



## *Essential Protections for Policyholders*



## **Executive Summary**

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 policyholders. The Essential Protections for Policyholders provide a roadmap in four categories that every state can follow in improving homeowners insurance.

2019

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

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

## Essential Protections When Buying Insurance

Consumers need readily available, easily understandable information about the insurance policies available to them and the insurance companies that offer those policies to shop effectively for insurance. The Essential Protections aim to give consumers full, understandable information about insurance policies and insurance companies so that they can make wise buying decisions and to create competition among companies that leads to better products and fairer prices.

Consumers should have easily available, understandable information and tools for comparing coverage in insurance policies.

- Insurance departments should post online commonly used policy forms and comparisons of key policy provisions for consumers to view and compare.

Consumers should have easily available, understandable information about insurance companies' claim practices.

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

Policyholders should be given clear information about their own insurance policies.

- Insurance policies and notices to policyholders should be clearly organized and written in plain language.
- Insurance companies must give to applicants for insurance and policyholders at the time of renewal clear explanations of key policy terms, significant limitations and exclusions, the need for and availability of additional insurance for natural disasters, and any new and altered policy terms in the case of renewal.

## Essential Protections for Coverage

All homeowners need basic protection from their insurance policies and many buy additional protection. The Essential Protections require that policies contain minimum guarantees of protection and that companies offer some kinds of additional protection. Policyholders also need to be protected against unfair cancellation or nonrenewal of their policies, and the Essential Protections set standards there, too.

Homeowners' insurance policies should contain minimum guarantees of protection and insurance companies should offer essential additional coverages.

- Every homeowner's insurance policy should contain essential terms and coverage, and policyholders at the time of purchase or renewal should be able to purchase additional important coverage.

Consumers should have the opportunity to purchase reasonable amounts of coverage under replacement cost homeowners insurance policies.

- Insurance companies should provide accurate and up-to-date information about the value of insured property so that policies contain appropriate limits.

Homeowners insurance policies should have rules about causes of loss to avoid unfair gaps in coverage.

- Policyholders should be compensated for losses due to covered causes.

Insurance companies must observe reasonable standards for canceling and renewing policies and reporting claims

- Insurance companies may not use an inquiry about a loss or a single claim as the basis for cancellation, nonrenewal or premium increase of a policy.

## **Essential Protections in the Claims Process**

The protection and security that an insurance policy provides must be guaranteed by a fair and efficient claims process. The Essential Protections require insurance companies to provide information to insureds about the claims process and to implement reasonable standards for processing, investigating, evaluating, and paying claims.

Insurance companies must provide policyholders with essential information about the claims process.

- After a claim has been initiated, insurance companies must provide policyholders with information about the claim process and policyholder rights and, upon request, with a copy of the claim file.

Insurance companies must observe reasonable time limits in the claims process.

- Policyholders should have reasonable time limits for filing claims and, in case of a dispute, for filing litigation against the insurance company.

Insurance companies must observe reasonable standards in the claim process.

- Insurance companies must promptly, fairly, and objectively process, investigate, evaluate, and resolve claims.
- Insurance companies must observe reasonable standards for determining the amount of loss.
- Policyholders should have access to efficient, effective means of dispute resolution.
- Insurance companies must not unreasonably pressure policyholders to settle claims.

Policyholders must have effective remedies if insurance companies act unreasonably.

- If an insurance company acts unreasonably, a policyholder should be able to sue and recover damages, including attorneys' fees, that are adequate to fully compensate for its loss and to deter wrongful behavior by insurance companies.

## **Essential Protections for Disaster Victims**

Policyholders who suffer losses due to natural disasters such as hurricanes, wildfires, or tornadoes face all of the potential problems that other policyholders confront and more. Many of the Essential Protections for Policyholders that apply in other circumstances are extremely important for disaster victims as well but disaster victims need additional protections as well.

Disaster victims should have flexibility in coverage provisions and the claims process.

- Policyholders after disasters should have a reasonable time for additional living expense and for filing claims.

Disaster victims should be protected against sudden dislocations in the insurance market.

- Insurance companies may not decline, cancel, nonrenew, surcharge, or increase premiums because of disasters.

*For more on the Essential Protections for Policyholders project, contact:*

Professor Jay Feinman  
Rutgers Law School  
Co-Director,  
Rutgers Center for Risk and Responsibility  
[feinman@law.rutgers.edu](mailto:feinman@law.rutgers.edu)  
856-225-6367

Amy Bach  
Executive Director  
United Policyholders  
[amy.bach@uphelp.org](mailto:amy.bach@uphelp.org)  
415-393-9990 ext. 101



Rutgers Center for Risk and Responsibility  
Rutgers, The State University of New Jersey  
217 North Fifth Street  
Camden, New Jersey 08102