners insurance and insurance companies, but states differ dramatically in how much and what kind of regulation they provide for the benefit of consumers.

The Essential Protections for Policyholders project recommends a series of measures to give consumers the information they need:

About coverage

Insurance is the only product for which consumers don't know what they are buying before they buy it. Insurance companies almost never provide copies of policy language or complete summaries of policy terms to prospective policyholders. And what homeowners are buying can vary widely from one insurance company to another, with some major insurance companies providing coverage that offers much less protection than coverage provided in standard homeowners insurance policies.

Because policies vary widely among companies in what they cover and what they don't cover, consumers need ready access to policy forms and convenient comparisons of key terms to shop carefully for insurance. Publication of policy forms would encourage better shopping by consumers and the development of concise ratings of different policies by consumer groups and websites.

Insurance departments should post online

- *the homeowners insurance policies of all insurance companies doing business in the state, or at least those companies that have a significant market share, and*
- *a policy comparison tool that enables consumers easily to compare key terms of insurance policies.*

Insurance policies are complex legal documents. For a policyholder to evaluate a policy being considered for purchase, to determine whether to file a claim, or to resolve a dispute with an insurance company, the policy must be clearly organized and written in plain, non-technical language.

States should require insurance policies to be clearly organized and written in plain language.

Even insurance policies that are well-organized and readable often will not be read or understood by consumers; policies are necessarily long and complex and consumers are likely to not pay attention to the details of their policies until they have a potential claim. Therefore, shoppers and policyholders need to be provided accessible summaries of the terms that are likely to be most important to them. Some states require insurance companies to provide summaries after a policy is issued, but that is too late. Consumers need the information at the times when the information is most useful—when they are shopping for insurance or when they are considering renewing their policies. At the time of renewal, policyholders especially need to be informed about changes in terms.

States should require insurance companies to provide to consumers shopping for insurance clear summaries of key policy terms, and any new or altered policy terms in advance of renewal.

About quality

Quality is an important attribute of any product, including insurance. The two measures of quality for insurance are insurance companies' financial stability and their record of paying claims promptly and fairly. States do a good job of monitoring companies' financial stability, and easy-to-understand financial ratings are widely available. Claim practices are less closely regulated and the information on which consumers can compare companies is not publicly available.

Consumers need to be able to compare companies as to how promptly and fairly they pay claims. Statistics that would enable consumers to compare companies include what proportion of claims are denied, how long it takes to pay claims, and how many policyholders need to sue to receive payment. States currently collect this information and report it to the National Association of Insurance Commissioners, which aggregates the data and reports it to state regulators and insurance companies. Therefore, the only people denied access to this information are the ones who need it most—consumers shopping for insurance.

Insurance departments should post online information about insurance companies' practices in paying claims for consumers to view and compare.

As with information about coverage, many consumers will not closely examine statistics about claim payment practices, but consumer groups and websites can access the information to

develop easily understandable ratings of insurance companies that consumers can use in shopping.

Some states do post information about complaints that policyholders file with state insurance departments against their insurance companies, but complaint information is not a reliable indicator of quality. Only a small proportion of policyholders file complaints against their insurance companies even if they have a problem, and many of the complaints are not about issues arising out of claims.

About price

The Essential Protections do not include a standard for providing information about price. Consumers already tend to place more emphasis on price than on coverage and quality when buying insurance, and more information about price is available to them. But it is still helpful for states to provide tools by which consumers can easily compare prices among insurance companies, as about half the states do. Readily available price information encourages consumers to compare companies and ask about terms; if better information about coverage and quality was available, those factors would be more likely to influence consumers as well.

About the rankings:

The rankings in this report are based on how well states provide information about coverage, quality, and price through their insurance department websites, the most accessible form of information for consumers, and how well states require insurance companies to provide information to consumers.

The elements of the rankings include whether states provide:

- actual insurance policies posted online
- data about insurance companies' practices in paying claims
- summaries of key policy terms
- a tool consumers can use to compare policy terms
- general information about homeowners insurance policies
- comparisons of premiums.

For more details on these issues, including recommended statutory language and a survey of current law, refer to the Essential Protections for Policyholders website:

<https://epp.law.rutgers.edu/>

Key findings:

- No states received a five-star ranking because:
 - No state makes claims payment information available to consumers.
 - No state requires insurance companies to provide clear summaries of key policy terms to consumers shopping for insurance.
- Only five states make homeowners insurance policy forms available online.
- About a dozen states provide some tool that consumers can use to compare policy terms.
- Twenty-four states provide premium comparisons online.

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State Rankings — Buying Insurance

[None]	★★★★★	Virginia	★★★
Maine	★★★★	Connecticut	★★
Missouri	★★★★	Idaho	★★
Nevada	★★★★	Illinois	★★
Oklahoma	★★★★	Indiana	★★
Texas	★★★★	Iowa	★★
Alabama	★★★	Massachusetts	★★
Alaska	★★★	Michigan	★★
Arizona	★★★	Minnesota	★★
Arkansas	★★★	Mississippi	★★
California	★★★	Nebraska	★★
Colorado	★★★	New Jersey	★★
Delaware	★★★	New York	★★
District of Columbia	★★★	North Carolina	★★
Florida	★★★	North Dakota	★★
Georgia	★★★	Ohio	★★
Hawaii	★★★	Oregon	★★
Kansas	★★★	Pennsylvania	★★
Kentucky	★★★	Rhode Island	★★
Louisiana	★★★	South Dakota	★★
Maryland	★★★	Tennessee	★★
Montana	★★★	Vermont	★★
New Hampshire	★★★	Washington	★★
New Mexico	★★★	West Virginia	★★
South Carolina	★★★	Wisconsin	★★
Utah	★★★	Wyoming	★★

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