Coverage Gaps

Restoring Insurance Safetynets

A National Imperative
Speaker Panel

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United Policyholders

kellis soffer

Parker Public Adjusting

FAPIA

Florida Association of Public Insurance Adjusters
Course Overview

- Insurers are aggressively reducing coverage for property damage to protect their profits in our changing climate era

- State regulators are not reviewing every policy form change and new form to determine fairness and legality.

- Deviations from Standard NY fire form/ISO standard language are increasingly commonplace

- Judicial fiction that consumers can access and read policy contracts

- Consumers rely on promises made in ads and at the point of sale by insurance “experts”, not fine print
Coverage Gaps Are Scary for Policyholders

It would be funny if it weren’t true
This is not a new problem

it’s just getting worse
Course Overview

- Climate change brings increased claims
- Insurance should be primary source of funds to repair/replace
- Insurance funds falling short due to formulas and exclusions
● Limited review by regulators -- file and use

● These Unexpected limits leave homeowners without funds to repair/replace

“Honesty is the best policy. It’s also our most expensive.”

CartoonStock.com
Types of “gaps” in coverage

- Water damage claims, double digit percentage deductibles
- Exclusions for code upgrades
- Limitations on O&P on ACV payments (LA law)

Roof claims

- What we can do, individually and collectively
- Fannie mae, NAIC disclosure and notice
What is RISC?

RESTORING THE INSURANCE SAFETYNET
COALITION, A NATIONAL INITIATIVE

Restoring the Insurance SAFETYNET Coalition (RISC), A National Initiative

JUNE 22, 2021

The Restoring the Insurance Safety Net Coalition (RISC) is a national initiative launched by United Policyholders in 2020. The purpose of this initiative is to reverse the trend of insurance policy re-writes that are shrinking coverage for damage to homes. These re-writes are dangerously eroding insurance safety nets that homeowners are paying for and expecting to be able to rely on when

WWW.COVERAGEGAPS.ORG
RISC Goals:

- Document the erosion of residential insurance safety nets
- Engage w/regulators and lawmakers to establish minimum coverage standards and/or “essential benefits” that must be included in a property insurance policy
- Improve the delivery of insurance funds to finance post-disaster repairs and rebuilding by:
  - Improving fair and cost-effective loss valuation and coverage dispute resolution
  - Reducing fraud
  - Strengthening penalties for unfair practices
It’s gotten ugly...

Policy Trends

- % and peril-specific deductibles
- Exclusions/Limitations
  - Water damage
  - Smoke/Embers (valid/invalid)
  - Roof repair limits (charts, ACV only if 10 yrs+)
  - Equivalent construction vs. LKQ
  - Marring/Cosmetic (hail)
  - No payment to match
Where there’s smoke...there are attempts to limit coverage

3. Smoke Damage.

c. Has been deleted in its entirety.

d. Dispute resolution of smoke damage claims:

i. any dispute regarding whether smoke damage has occurred will be resolved by either Method 1 or 2 below (at your election):

Method 1: The insured and the insurer will each select a competent and disinterested person, and those two will select a third person (the Umpire) all in the same manner provided in the Condition 9, Appraisal, below, except that the insurer will pay the reasonable cost of the insured's competent and disinterested appraiser, in an amount not to exceed the amount paid to the insurer's competent and disinterested appraiser. The three people will inspect the premises and decide by majority vote whether they can see or smell smoke damage, and their decision is binding. If there is smoke damage, the claim will then be adjusted to determine the amount of the loss.

Method 2: A single, sole neutral Umpire can decide whether there is smoke damage. If the parties cannot agree on the identity of that individual, a judge of a court of record in the State of California will select the Umpire. The FAIR Plan will pay the fee for the Umpire.

ii. if the parties agree there is smoke damage, or smoke damage has been found using Method 1 or 2 above, but the amount of the loss is in dispute, that issue of the amount of loss will be decided by a new appraisal, as set forth at Condition 9, Appraisal below.
Up On The Roof...

Why roofs?

Increased in frequency and severity:

- Hurricanes and tropical storms
- Hail and windstorms

Types of limitations on roof claims:

- Causation
- Wind/hail deductible
- Matching
- Ordinance and Law
- ACV
- Roof depreciation chart—limits based upon age and roofing material
## Up On The Roof...

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The Roof Surfaces Endorsement provisions apply in addition to the applicable deductible.
System Flaws

Marketplace structural flaws

- Consumer dependent on ads or a sales person to explain what they are purchasing
  - Ads are in conflict with what the contract actually does
  - Many times agents/brokers don’t know what the policies they sell exclude

- Tension between keeping premiums down vs. quality of coverage
  - Increases are related to reinsurance rates
  - Fraud - unlicensed activity

- SUGGESTED easy to understand messaging include:
  - “Are you sure you’re insured?”
  - Diminishing coverage for legitimate claims DOES NOT protect policyholders
“Insurance doesn’t make you happy very often, so we thought that the advertising should have a smile to it,” Martin Agency chief creative officer Joe Alexander told The New York Times.

“We use humor to forge a bond with our customers. But we never make light of a situation when there’s an accident.”

Progressive leader of marketing strategy Cat Kolodij.
You’ve Seen Them
You’ve Seen Them
Restrictive Policy Forms and the 2021 Legislative Session in Florida

- QUASI GOVERNMENTAL FLORIDA INSURER OF LAST RESORT with UP TO 70% MARKET SHARE AT ONE POINT

- ON WATER LOSSES - CONSUMERS MUST CHOOSE BETWEEN - FORCED MANAGED REPAIR PROGRAM or $10,000 CAP ON WATER LOSSES
RCV vs ACV

What do Fannie and Freddie have to do with this?

LOAN SERVICING GUIDELINES

coverage must provide for claims to be settled on a replacement cost basis. “[1]


IS THE LOAN FEDERALLY BACKED?

YOU CAN LOOK IT UP

https://www.knowyouroptions.com/loanlookup

Rocket Mortgage - “90% of all mortgages are backed by Fannie Mae and Freddie Mac”
Arguments/strategies for getting around ACV and other limits

- If the policyholder was required to sign a disclosure or acceptance letter for the ACV endorsement, was this done?
- Does the wording of the endorsement state that ACV coverage always applies to roof losses from specific perils, or does it revert to full replacement cost benefits if it is agreed that the entire roof must be replaced instead of a partial repair?
Example of an acknowledgment an ACV endorsement:

Acknowledgement of Roof Surface Provisions

I understand that the policy I am buying may have specific provisions regarding roof surfaces damaged or destroyed by windstorm or hail.

If my policy includes the Roof Surface Endorsement, in the event of a covered loss to roof surface(s) damaged or destroyed by windstorm or hail, if the damage or destruction requires replacement of the roof surface(s) or if the cost to repair the damaged or destroyed roof surface(s) exceeds the cost of the replacement of the roof surface(s), then the Roof Surface Endorsement will apply and the Roof Surface Payment Schedule may apply.

The Roof Surface Payment Schedule indicates the applicable percentage based on my roof surface type and the age of my roof as indicated on the Policy Declarations that will be applied to the replacement cost for all roof surface components and installation. This also includes the applicable overhead, profit, labor, taxes and fees associated with replacement of the roof surface(s). If the Roof Surface Payment Schedule applies I may not be reimbursed for 100% of the replacement cost of my roof surface(s).

The Roof Surface Endorsement which includes the Roof Surface Payment Schedule may be applicable to any policy at initial policy inception or at a future renewal date. The triggering of the application of the Roof Surface Payment Schedule to my policy is based upon my roof surface type and/or roof surface age.

If my policy does not currently include the Roof Surface Endorsement, I also understand that I will be notified in writing prior to the first effective date of any renewal policy in which I will have the Roof Surface Payment Schedule applied so that I have the opportunity to replace my roof. If I replace my roof, I will be required to provide proof of such replacement in order to maintain or select Roof Surfaces Extended Coverage Endorsement. Roof Surfaces Extended Coverage Endorsement will reimburse me for the cost to repair, rebuild or replace my roof surface (s) in the event of a covered loss due to windstorm or hail.

Please sign and date this form acknowledging your understanding of the above.

Name of Applicant/Insured

Signature of Applicant/Insured

Date

Application/Policy Number

Home Office: Nahakrook, IL

ACV ENDORSERS
Policyholders Don’t Find Out What They Don’t Have Until It’s Too Late

“For many policyholders, insurance is the most conceptually confusing industry they will interact with over the course of their lives”

Dax Craig, 5 Steps to Successful Communication on Homeowners’ Coverage, Property Casualty 360, 10-9-2013
Insurance Consumer Advocacy & Activism

Getting to the Grassroots Efforts

- Develop a clear message to share and repeat it over and over again adjusting as needed
- Public Adjusters need to educate their policyholder clients
- Get clients to complain directly to regulators - Make it easy for them
- Get clients to use social media
- Get them to call their local elected officials - data is everything
- Identify stakeholders - Work with consumer groups like United Policyholders at a local level
- Work with and develop relationships with elected officials - become a resource
Working with stakeholders to advance solutions

IDENTIFY YOUR STAKEHOLDER GROUPS AND SHARE YOUR MESSAGE

- PUBLIC OFFICIALS - BOTH STATE AND LOCAL
- CONSTITUENTS
- REGULATORS
- THE FEDERAL ADVISORY COMMITTEE ON INSURANCE PROJECTION GAP SUBCOMMITTEE
- THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS
- THE NATIONAL CONFERENCE OF INSURANCE LEGISLATORS
- CONSUMER GROUPS - LIKE UNITED POLICYHOLDERS
- PUBLIC ADJUSTER ASSOCIATIONS NATIONALLY AND AT THE STATE LEVEL
Some State by State Legislative Efforts Can Include

- Statutorily required disclosures on any policy language that reduces coverage
- Awareness and education about what kind of policies to avoid whenever possible = voicesofpolicyholders.com
- Long term project - is a minimum standard policy the answer?
- Statutory minimum requirements - use of industry standards by preferred vendors - easy sell
- Significant premium discounts when essential coverage is diminished
- Data collection - request data from state regulators about consumer complaints
  - Note - they may not be tagging the data correctly with keywords
- Sharing information with our friends at United Policyholders
- Media - letter to the editor opinions
Visit www.voicesofpolicyholders.com

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866.235.6489

In Cooperation With

United Policyholders
FAPLA
Rutgers Center for Risk and Responsibility
Finding Solutions is a National Imperative

- Q&A
- Want to help? Send policies of concern to: policies@uphelp.org

Data collection and availability is one of the primary hurdles that policyholder advocacy non-profits encounter during legislative and public outreach.

YOU can make a difference. Sending a policy or other information takes just a few minutes.