

Improving the Market for Homeowners Insurance

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ABSTRACT

Markets need information, and better information produces better markets. Consumers need information about products' features, price, and quality to shop effectively. When they have that information, their buying choices spur competition that produces better products with desirable features at lower prices.

The market for homeowners insurance provides reasonable information on price but lacks basic information about the features of policies and company quality. Consumers have little access to information about the coverage terms of policies being offered or the quality of companies that are offering them, so they often make poor choices in purchasing homeowners insurance. The results can be catastrophic for them; homeowners insurance protects what is the largest asset many families have—their home. Limited coverage for a significant loss can have devastating financial and emotional consequences. The effects can spread throughout a community, particularly in the case of losses to many homeowners due to a catastrophe such as a wildfire.

This article explores the information available in the homeowners insurance market and suggests potential improvements. It suggests that regulators improve information about coverage by publishing online the full text of policies and coverage summaries and that they improve information about quality by publishing claim statistics. In both cases, the Rutgers Center for Risk and Responsibility at Rutgers Law School has done the basic research, and the article includes templates to implement the coverage and claims quality summary.

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Even in the absence of regulatory action leading to the publication of the text of policies, a coverage summary, and claim statistics, and even if those proposals are adopted, there is room for independent, noncommercial intermediaries to intervene in the market to provide better information to consumers. Our Center also has taken a first step to similarly improving the market for homeowners insurance. RU InsureScore, discussed in Part IV, emulates Consumer Reports ratings in providing an evaluation of the coverage provided by eleven of the twenty largest homeowners insurers, using the familiar hundred-point, five-star scales.

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I. INFORMATION IN THE HOMEOWNERS INSURANCE MARKET

In the market for homeowners insurance, a potential insured needs information about four things: (1) the coverage provided by the policy; (2) the price of the policy; (3) the financial stability of the insurer; and (4) the insurer's record of serving policyholders, which includes general customer service and, most importantly, its record of paying claims.

This section summarizes the extent to which homeowners currently have access to reliable, understandable information in each of those categories. In each category, the section examines information provided by the market itself, information provided or mandated by legislative and administrative regulators, and the demonstrated and likely effectiveness of the information to a consumer shopping for homeowners insurance.

A. COVERAGE

Personal lines insurance markets possess a distinctive feature: Insurance consumers generally do not know what they are buying before they buy it. General information about the coverage provided by homeowners insurance is widely available and easily accessible.¹ However, information about what is covered in individual policies is not. Insurance companies usually do not provide copies of policy language or complete summaries of policy terms to prospective policyholders prior to purchase.²

Innumerable websites of insurance companies, agents and other commercial intermediaries, nonprofit organizations, and general information sources provide basic information about the contents of homeowners insurance policies and buying tips for consumers.³ Different information

¹ Information is easily accessible if a typical consumer both can find the information easily and readily understand it.

² Daniel Schwarcz, *Reevaluating Standardized Insurance Policies*, 78 U. CHI. L. REV. 1263, 1322 (2011).

³ E.g., *What is homeowners insurance and what does it cover?*, STATE FARM (Oct. 12, 2022), <https://www.statefarm.com/simple-insights/residence/what-is-homeowners-insurance-and-what-does-it-cover>; Shivani Gite, *Homeowners insurance basics*, INSURE.COM, <https://www.insure.com/home-insurance/basics.html> (last updated May 31, 2023); *Homeowners Buying Tips*, UNITED POLICYHOLDERS, <https://uphelp.org/buying-tip-type/homeowners/> (last visited Feb. 25, 2024); *Homeowners Insurance Buying Guide*, CONSUMER REPORTS, <https://www.consumerreports.org/money/homeowners-insurance/buying-guide/> (last visited Feb. 25, 2024); *Homeowners Insurance Basics*, INS. INFO. INST., <https://www.iii.org/article/homeowners-insurance-basics> (last visited Feb. 25, 2024).

providers offer different levels of detail, from very basic and anodyne to extremely detailed and useful. Even the most detailed, however, is educational at a general level. This level of detail is designed to better inform consumers as they embark on the process of shopping for homeowners insurance and comparing policies rather than to provide specific details of individual policies.

The shopping process may involve web searches or direct contact with companies or agents. Referral sites typically will collect basic information on the homeowner and the property and then provide quotes from or links to a limited selection of insurers. The process does not provide a detailed account of the terms of each of the policies offered. Agents can provide more detailed information, but the extent of the information depends on whether the agent is independent or captive, the quality of the agent, and the information requested by the consumer.⁴

A decade ago, Daniel Schwarcz summed up regulators' actions in making information available to consumers as “transparently opaque.”⁵ “In both property/casualty and life insurance—the two insurance arenas that the states predominantly regulate—lawmakers and regulators have routinely resisted transparency-oriented consumer protections”⁶ The situation today is largely unchanged, especially with respect to the terms of coverage.

Statutes in numerous states require that insurance policies be in plain language and comply with a readability requirement.⁷ For example, in New Jersey, insurance policies and certain other consumer contracts must be “written in a simple, clear, understandable and easily readable way”⁸ Implementing regulations by the Department of Banking and Insurance dictate, among other things, that policies be printed in no less than 10-point type, contain a table of contents or index if they are more than 3,000 words long, and attain a Flesch reading ease score of 40 or more.⁹

⁴ Schwarcz, *supra* note 2, at 1328–32; Daniel Schwarcz & Peter Siegelman, *Insurance Agents in the 21st Century: The Problem of Biased Advice*, in RSCH. HANDBOOK ON THE ECON. OF INS. L. 36 (D. Schwarcz & P. Siegelman eds., 2015).

⁵ See generally Daniel Schwarcz, *Transparently Opaque: Understanding the Lack of Transparency in Insurance Consumer Protection*, 61 UCLA L. REV. 394 (2014).

⁶ *Id.* at 396 (internal citation omitted).

⁷ Jay M. Feinman, *Improving State Regulation of Homeowners Insurance: The Essential Protections for Policyholders Project*, 24 CONN. INS. L.J. 163, 168 n.15 (2017); see generally Michael A. Blasic, *The Rise of Plain Language Laws*, 76 U. MIAMI L. REV. 447 (2022); KYLE LOGUE, DANIEL SCHWARCZ & BRENDA J. CUDE, *The Value and Reality of Transparent Consumer Insurance Contracts* 10–12 (2022).

⁸ N.J. STAT. ANN. § 56:12-2 (West 2023).

⁹ N.J. ADMIN. CODE 11:2-18.4 (2024).

Requirements like these are modestly helpful to consumers in interpreting a policy after the fact, but their effect on the buying process is minimal. As noted, copies of the policies, no matter how readable, are rarely available prior to purchase. Even then, plain language insurance policies are incomprehensible to most consumers. Most policies are poorly organized from the consumer's perspective, contain highly technical terms and provisions, and require consumers to anticipate loss situations that might arise that could lead to disputes with insurers.

Several states require insurers to provide more specific information, such as “a summary disclosure that offers a simple explanation of the major coverages and exclusions.”¹⁰ Regulators in some states require insurers to disclose some specific policy terms, such as exclusions for earthquake or flood¹¹ or whether the policy provides for replacement cost or actual cash value.¹² However, the required disclosures typically are only general in nature and do not compare the terms of a policy being offered to other policies.¹³

Six states have taken more significant steps toward providing information by mandating that all policies or the policies of the largest insurers be posted online.¹⁴ This requirement at least makes the information

¹⁰ COLO. REV. STAT. § 10-4-111 (2023). *See also* N.J. STAT. ANN. § 17:36-5.36 (West 2023).

¹¹ *E.g.*, 18-700-702 DEL. ADMIN. CODE § 5.1.1 (LexisNexis 2023) (flood); N.J. ADMIN. CODE § 11:1-5.5 (2024) (flood); N.Y. INS. LAW § 3444 (McKinney 2023) (mudslide or flood); VA. CODE ANN. § 38.2-2129 (West 2023) (earthquake); CAL. INS. CODE § 10089.28 (West 2023) (earthquake).

¹² MD. CODE ANN., INS. § 19-205 (West 2023).

¹³ *E.g.*, COLO. DEP'T OF REGUL. AGENCIES, DIV. OF INS, BULL. NO. B-5.15, SUMMARY DISCLOSURE FORMS FOR HOMEOWNERS, CONDOMINIUM OWNERS, RENTERS, & DWELLING FIRE INSURANCE (2017); N.J. ADMIN. CODE § 11:2-41, App'x Exh. A (2015).

¹⁴ *Homeowners/Renters/Condominium Owners Coverage Comparison*, CAL. DEP'T OF INS., https://interactive.web.insurance.ca.gov/apex_extprd/f?p=143:1 (last visited Feb. 25, 2024); *Homeowners Policies*, MO. DEP'T OF INS., https://insurance.mo.gov/consumers/home/homeowners_policies.php (last visited Feb. 25, 2024); *Homeowners Insurance Comparison*, OFF. OF PUB. INS. COUNS., https://www.opic.texas.gov/resources/policy-comparison-tool/homeowners-insurance-comparison/?insurance_id=2_ (last visited Feb. 25, 2024); *Homeowners Policy Comparison*, DEP'T OF PRO. & FIN. REGUL., <https://www1.maine.gov/pfr/insurance/consumers/consumer-guides/homeowners-policy-comparison> (last visited Feb. 25, 2024); *Policy Forms Used by the 10 Largest Home Insurance Groups in Nevada*, NEV. DIV. OF INS., <https://doi.nv.gov/Consumers/Homeowners-Insurance/Policy-Forms/> (last visited Feb. 25, 2024); *Policy Forms Used by the 10 Largest Homeowners' Insurance*

available, although processing it still is a difficult task for consumers. Surely, very few consumers know of the policies' availability, go to the website, download competing policies, consider loss situations that may arise, and parse the terms of the policies. Two of these six states have gone further, however, and provide policy comparison tools. The Texas Office of Public Insurance Counsel and the California Department of Insurance websites break down the type of coverage and type of payment for dwelling and personal property and then summarize a few key issues including water damage, mold, and additional living expense.¹⁵

As a result of the lack of information about coverage of particular policies, consumers must either invest considerable time into search costs when shopping or proceed with minimal knowledge of what they are buying. Even if consumers are diligent, in all but a few states, the information available is limited and usually will not include a copy of the policy itself. Consumers, therefore, proceed on general information and common knowledge, which is limited at best and mistaken at worst. A survey by the Insurance Information Institute in 2016 drew two unsurprising conclusions. Most homeowners understand some basics of their insurance policies, but they have significant gaps in their knowledge—both in what *is* and *is not* covered.¹⁶ Ninety-one percent of homeowners knew their insurance covered fire damage and sixty-nine percent understood that liability insurance covered medical costs for those injured on the property. However, even though seventy-two percent knew that hurricane storm surge is excluded, forty-three percent incorrectly believed that flooding from heavy rain is covered.¹⁷ The study also concluded that homeowners are “fuzzy on the details.”¹⁸ For example, while seventy-nine percent of consumers knew that theft coverage was provided, far fewer knew that theft coverage includes items stolen while not on the premises.¹⁹ Finally, the study itself was unclear

Groups in Oklahoma, OKLA. INS. DEP'T,
<https://www.oid.ok.gov/consumers/insurance-basics/home-insurance-policies/> (last visited Feb. 25, 2024).

¹⁵ *Homeowners Insurance Comparison*, *supra* note 14; *Homeowners/Renters/Condominium Owners Coverage Comparison*, *supra* note 14.

¹⁶ INS. INFO. INST., HOMEOWNERS INSURANCE: UNDERSTANDING, ATTITUDES, AND SHOPPING PRACTICES 1–2 (2017), <https://www.iii.org/sites/default/files/docs/pdf/pulse-wp-020217-final.pdf>. See also Jason Metz, *72% of Homeowners Don't Understand Essential Home Insurance Coverage*, FORBES (May 26, 2023, 9:16 AM), <https://www.forbes.com/advisor/homeowners-insurance/survey-homeownersinsurance-knowledge/> (stating that a majority of homeowners have basic misconceptions regarding their coverage).

¹⁷ INS. INFO. INST., *supra* note 16, at 2.

¹⁸ *Id.* at 9.

¹⁹ *Id.* at 7.

in some respects. It reported that seventy-one percent “correctly” reported that damage from burst pipes was covered,²⁰ but the definition of what type of pipe failure is covered varies significantly among policies of major insurers.²¹

B. PRICE

Two of the most famous slogans in American advertising history emphasize insurance companies’ promise to provide security: Allstate’s “You’re in Good Hands with Allstate” and the image of cradling hands, and State Farm’s “Like a good neighbor, State Farm is there,” with the clever jingle written in 1971 by a then little-known songwriter named Barry Manilow. However, the emphasis shifted to the price of insurance when GEICO claimed that “Fifteen minutes could save you fifteen percent or more on car insurance.” As such, Liberty Mutual aptly sums up the link between price and coverage by exhorting consumers to “Only pay for what you need.”

Comparative information on the prices of different homeowners insurance policies, in general, and for particular insureds, is widely available. At a general level, numerous sites provide average premiums on a state-by-state basis.²² Regulators facilitate the publication of data on price through the NAIC, which annually prepares a detailed, comprehensive report on premiums and other data.²³ Regulators also require the submission of premium data through SERFF. Some of the commercial websites simply republish the NAIC data, while others report on independent research.

When consumers shop for their own policies, companies quote premiums through agents and online. Many referral sites or online agents provide price comparisons. These sources generally require a shopper to provide information about themselves and the property to be insured, so the only cost is the time to input the information and the concern about being deluged with advertising. Even there, The Zebra promises: “No junk mail. No spam calls.”²⁴

²⁰ *Id.*

²¹ Jay M. Feinman, *What is a Protection Gap? Homeowners Insurance as a Case Study*, 27 CONN. INS. L. J. 83, 93–84 (2021).

²² Leslie Kasperowicz, *Average homeowners insurance rates by state in 2024*, INSURANCE.COM (Feb. 9, 2024), <https://www.insurance.com/home-and-renters-insurance/home-insurance-basics/average-homeowners-insurance-rates-by-state>.

²³ NAIC, DWELLING, FIRE, HOMEOWNERS, OWNER-OCCUPIED, AND HOMEOWNERS TENANT AND CONDOMINIUM/COOPERATIVE OWNERS’ INSURANCE REPORT: DATA FOR 2021 (Dec. 2023), <https://content.naic.org/sites/default/files/publication-hmr-zu-homeowners-report.pdf>.

²⁴ *Compare Home Insurance Quotes Side-by-Side*, THE ZEBRA, <https://www.thezebra.com/homeowners-insurance/> (last visited Feb. 25, 2024).

C. FINANCIAL STABILITY

A homeowner who buys insurance is buying security—the financial and emotional security that comes from the insurance company’s promise that it will indemnify them in the event of loss. The financial stability of the company is key to that security.

Independent rating agencies, of which A.M. Best is the largest, rate the financial strength of insurance companies, typically on some version of an A/B/C scale. The entire set of ratings is available only to subscribers, but web searches for the ratings of an individual company produce the relevant rating.

The Insurance Information Institute recommends that “you should consider a company’s rating from two or more agencies before judging whether to buy or keep a policy from that company.”²⁵ In fact, it is very likely that very few consumers bother to check on financial stability, and that is a rational decision because of the regulatory system in place to ensure financial stability.

Regulators provide little, if any, information about financial stability to consumers, but they do not need to. The incentive for the earliest forms of state regulation was to prevent insolvency, and the system has worked well.²⁶ Regulators license insurers and review a company’s capital and other measures of financial stability before initially issuing a license. Thereafter, regulators require and review periodic financial reports. If a company’s finances are questionable, regulators may investigate further and take action. Insurers are required to set aside reserves in amounts related to the policies they have written and their potential liabilities and to invest the reserves in a manner controlled by regulators.

As a result, the financial stability of insurers is almost universal, and few companies ever lack the resources to pay claims. Regulators placed eight insurance companies in liquidation in 2022 and fifteen in 2021, out of more than 2,500 property/casualty insurers. Even those numbers overstate the problem. In 2022, for example, five of the eight insolvent companies were Florida insurers, a product of that state’s “turbulent” market.²⁷ Finally, even

²⁵ *How to assess the financial strength of an insurance company*, INS. INFO. INST., <https://www.iii.org/article/how-to-assess-the-financial-strength-of-an-insurance-company> (last visited Feb. 25, 2024).

²⁶ JAY M. FEINMAN, *DELAY, DENY, DEFEND: WHY INSURANCE COMPANIES DON’T PAY CLAIMS AND WHAT YOU CAN DO ABOUT IT* 203 (2010).

²⁷ Hassan Javed & Tyler Hammel, *Fla. homeowners market accounts for majority of insurers liquidated in ‘22*, S&P GLOBAL (Jan. 30, 2023), <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news->

when an insurer is unable to pay claims, some or all its liabilities are covered by a state guaranty fund, which requires all licensed insurers in that state to pay in the event of a company's insolvency.²⁸

D. CLAIMS AND OTHER CUSTOMER SERVICE

The promise of security in a homeowners insurance policy is kept—or not—after a loss occurs. Policyholders expect that claims covered under the policy will be paid promptly and fairly. In addition, as with any business, consumers expect that their insurance companies will provide other forms of customer service. For example, consumers expect that a company will be available to answer questions, facilitate renewal and bill payment, and, increasingly, offer collateral services such as advice about loss prevention and even detection devices for the home.²⁹

Insurance company advertising often indirectly evokes the claim process by promoting a vague sense of security, as in the iconic Allstate and State Farm slogans.³⁰ More recently, Allstate promises to protect against “mayhem.”³¹ Likewise, Farmers Insurance touts its coverage for unusual situations through its tour of the “Hall of Claims” guided by actor J.K. Simmons and its slogan, “We know a thing or two because we’ve seen a thing or two.”³² Advertising such as this is institutional rather than factual, persuading consumers without providing relevant information on claim practices.

Against this background of warm-and-fuzzy insurance company advertising, a moderate amount of reliable data on insurance companies' customer service in general is available to consumers. Consumer Reports and J.D. Power provide well-regarded reports on customer satisfaction with

headlines/fla-homeowners-market-accounts-for-majority-of-insurers-liquidated-in-22-74049177#:~:text=Regulators%20placed%20eight%20insurers%20into,liquidation%20or%20rehabilitation%20in%202021.&text=Seven%20of%20the%20eight%20companies,in%202022%20were%20P%26C%20carriers.

²⁸ Julia Kagan, *State Guaranty Fund: What it is, How it Works*, INVESTOPEDIA (Oct. 29, 2021), <https://www.investopedia.com/terms/s/stateguarantyfund.asp>.

²⁹ *Insurance customer experience is changing: Here's what you should know*, INSIGHTS, <https://webhelp.com/news/insurance-customer-experience/#:~:text=Key%20insurance%20industry%20customer%20experience,on%20risk%20prevention%20and%20mitigation> (last visited Feb. 23, 2024).

³⁰ See Section I.B, *supra*.

³¹ See e.g., *Mayhem Competitive PickUp :30 | Allstate*, YOUTUBE (Mar. 8, 2023), <https://www.youtube.com/watch?v=Itfh8uOqAUI>.

³² See e.g., *Farmers Insurance Hall of Claims Parking Splat*, YOUTUBE (Jan. 27, 2019), https://www.youtube.com/watch?v=9D_UjEIpP4.

insurance companies.³³ The reports and the studies on which they are based are large in scope, reliable, and trustworthy. The ratings are widely distributed; Consumer Reports has six million members, many of whom probably refer to its consumer surveys.³⁴ Both organizations' ratings also are reported on by other entities and often featured in advertising, and consumers appropriately have come to rely on them. The ratings also include subcategories for consumer ratings specifically on claims satisfaction.³⁵

Actual statistics on claims quality are harder to come by. The principal means by which regulators provide information on insurers' claim practices to consumers is through the publication of consumer complaint data. Most consumer complaints are about improper claim practices.³⁶ Many states publish the data collected with a Consumer Complaint Index, showing the number of complaints relative to policies in force or premiums written or relative to complaints made against other insurers, which provides a simple measure to compare companies. The NAIC collects the information from the states on its Consumer Information Source website, allowing consumers to easily search for complaint data on individual companies.

The strength of consumer complaint data depends first on consumers identifying wrongful behavior and then on having sufficient incentives to report that behavior.³⁷ The reporting rate is low, as demonstrated by surveys of disaster victims by United Policyholders. One year after the Marshall wildfire in Colorado, for example, only thirty percent of survey respondents who experienced a claim problem with their insurance company filed a complaint with the Colorado Division of Insurance.³⁸ Regulators then must present the most relevant data in comprehensible form, which sometimes is not the case. Some states report an index based on complaints received by

³³ Press Release, J.D. Power, *Bundle Fumble? Rising Auto Insurance Premiums are Killing Home Bundles*, *J.D. Power Finds*, (Sept. 20, 2022), <https://www.jdpower.com/business/press-releases/2022-us-home-insurance-study>; Tobie Stanger & Kala Herh, *Best Homeowners Insurance Companies*, CONSUMER REPS. (July 1, 2023), <https://www.consumerreports.org/money/homeowners-insurance/best-homeowners-insurance-companies-a2677953960/>.

³⁴ CONSUMER REPORTS, ANNUAL REPORT 2022 (2022), <https://www.consumerreports.org/annual-report/2022/impact-report>.

³⁵ *E.g.*, Press Release, J.D. Power, *Increasing Severity and Longer Repair Times for Property Claims Test Limits of Insurers' Digital Tools*, *J.D. Power Finds*, (Feb. 23, 2023), <https://www.jdpower.com/business/press-releases/2023-us-property-claims-satisfaction-study>.

³⁶ *Closed Consumer Complaints by Reason*, NAIC, https://content.naic.org/cis_agg_reason.htm (last updated Feb. 23, 2024).

³⁷ Feinman, *supra* note 21, at 102–03.

³⁸ UNITED POLICYHOLDERS, MARSHALL WILDFIRE ONE YEAR SURVEY REPORT 5 (2021).

the department.³⁹ Others indicate the resolution of complaints with varying degrees of complexity, from “confirmed”⁴⁰ or “justified”⁴¹ to the NAIC’s eight categories of resolution.⁴² A few states do not even index complaints against the companies’ state market share, making comparison among companies very difficult for the consumer.⁴³

II. PROBLEMS AND PRINCIPLES

Part I discussed the information available to consumers when shopping for homeowners insurance. Information about price is readily available. Information about financial stability is available but unnecessary. Information about customer service in general is easily available. The two key information gaps are information about coverage and information about claims quality.

However, a problem still exists even if better information is provided. Homeowners tend to make poor decisions about insurance, which can be attributed to the limited information available to them only in part.

Section II.A first discusses the cognitive errors consumers typically make in selecting insurance. It then turns to mechanisms to limit consumers’ mistakes through the selection of information to be disclosed (Section II.B) and presentation of the information (Section II.C). The focus in this part is on coverage issues; claims quality is a simpler matter and is discussed in Section III.C.

³⁹ *E.g.*, MAINE BUREAU OF INS., 2022 HOMEOWNERS INSURANCE CONSUMER COMPLAINT COMPARISON (2023), https://www.maine.gov/pfr/insurance/sites/maine.gov.pfr.insurance/files/inlinefiles/homeowners_complaint_comparison.pdf.

⁴⁰ *E.g.*, *Insurance Complaint Reports*, COLO. DEP’T OF INS., <https://doi.colorado.gov/for-consumers/consumer-resources/insurance-complaint-reports> (last visited Feb. 26, 2024).

⁴¹ *E.g.*, *Consumer Complaint Study*, CAL. DEP’T OF INS., <https://www.insurance.ca.gov/01-consumers/120-company/03-concmlpt/index.cfm> (last visited Feb. 26, 2024).

⁴² *Closed Confirmed Consumer Complaints by Disposition*, NAIC, https://content.naic.org/cis_agg_disposition.htm (last visited Feb. 26, 2024).

⁴³ *E.g.*, Consumer Services, S.C. DEP’T OF INS., <https://doi.sc.gov/8/Consumers> (last visited Feb. 26, 2024); *Things to consider when looking at a company’s complaint*, OFFICE OF THE INS. COMM’R OF WASH. STATE, <https://www.insurance.wa.gov/things-consider-when-looking-companys-complaint> (last visited Feb. 26, 2024).

A. CONSUMER DECISION-MAKING IN THE PURCHASE OF INSURANCE

A principal tool in market regulation is the mandated disclosure of information to consumers. Credit card issuers,⁴⁴ food sellers,⁴⁵ health insurers,⁴⁶ and innumerable other entities are required to disclose information in summary form and often in full to prospective users.⁴⁷ The proposals in this article are based on the same principle—that information will improve consumer decision-making in the market. However, there are two potential problems.

First, the principal economic explanation for the purchase of insurance entails risk aversion and the diminishing marginal utility of money. People can maximize their utility by spending a small amount on insurance premiums to protect against a potentially larger and more damaging loss in the future.

In practice, people’s behavior often fails to conform to this account.⁴⁸ Consumers⁴⁹ often purchase insurance when it is economically irrational to do so, fail to purchase insurance when it is economically rational to do so, and purchase insurance in amounts and with terms that promise

⁴⁴ Credit Card Accountability, Responsibility, and Disclosure Act of 2009, Pub. L. No. 111-24, 123 Stat. 1734.

⁴⁵ Nutrition Labeling of Standard Menu Items in Covered Establishments, 21 C.F.R. § 101.11 (2024).

⁴⁶ Patient Protection and Affordable Care Act of 2010, 42 U.S.C. 18003(b)(1) (2010).

⁴⁷ Although mandated disclosure has a long pedigree, it still is controversial. *See, e.g.*, OMRI BEN-SHAHAR & CARL E. SCHNEIDER, *MORE THAN YOU WANTED TO KNOW: THE FAILURE OF MANDATED DISCLOSURE* (2014).

⁴⁸ HOWARD C. KUNREUTHER & MARK V. PAULY, *BEHAVIORAL ECONOMICS AND INSURANCE:*

PRINCIPLES AND SOLUTIONS 15–21 (Daniel Schwarcz & Peter Siegelman eds., 2015).

⁴⁹ “Consumers of homeowners insurance” is a very large category, and the departures from the prediction of risk aversion theory are not equally distributed. Context, wealth, and culture play a part. *See* Mohammadali Zolfagharian, Fuad Hasn, Golnaz B. Motie & Gregory D. Squires, *Perceptions of Home Insurance and Policy Directions: Comparing Mexican Americans and Non-Hispanic White Americans*, 54 J. CONSUMER AFFAIRS 417 (2020) (stating that Mexican Americans more likely to regard insurance as cost burden and more vulnerable to having limited or no insurance). *See also* Levon Barseghyan, Jeffrey Prince & Joshua C. Teitelbaum, *Are Risk Preferences Stable Across Contexts? Evidence from Insurance Data*, 101 AM. ECON. REV. 591 (2011) (discussing risk aversion in homeowners and auto collision deductibles).

suboptimal payouts.⁵⁰ For example, from an economic perspective, consumers tend to over-insure small losses and under-insure large losses. That is, consumers are more likely to purchase insurance against a risk that is more probable but will have little financial consequence to them, compared to a risk that is less likely but of greater financial significance.⁵¹ Similarly, many consumers buy irrationally low deductibles on their homeowners insurance.⁵²

Second, especially in light of the behavioral problems, providing information is not enough. Information must be provided to consumers that is accurate, useful, and accessible, and the manner of presentation must recognize some of the consistent errors consumers make and seek to correct them. “A good rule of thumb is that disclosure should be concrete, straightforward, simple, meaningful, timely, and salient.”⁵³

Three steps are involved in providing summary information that meets these standards. The first step is to identify the most important elements of insurance coverage and quality to bring to homeowners’ attention. This task is discussed in detail in the next Section II.B. The second step is to design the presentation of information in a way that will be most effective for consumers in the situations in which they will encounter it. The third step is to get the presentation into the hands of consumers at the moments at which it will be most relevant.

In design and presentation, consumers’ cognitive errors and market practices need to be considered. Providing a copy of the policy after purchase is an example of a bad technique; this action comes too late, fails to identify key features, and is impenetrable for many readers. Making sure that consumers have easy access to information is challenging.

The Summary of Benefits and Coverage mandated by the Affordable Care Act (ACA) and available on healthcare.gov is an effort to provide useful, well-designed, timely information to health insurance consumers. The aims, as articulated by its creators, provide useful guidelines.

⁵⁰ Daniel Schwarcz, *Insurance Demand Anomalies and Regulation*, 44 J. CONSUMER AFFS. 557 (2010).

⁵¹ See, e.g., Mark J. Browne, Christian Knoller & Andreas Richter, *Behavioral Bias and the Demand for Bicycle and Flood Insurance*, 50 J. RISK & UNCERTAINTY 141 (2015) (explaining how more policyholders purchase add-on coverage to their homeowners insurance to cover the risk of bicycle theft than to cover the risk of loss due to flooding).

⁵² Justin Sydnor, *(Over)insuring Modest Risks*, 2 AM. ECON. J.: APPLIED ECON. 177 (2010).

⁵³ Cass R. Sunstein, *Empirically Informed Regulation*, 78 U. CHI. L. REV. 1349, 1369 (2011).

We intend to provide a Web portal that provides information to consumers in a clear, salient, and easily navigated manner. We plan to minimize the use of technical language, jargon, or excessive complexity in order to promote the ability of consumers to understand the information and act in accordance with what they have learned.⁵⁴

The proposals in this article attempt to address these issues. The designs of the presentations are suggestive and could use fine-tuning by experts, testing with samples of consumers, and then redesigning. One of the proposals, the Coverage Summary, is based on the ACA's Summary of Benefits and Coverage. Marketing the finished product is challenging and will require continuing creative efforts by regulators, intermediaries, and others. Regulators can publish information online, advertise its availability, and even require insurers and commercial intermediaries to provide links to it or summaries at appropriate points in the selling process.

Humility is required, as whatever disclosures are implemented will proceed against a background of insurance marketing that is vast and well-financed. In 2022, three companies—GEICO, Progressive, and State Farm—each spent more than a billion dollars on advertising, with GEICO leading the way at over a billion and a half.⁵⁵

B. SELECTION OF INFORMATION FOR A SUMMARY

Homeowners insurance consumers often will not read and likely cannot understand the text of policies. Moreover, whatever the information given to them, they are likely to make errors in evaluating the coverages offered. To improve this situation, new tools are needed that are easier to access and improve choice. The first step in developing those tools is to select the information to be presented.

⁵⁴ Health Care Reform Insurance Web Portal Requirements, 75 Fed. Reg. 24470, 24471 (May 5, 2010) (already codified as 45 C.F.R. pt. 159,120, without referenced citation).

⁵⁵ Julia Faria, *Advertising spending of selected insurance brands in the United States in 2022*, STATISTA (Sept. 4, 2023), <https://www.statista.com/statistics/264968/ad-spend-of-selected-insurance-companies-in-the-us/>.

In the research that led to the forms described in this article, more than one hundred elements of homeowners insurance coverage were considered.⁵⁶ For consumers, this much information is neither necessary nor helpful. Instead, the project identified and prioritized key information.

The selection of the terms to be included in a summary is, of course, a normative question, not an empirical one. In the context of homeowners insurance as it currently is provided, which terms are more important for the buyer to consider? This question rests on a conception of homeowners' reasonable expectations of coverage.⁵⁷ Some principles that embody those expectations are:

- Coverage is provided for common causes of significant accidental loss.⁵⁸
- Coverage is particularly important to protect against large financial losses.⁵⁹
- Broad coverage is provided for covered losses, subject to the stated general deductible, without obscure limitations or exclusions.⁶⁰
- In a replacement cost policy, coverage is provided for complete repair of damage or restoration of property, subject to the general deductible.⁶¹

Two steps are needed to implement these principles. First, data must be gathered on the frequency and severity of losses. Frequent losses deserve more attention than rare losses and large losses more than small losses. It follows that frequent, large losses are most important. Second, issues that are most likely to arise in the claims process must be identified. Here, the measure is not the frequency and the severity of the loss but rather the frequency and severity of disputes between the insurer and the policyholder. Coverage terms that often present factual disputes, that are surprising to the policyholder, or that violate the reasonable expectations of coverage—deserve more attention.

The best source for data on frequency and severity is insurance company underwriting information, but only limited amounts are publicly available. Nevertheless, a variety of public sources provide some guidance.

⁵⁶ In his pioneering scholarly research, Daniel Schwarcz identified approximately two hundred elements. Schwarcz, *supra* note 2, at 1309.

⁵⁷ Feinman, *supra* note 21, at 91–95.

⁵⁸ *Id.* at 94.

⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ *Id.* at 95.

The III publishes nationwide data on frequency and severity.⁶² Insurance companies and their proxies, such as the Insurance Services Office (ISO), as part of their rate filings, report by-peril loss costs. Private entities that service the insurance industry often provide public summaries of their data.⁶³ Many of these and other sources often are reported in the trade press, which is helpful for updating.

Issues of importance in the claim process are less quantifiable. Organizations such as United Policyholders conduct studies of policyholder experience to better understand what issues commonly arise and are important to homeowners.⁶⁴ Less formal surveys of coverage and claim practices litigation and especially discussions with claims personnel, public insurance adjusters, coverage lawyers, and advocacy organizations highlight recurrent issues.

III. FILLING THE GAP: PROPOSED DISCLOSURES

Three disclosures are needed to fill consumers' information gaps about coverage and about claims quality: publication of the text of policies, a coverage summary, and a claims quality summary. California and Texas provide models for websites that publish all homeowners insurance policies in a state and four other states publish policies of the largest insurers in the state. For the coverage and claims quality summaries, the Rutgers Center for Risk and Responsibility has performed the background research and designed disclosure forms to fill the need. The forms are based on the underlying research described in Section II.B and in this Section, and they have been workshopped with experts to confirm their utility. The details and design of the form are tentative, so further research about consumer reactions can be used to fine-tune the presentation.

⁶² *Facts + Statistics: Homeowners and renters insurance*, INS. INFO. INST., <https://www.iii.org/fact-statistic/facts-statistics-homeowners-and-renters-insurance> (last visited Feb. 26, 2024).

⁶³ *E.g.*, GEORGE HOSFIELD, PRASANTH KAMBHATLA & ELIZABETH BOLDOC, LEXISNEXIS U.S. HOME INSURANCE TRENDS REPORT 23 (2021), https://risk.lexisnexis.com/-/media/files/insurance/white-paper/nxr15068-00-1021-en-us_home_trends_report_2021_final%20pdf.pdf; VERISK, 2022 EXECUTIVE INSIGHTS: HOMEOWNERS 2 (2d ed. 2022), https://productcenter-cdn.iso.com/2022-Executive_Insights_Homeowners_2nd-Edition.pdf.

⁶⁴ *Roadmap to Recovery Surveys*, UNITED POLICYHOLDERS, <https://uphelp.org/media/surveys/> (last visited Mar. 8, 2024).

A. DISCLOSURE OF THE TEXT OF POLICIES

A first step in providing useful information about coverage is obtaining the terms of coverage—the full text of policies—from insurers. As described in Section I, insurers almost uniformly refuse to disclose the terms of their policies to shoppers or others. Only six states publish online the policies of all insurers or the largest insurers in the state.⁶⁵ In the other states, consumers’ only access to policies is through SERFF, the electronic filing system provided by the NAIC.⁶⁶

It is an understatement to say that SERFF is not user-friendly and is not designed for consumer use. First, SERFF is designed to be comprehensive, but it is not in several ways. Some policies and endorsements simply are missing, and the companies on whose behalf ISO files policy forms are not identified. Second, it has limited search parameters with the only relevant restrictions being property and casualty insurance, homeowners insurance, company, and form, rule, or rate filing. Third, filings are listed roughly in chronological order, but no indication exists as to which policies are still being offered either on the search page or often in the documents themselves. Fourth, the “form” category includes full policies, endorsements, and more. Endorsements often are not designated as mandatory or optional. Therefore, the results of a search can be voluminous but confusing and incomplete.⁶⁷

The NAIC is in the middle of a three-year modernization of SERFF.⁶⁸ If and when the modernization is implemented, SERFF may be more user-friendly, but it is unlikely to be a useful resource for consumers.⁶⁹

⁶⁵ *Homeowners/Renters/Condominium Owners Coverage Comparison*, *supra* note 14; *Homeowners Policies*, *supra* note 14; *Homeowners Insurance Comparison*, *supra* note 14; *Homeowners Policy Comparison*, *supra* note 14; *Policy Forms Used by the 10 Largest Home Insurance Groups in Nevada*, *supra* note 14; *Policy Forms Used by the 10 Largest Homeowners’ Insurance Groups in Oklahoma*, *supra* note 14.

⁶⁶ *About the Systems for Electronic Rates & Form Filing (SERFF)*, NAIC, <https://www.serff.com/> (last visited Feb. 26, 2024).

⁶⁷ Homeowners Insurance Policy Search, SERFF Filing Access, NAIC, <https://filingaccess.serff.com/sfa/home/NJ> (last visited Nov. 6, 2023) (search conducted on Nov. 6, 2023, in the New Jersey SERFF access produced 3,334 filings on 167 webpages when using the parameters of Type = Property & Casualty and Type of Insurance = Homeowners).

⁶⁸ *SERFF Modernization*, NAIC, https://www.serff.com/serff_modernization.htm (last visited Feb. 26, 2024).

⁶⁹ *Transparency and Readability of Consumer Information (Property and Casualty)*, NAIC (Aug. 24, 2023), <https://content.naic.org/cipr-topics/transparency->

This is unsurprising, as it is primarily designed for filing insurers and regulators, and consumers cannot be expected to access it as a shopping tool.

Indeed, consumers generally don't read insurance policies even when they have access to them.⁷⁰ Consumers similarly are unlikely to understand the policies even if they have greater access to them.⁷¹ Insurance policies are long, complex legal documents; the current ISO HO-3 policy is 27 pages long.⁷² The organization typically is historical rather than logical. Many of the terms used are distinctive to insurance or have meanings distinctive to insurance. Grants of coverage, exclusions, exceptions to exclusions, and payment terms are scattered throughout the policy. Moreover, even understanding the language of the policy is not enough to weigh its effects. Few consumers have the experience or expertise to anticipate and appreciate the situations that might result in a loss that would require the application of the policy terms.

Although the publication of full policies would have little direct benefit to consumers, it would have considerable indirect benefit in making policies available to intermediaries.⁷³ Consumer Reports can easily acquire dishwashers to test and rate simply by going out in the marketplace and buying them. Consumer Reports and similar intermediaries, whether nonprofit or commercial, cannot acquire homeowners insurance policies as easily. If they could acquire policies, they would be able to provide the same type of accessible information as they provide for other consumer products.⁷⁴

Therefore, regulators should make available online homeowners policy forms of all insurance companies doing business in the state, or at least those companies that have a significant market share based on policies in force or premiums written. Insurance departments in practically every state already have sufficient legal authority to take these steps. Insurance companies are required to file policy forms with and typically have them approved by insurance departments. Although policies may be subject to copyright, departments in the exercise of their regulatory authority may

and-readability-consumer-information-property-and-casualty#:~:text=Opponents%20disagree%20with%20the%20public,which%20are%20not%20the%20same (noting that consumer advocate opponents argue that “many consumers do not read their policies in full”).

⁷⁰ Logue et al., *supra* note 7, at 2.

⁷¹ *Id.* at 17.

⁷² INSURANCE SERVICES OFFICE, INC., HOMEOWNERS 3 - SPECIAL FORM (HO 00 03 03 22) (2022).

⁷³ Schwarcz, *supra* note 5, at 399; Sunstein, *supra* note 53, at 1383–84.

⁷⁴ See *infra* Section IV.

publish the forms for the use of consumers.⁷⁵ Sometimes insurers and regulators argue that the policy forms used by insurers or the insurers on whose behalf ISO files forms are privileged, confidential, and proprietary.⁷⁶ This claim is absurd. Policies that are distributed by the tens of thousands or hundreds of thousands on behalf of commercial entities cannot be deemed privileged, confidential, or proprietary.

The California Department of Insurance and the Texas Office of Public Insurance Counsel publish all policies in their respective states and also provide a coverage summary. States easily can emulate the publication of policies. The coverage summaries are brief and address some important issues, but they are still tied to traditional organization and policy language. A better approach would be to use the Rutgers Homeowners Insurance Coverage Summary described in the next section.

B. THE HOMEOWNERS INSURANCE COVERAGE SUMMARY

Two steps underlie the Homeowners Insurance Coverage Summary. First, in selecting which terms to present, we relied on the principles and research described in Section II.B. on issues of importance in homeowners' selection of policies. Second, because homeowners policies usually are organized in ways that are confusing to consumers, we reorganized the terms to make the comparison more accessible.⁷⁷ These steps resulted in the following content and structure.

The terms first are divided into three parts:

Property insurance measures coverage for the insured's losses to the buildings, personal property, and related costs.

Liability insurance measures how well the insurance covers lawsuits brought by others for personal injury or property damage caused by the homeowner and insured family members.

⁷⁵ and other policies are copyrighted. General Questions, VERISK, <https://www.verisk.com/insurance/about/faq/> (last visited Feb. 26, 2024). Nevertheless, policies are publicly available through state SERFF access and on the websites of the few insurance departments that posts policies. See *supra* Section III.A.

⁷⁶ Telephone call with staff at New Jersey Dep't of Banking & Ins. (Jan. 7, 2021).

⁷⁷ This organization method was also used in RU InsureScore, as discussed *infra* in Section IV.

Other issues measures the policy's limitation on time for a policyholder to file suit and restrictions on payment due to the presence of a managed repair program.

Because property insurance is the most important category, it is divided into subcategories:

Things the insurance covers measure the types and amount of property and other potential losses the insurance covers.

Buildings measures coverage for the dwelling, other structures such as garages and fences, and damage to the land and foundation.

Personal property measures coverage for personal property. The assessment includes dollar limits on coverage of particular items, such as jewelry, silverware, and computers.

Additional coverages measures other types of losses often covered under homeowners insurance, such as damage to landscaping, identity theft, and many more.

Risks the insurance covers measures the causes of loss covered.

Buildings measures the causes of loss that the insurance protects against for the house and other structures. Coverage for buildings usually is provided on an open-perils or all-risk basis—any cause of loss is covered unless it is specifically excluded—rather than a named-perils basis. Even all-risk policies exclude many causes of loss, however.

Personal property measures the causes of loss that the insurance protects against for personal property. Policies vary as to whether they provide coverage on an open-perils or all-risk basis or a named-perils basis.

Water risk measures how well the insurance protects against water damage from both weather-related causes and other causes. Weather-related causes include floods (typically not covered), heavy rains that cause runoff, and backup of sewers and storm drains. Other causes include plumbing leaks, backup from drains in the house, and sump pump overflow.

Mold risk measures whether the policy covers testing for and treatment of mold, including mold that develops from water leaks or other sources, and whether there are dollar limitations on coverage.

Other risks measures some other important risks that the insurance may cover, including the definition and causes of a covered collapse, the breadth of coverage for a loss caused by both covered and uncovered causes, and others.

What the insurance pays measures how the insurance pays for damage to different types of property. Insurance policies contain dollar policy limits and dollar or percentage deductibles; those are individual to each home and are not assessed here. Instead, this item considers the standards used in measuring the loss for buildings and personal property and limitations on those standards. The available standards are Replacement Cost, Guaranteed Replacement Cost, Extended Replacement Cost, and Actual Cash Value. The category also measures other payment terms, as follows.

Law and ordinance coverage measures whether and how much coverage is available to pay the increased cost of repairing to comply with a building code that has higher requirements than the code in effect at the time the property was built.

Roof coverage measures whether the policy limits payment for roof repairs due to particular perils such as windstorm or hail, based on the age of the roof, or in other ways.

Additional living expense measures how long the insurance will pay for the cost of living away from home while repairs are being made.

Other payment issues measures other important elements of the standards for determining how much the insurance pays for repairs. Some elements include:

Like kind and quality. Whether undamaged property must be replaced with material of like kind and quality or common but not identical construction.

Matching. Whether undamaged property must be replaced to match the repairs to damaged property, as where damaged siding that is replaced would look different than the existing siding.

Cosmetic damage. Whether the policy pays for solely cosmetic damage to the property.

The ACA requires group health plans and health insurance issuers in the group and individual markets to provide a Summary of Benefits and Coverage that summarizes the benefits available under their plans to help consumers better understand their health coverage and to compare plans. The regulations under the ACA specify the template for the SBC that includes prescribed Important Questions, Answers, and Why This Matters, along with instructions for completing the template as to form and content.

We have used the general structure of the SBC form to the extent possible. In addition to basic elements, the ACA template includes Coverage Examples (e.g., “Peg is having a baby” and “Managing Joe’s Type 2 Diabetes.”) We have included a few Illustrations to provide similar information.

The project documents include a Blank Template, a Template with Options that prescribes the answers in standard form, and a Sample Completed Template. All documents are available on the Center’s website,⁷⁸ and the Template with Options is included as Appendix A.

⁷⁸ *Homeowners Insurance Coverage Summary*, RUTGERS CTR. FOR RISK & RESP., <https://crr.rutgers.edu/homeowners-insurance-coverage-summary/> (last visited Feb. 26, 2024).

C. HOMEOWNERS INSURANCE CLAIMS QUALITY SUMMARY

A key measure of quality for homeowners insurance is an insurance company's record of paying claims promptly and fairly—the record of keeping its promises. The Homeowners Insurance Claims Quality Summary provides a template for a summary of how promptly and fairly insurance companies pay claims.

Insurance companies currently report claims statistics each year to regulators on the National Association of Insurance Commissioners' Market Conduct Annual Statement.⁷⁹ The statistics reported include:

- Number of claims opened, closed with payment to policyholders or other claimants, and closed without payment;
- Median days to final payment;
- Number of claims closed with and without payment within 0–30 days, 31–60 days, etc.; and
- Number of suits by policyholders opened and closed.⁸⁰

The MCAS also uses Scorecard Ratio Formulas, including:⁸¹

- Number of claims closed without payment compared to the total number of claims closed;
- Percentage of claims paid beyond 60 days; and
- Lawsuits filed against the company during the period compared to claims closed without payment.⁸²

The NAIC website claims, “The MCAS is a collaboration of regulators, the insurance industry, and consumers who recognize the benefits of monitoring, benchmarking, analyzing and regulating the market conduct of insurance companies.”⁸³ Even so, consumers have little participation in the process or access to the information reported.

Forty-nine states already collect claim practice data and report it to the NAIC, which aggregates it and reports it in limited form to insurance

⁷⁹ CTR. FOR INS. POL'Y & RSCH., *Market Conduct Annual Statement (MCAS)*, NAIC, <https://content.naic.org/cipr-topics/market-conduct-annual-statement-mcas> (last updated Feb. 1, 2023).

⁸⁰ *Id.*

⁸¹ NAIC, MARKET CONDUCT ANNUAL STATEMENT – HOMEOWNERS (2020), https://content.naic.org/sites/default/files/inline-files/industry_mcas_data_collection_2020_homeowners.pdf.

⁸² NAIC, 2020 MARKET CONDUCT ANNUAL STATEMENT RATIOS (2020), <https://content.naic.org/sites/default/files/inline-files/2020%20Scorecard%20Ratios.pdf>.

⁸³ NAIC, *supra* note 79.

companies. However, the NAIC Market Conduct Surveillance Model Law (MDL-693) § 7⁸⁴ and the National Conference of Insurance Legislators' Market Conduct Annual Statement Model Act § 8⁸⁵ provide that claims data reported to or collected by the insurance department are privileged and confidential. The NAIC Model Law has been adopted in substantially the same form in many states.⁸⁶ Other states have statutes in different form that are similar in effect.⁸⁷

These statutes should be modified to allow regulators to provide the information to consumers.⁸⁸ Regulators then could create online tools that use these statistics to facilitate comparison of different companies. The Claims Quality Summary provides a format for doing so. A template for the Homeowners Insurance Claims Quality Summary is included in Appendix B. All related documents are available on the Center's website.⁸⁹

⁸⁴ MKT. CONDUCT SURVEILLANCE MODEL L. § 7 (NAIC 2004).

⁸⁵ MKT. CONDUCT ANN. STATEMENT MODEL ACT § 8 (NAT'L CONF. OF INS. LEG. 2010).

⁸⁶ *E.g.*, ARIZ. REV. STAT. ANN. § 20-158 (2024); HAW. REV. STAT. ANN. § 431:2D-107 (West 2024); OHIO REV. CODE ANN. § 3916.11 (West 2023–24); 27 R.I. GEN. LAWS ANN. § 27-71-8 (West 2024); WASH. REV. CODE ANN. § 48.37.080 (West 2023).

⁸⁷ *E.g.*, GA. CODE ANN. § 33-2-14 (West 2023).

⁸⁸ Suggested language to amend MKT. CONDUCT SURVEILLANCE MODEL L. § 7 (NAIC 2004) follows. Variations in state adoptions would require appropriate changes.

Notwithstanding the provisions of subsection [] of this section or of any other law to the contrary, in order to assist in the performance of the commissioner's duties, the commissioner may:

...

(4) Use documents, materials, communications, or information, including otherwise confidential and privileged documents, materials, communications, or information to provide to consumers information on insurers' claims practices, by insurer by line of insurance, and in the aggregate, including, without limitation:

- a) relevant information equivalent to that provided on the Market Conduct Annual Statement; and
- b) numbers and ratios of:
 - (i) claims unprocessed to claims filed or pending;
 - (ii) claims closed without payment to claims closed;
 - (iii) claims closed within specified time periods;
 - (iv) cancellations and non-renewals to policies in force; and suits opened to claims closed without payment.

⁸⁹ *Homeowners Insurance Claims Quality Summary*, RUTGERS CTR. FOR RISK & RESP., <https://crr.rutgers.edu/homeowners-insurance-claims-quality-summary/> (last visited Feb. 26, 2024).

Insurance departments also routinely publish information on how many consumers file complaints against insurance companies and what action the department has taken on the complaints.⁹⁰ This information, however, is less useful in comparing companies because many consumers do not bother to file complaints or do not know that they can or should do so. The presentation of the information also includes categories that are confusing.⁹¹ Nevertheless, the information is somewhat useful in evaluating insurance companies that receive either many more complaints or many fewer complaints than the norm. The Claims Quality Summary also includes statistics on complaints.

IV. FILLING THE GAP: RU INSURESCORE

The publication of the text of policies and the adoption of a Coverage Summary would require regulatory action. The use of the Claims Quality Summary would also require legislative action. In the absence of those changes, and even if they are adopted, there is room for independent, noncommercial intermediaries to intervene in the market to provide consumers with better information. Consumer Reports' evaluation, discussion, and ratings of consumer products are widely known and respected, and they serve two purposes. They inform consumers, who are empowered to make better choices in selecting an insurance company. Because consumers make better choices, they enhance competition that produces better products and better information about those products in the marketplace. RU InsureScore is a first step to similarly improving the market for homeowners insurance.

⁹⁰ E.g., *Consumer Complaint Study*, *supra* note 41; OHIO DEP'T OF INS., HOMEOWNERS/RENTERS INSURANCE – 2019 CONSUMER COMPLAINTS (2019), https://insurance.ohio.gov/static/Consumer/Complaint+Ratios/home_2019.pdf.

⁹¹ *Consumer Complaint Study*, *supra* note 41; OHIO DEP'T OF INS., *supra* note 90.

A. SELECTING COMPANIES AND ACQUIRING POLICIES

Insurance companies are regulated on a state basis, which is significant because state regulations vary, and local conditions affect the content of policies. Therefore, we first explored building a database of policies and evaluated them on a state-by-state basis. As noted above, six states facilitate the acquisition of policies by posting online at least some policies. However, in only three of these states⁹² are all or most policies posted. In the other three states, only the policies of the ten largest insurers are posted. It also is not clear from the department websites how frequently these policy postings are updated. For every other state, SERFF, the NAIC's electronic filing system, is the only means to acquire policies.

Even when policies are available, proceeding on a state-by-state basis to acquire and evaluate policies obviously is much more burdensome than a national survey.

Therefore, we then tested the hypothesis that many national insurers use the same basic policies across all the states, with state-by-state variations in endorsements because of regulatory requirements and local conditions. This would enable us to use a sample of states to collect policies and apply the tool to make meaningful statements about the policies of each company, with appropriate qualifications about the limits of the results.

We collected policies for six major national insurers in the states that publish policies, plus New Jersey. To the extent that they were available, we included mandatory but not optional endorsements. Based on this sample, we concluded that at least some insurers use basic policy provisions across the jurisdictions that are sufficiently similar that they provide a reasonable basis for comparison. Sometimes, the policy forms used are identical or nearly so; other times the forms differ but the content is essentially the same. Our conclusion was confirmed by experts who participated in several workshops in the early stages of the project.

Different regulatory requirements in a state should not present too much of a qualification because they would apply to all companies in that state. Local conditions would suggest more variation, but still might be true of a large number of companies in the state and could be explained on that basis.

To acquire policies for evaluation, we took the logical step of asking insurance companies for help. We wrote to many of the largest homeowners insurance companies, explained the purpose of the project—research by a university academic center to provide information to the public—and asked

⁹² *Homeowners/Renters/Condominium Owners Coverage Comparison*, *supra* note 14; *Homeowners Policies*, *supra* note 14; *Homeowners Insurance Comparison*, *supra* note 14.

for sample policies. One company refused. A second company wanted to ask some questions but did not follow up. All other companies simply failed to respond. Therefore, we attempted on our own to acquire policies of the twenty insurance companies in the United States that are the largest by homeowners insurance premium volume. Our search began with the websites of the six states that publish policies. We also used SERFF to acquire policies from a sample of other states that were diverse in terms of geography and demographics. United Policyholders, the nation's leading advocacy organization for insurance consumers, provided more policies.

The research demonstrated that eleven of the twenty companies had policies that met the criteria for access on SERFF and sufficient similarity of terms to provide a reasonable basis for comparison. Together the eleven companies rated total more than sixty percent of the market for homeowners insurance.

B. WEIGHTING OF COMPARISON FACTORS

Identification and weighting of factors to be used in the comparison follow the three guiding principles reflected in the earlier discussion:

- How frequently does a loss covered by a particular term arise, and how large are the average losses? For example, water damage and freezing losses account for about one-fourth of claim payments, so coverage for them is very important.
- How much do the terms vary among policies? For example, Replacement Cost payment for the dwelling is very important, but policies overwhelmingly provide for Replacement Cost. As such, this factor has less weight in distinguishing among policies. Coverage for plumbing leaks varies significantly, so it is given more weight.
- What kinds of coverage do policyholders reasonably expect? For example, homeowners reasonably expect their insurance to provide better coverage for large financial losses than for small losses.

In developing the evaluation for RU InsureScore, about one hundred policy elements were considered. Research into claims frequency and severity and reasonable expectations produced the following weighting of factors.

Table 1. Types of coverage			
	Is it important for the number of claims and the size of claims?	Do policies vary significantly?	Weight
Property coverage	Yes	Yes	More important
Liability coverage	No	No	Less important
Other issues	No	Yes	Less important

Table 2. Property insurance			
	Is it important for the number of claims and the size of claims?	Do policies vary significantly?	Weight
Things the insurance covers			
Buildings	Yes	No	More important
Personal property	Yes	No	Less important
Additional coverages	No	Yes	Important
Risks the insurance covers			
Buildings	Yes	No	Important
Personal property	Yes	No	Important
Water risk	Yes	Yes	More important
Mold risk	Yes	Yes	Important

Other risks	Yes	Yes	Important
What the insurance pays			
Buildings	Yes	No	Important
Personal property	Yes	No	Important
Law and ordinance coverage	Yes	Yes	Important
Roof coverage	Yes	Yes	More important
Additional living expense	No	Yes	Important
Other payment issues	Yes	Yes	Important

C. PRESENTATION

The primary purpose of RU InsureScore is to provide an accessible way for homeowners to evaluate and compare homeowners insurance policies. Probably the most familiar rating system for consumer products is the one used by Consumer Reports and, with variations, by innumerable other rating services and websites: an overall rating on a 100-point scale with particular factors rated on a five-point scale.

RU InsureScore essentially adopts that system. Each company's policy is given a numerical score on a 100-point scale and an overall rating on a five-star scale (including half stars). The overall scores are accompanied

by brief comments, categorizing the policy coverage (“excellent,” “very good,” “good,” or “adequate”) and adding a brief note on limitations.

In addition to the overall score, each company’s policy is rated on a five-star scale on the three Property Insurance categories (i.e., things the insurance covers, risks the insurance covers, and what the insurance pays) and Liability Insurance. The entry for each company includes all its ratings and comments under “Pros” and “Things to watch for.”

Of course, homeowners cannot simply choose among the policies described. First, a company may offer different types of policies. Companies that adopt the widely used policy forms offered by ISO, for example, may offer an HO-3 policy and an HO-5 policy. Often, the different policies will have appealing names intended to distinguish them: Deluxe, Special Value, and so on.

Second, companies also offer terms that raise or lower coverage in narrower respects. These optional terms may be included in the policy itself or presented as separate endorsements.

Therefore, the policies compared do not represent all the policies and terms that are available in the market. We have used the basic policies without optional terms for comparison. Where a policy contained optional terms within the policy itself, we used the basic terms without optional upgrades.

Nevertheless, RU InsureScore provides a reasonable basis for comparing policies and a checklist of factors for consumers to consider in evaluating a policy or choosing among policies. The project website advises consumers that its policy comparison can be a starting point in buying insurance or comparing policies. The comparison gives a rough ranking of the terms offered, and the factors used in the rankings give a list of questions to ask and things to think about when buying a policy.

The results of RU InsureScore are included in Appendix C. All related documents are available on the Center’s website.⁹³

V. CONCLUSION

Homeowners insurance is important as a provider of security to individuals and the communities in which they live. It fails to provide that security when consumers make inefficient or undesirable choices when buying homeowners insurance. Those choices result, in part, from the limited and defective information available to consumers. The measures described in this article aim to improve information and, therefore, improve consumers’

⁹³ *Homeowners Insurance Policy Scoring*, RUTGERS CTR. FOR RISK & RESP., <https://crr.rutgers.edu/homeowners-insurance-policy-scoring/> (last visited Feb. 26, 2024).

choices and, ultimately, the quality of insurance products sold. As homeowners buy more insurance that is better suited to their individual needs, insurance companies will benefit by selling more insurance and, therefore, earning more profits.

VI. APPENDIX A

Rutgers Homeowners Insurance Coverage Summary— Template with Options

If a policy contains a provision that is not included in one of the answer options, language as close as possible must be used, with prior approval.

Homeowners Insurance Coverage Summary

This Coverage Summary document will help you compare homeowners insurance policies and choose a policy. This is only a summary. Ask the insurance company or agent for more information. Refer to the policy quote or the policy's Declaration Page for important information about policy limits, deductibles, and price.

Homeowners insurance policies often are organized in ways that are confusing to consumers. To make the comparison and scoring more accessible, the summary is organized as follows:

Property insurance measures coverage for the insured's losses to the buildings, personal property, and related costs. Property insurance includes three subcategories:

- **Things the insurance covers** measures the types and amount of property and other potential losses the insurance covers.
- **Risks the insurance covers** measures the causes of loss covered.
- **What the insurance pays** measures how the insurance pays for damage to different types of property.

Liability insurance measures how well the insurance covers lawsuits brought by others for personal injury or property damage caused by the homeowner and certain family members.

For general definitions of common terms (highlighted), see the Glossary.

Important questions	Answers — Options	What to know
<i>What things does the insurance cover?</i>		
What structures does the insurance cover?	(1a) The policy covers the dwelling and other structures on the premises, such as a garage or fence.	The policy may not cover buildings used for business or some other types of structures. Ask about issues that are important to you.
What personal property does the insurance cover?	(2a) The policy covers most personal property—belongings such as clothes, household items, furniture, and electronics—owned or used by the insureds.	Most belongings are covered, with some exceptions. Ask about issues that are important to you. The policy limits what it will pay for specific property, discussed in What does the insurance pay?
What other things does the policy cover?	(3a) The policy may cover other things such as trees, landscaping, homeowners association assessments, and more.	Ask about issues that are important to you.

<i>What risks does the insurance cover?</i>		
What risks to structures does the policy cover?	(4a) The policy covers the dwelling and other structures on an all-risk or open perils basis. (4b) The policy covers the dwelling and other structures on a named perils basis.	Different policies cover the dwelling and other structures on an all-risk or open perils basis, or a named perils basis.
What risks to personal property does the policy cover?	(5a) The policy covers personal property on an all-risk or open perils basis. (5b) The policy covers personal property on a named perils basis.	Different policies cover personal property on an all-risk or open perils basis or a named perils basis.
What major risks are not covered under the policy?	(6a) The policy does not cover loss from flood, earth movement, wear and tear, and some other causes.	Whether the policy is all-risk/open perils or named perils, some important causes of loss are not covered.
What damage from water is covered?	Water leaks (7a) The policy covers damage caused by leak, discharge, or overflow from a plumbing, heating, air conditioning or sprinkler system or from a household appliance, whether the leak is sudden or not, including slow leaks that are not	Leaks from plumbing or other sources can be sudden, such as a pipe bursting, or slow, such as a pipe which drips over time. Leaks may be

	<p>immediately discovered by the homeowner.</p> <p>(7b) The policy covers damage caused by leak, discharge, or overflow from a plumbing, heating, air conditioning or sprinkler system or from a household appliance, only if the leak is sudden and does not cover slow leaks.</p> <p>(7c) The policy covers damage caused by leak, discharge, or overflow from a plumbing, heating, air conditioning or sprinkler system or from a household appliance, only if the leak is sudden or is a slow leak discovered by the homeowner within <i>nn</i> [time].</p> <p>(7d) The policy does not cover damage caused by leak, discharge, or overflow from a plumbing, heating, air conditioning or sprinkler system or from a household appliance.</p> <p>Water backup</p> <p>(8a) The policy covers damage from water that backs up through sewers and drains off the premises.</p> <p>(8b) The policy does not cover damage from water that backs up through sewers and drains off the premises.</p>	<p>immediately apparent or not discovered for a period of time.</p> <p>Separate endorsements may be available for purchase to cover other water losses.</p>
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	<p>(9a) The policy covers damage from water that backs up through sewers and drains on the premises.</p> <p>(9b) The policy does not cover damage from water that backs up through sewers and drains on the premises.</p> <p>Runoff</p> <p>(10a) The policy covers damage from water runoff that begins off the premises.</p> <p>(10b) The policy does not cover damage from water runoff that begins off the premises.</p>	
<p>What damage from mold is covered?</p>	<p>(11a) The policy covers damage from mold caused by any other covered risk.</p> <p>(11b) The policy covers damage from mold only if it is caused by water damage.</p> <p>(11c) The policy covers damage from mold that is hidden if it results from water damage.</p> <p>(11d) The policy does not cover damage from mold.</p> <p>(12a) The policy covers testing for mold.</p> <p>(12b) The policy does not cover testing for mold.</p> <p>(13a) Payment for mold damage is limited to \$<i>nn</i></p>	<p>Mold (which includes fungus and wet or dry rot) can result from a variety of causes. It can be obvious, such as when water to put out a fire causes mold, or hard to discover, such as mold caused by a plumbing leak inside a wall. Testing may be necessary to determine the presence and extent of mold.</p>

	(13b) Payment for mold damage is limited to $nn\%$ of the policy limits. (13c) Payment for mold damage is not limited, except for the policy limits.	
What causes of collapse of a building are covered?	(14a) The policy covers a full range of causes of collapse. (14b) The policy does not cover collapse caused by hidden decay.	Collapse means a sudden falling down of a building or part of it so it is uninhabitable.
What other risks are covered?	(15a) The policy may cover some other risks.	Ask about issues that are important to you.
<i>What does the insurance pay?</i>		
All payments are limited by the policy's general deductible. Special deductibles also may apply to certain losses.		
What does the insurance pay for damage to buildings?	(16a) The policy pays Replacement Cost. (16b) The policy pays Guaranteed Replacement Cost.	Different policies pay Cost, Guaranteed, Extended Replacement Cost, or Actual Cash Value. Illustrations: 1. A kitchen fire requires replacement of the cabinets and countertops. The total cost is \$15,000. Replacement Cost

	<p>(16c) The policy pays Extended Replacement Cost of <i>nn</i>%.</p> <p>(16d) The policy pays Actual Cash Value.</p>	<p>coverage pays the full cost, \$15,000.</p> <p>Actual Cash Value pays the depreciated cost; because the kitchen was older, the value of the cabinets and countertops before the fire was less than new items, so the insurance pays less, perhaps \$7,500.</p> <p>2. A fire requires rebuilding of substantially all of the house. The cost to rebuild is \$200,000. The policy limits are \$150,000. (The cost to rebuild may be higher than the policy limits because of inflation or because the policy limits were too low.)</p> <p>Replacement Cost pays \$150,000, the cost to replace up to the policy limits. The homeowner must pay the balance.</p> <p>Extended Replacement Cost of 20% pays the policy limits (\$150,000) and 20% more (\$30,000), for a total of \$180,000. The homeowner must pay the balance.</p> <p>Guaranteed Replacement Cost pays the full cost to rebuild (\$200,000).</p>
<p>What does the insurance pay for damage to personal property?</p>	<p>(17a) The policy pays Replacement Cost.</p> <p>(17b) The policy pays Guaranteed Replacement Cost.</p>	<p>Different policies pay Replacement Cost, Guaranteed Replacement Cost, Extended Replacement Cost, or Actual Cash Value.</p> <p>Illustration:</p> <p>A living room fire requires replacement of rugs, furniture, and the television.</p>

	<p>(17c) The policy pays Extended Replacement Cost of $\%nn$.</p> <p>(17d) The policy pays Actual Cash Value.</p>	<p>The total cost is to buy replacements is \$10,000.</p> <p>Replacement Cost coverage pays the full cost, \$10,000.</p> <p>Actual Cash Value pays the depreciated cost; because the items were older, their value before the fire was less than new items, so the insurance only pays less, perhaps \$3,000.</p>
<p>Does the insurance limit payment for specific items of personal property?</p>	<p>(18a) The policy limits payments for certain kinds of personal property, such as jewelry, silverware, and electronics</p>	<p>Ask about issues that are important to you.</p>
<p>Does the insurance limit payment for damage to roofs?</p>	<p>(19a) The policy does not limit payment for damage to roofs.</p> <p>(19b) The policy pays for damage to roofs according to a depreciation table.</p> <p>(19c) The policy pays only Actual Cash Value for</p>	<p>Different policies pay for damage to roofs as for any other part of the building, according to a depreciation table, or Actual Cash Value. Other restrictions may apply.</p> <p>Illustration:</p> <p>A fire destroys the roof. The cost to replace it is \$25,000.</p> <p>Under Replacement Cost coverage that does not limit payment for damage to roofs, the insurance pays \$25,000.</p>

	<p>damage to roofs.</p> <p>(19d) The policy pays only Actual Cash Value for damage to roofs by wind or hail.</p>	<p>Under a depreciation table, the insurance pays a depreciated amount, such as \$13,750 for a 15-year-old roof or \$6,250 for a 25-year-old roof.</p> <p>Under Actual Cash Value, the insurance pays depreciated amounts like those under a depreciation table.</p>
<p>Does the insurance pay the increased cost of repairs to comply with a building code that has higher requirements than the code in effect at the time the property was built?</p>	<p>(20a) The policy pays the increased cost to comply with the building code (called Building Code Upgrade or Law and Ordinance coverage).</p> <p>(20b) The policy pays the increased cost to comply with the building code up to <i>nn</i>% of the policy limits.</p> <p>(20c) The policy does not pay the increased cost to comply with the building code.</p>	<p>Different policies pay the increased cost to comply with the building code, limit that coverage to a percentage of the policy limits, or not pay the increased cost to comply with the building code.</p> <p>Illustration:</p> <p>A fire requires that 60% of the house be rebuilt. Under many building codes, a house that is more than 50% damaged must be entirely rebuilt to conform to the building code. The cost to rebuild the damaged portion is \$120,000 and the undamaged portion, \$80,000. The policy limits are \$200,000.</p> <p>Insurance with Replacement Cost coverage and Building Code Upgrade pays \$200,000, less the deductible.</p> <p>Insurance with Replacement Cost and 10% Building Code Upgrade pays \$120,000 + \$20,000 (10% of \$200,000), or \$140,000, less the deductible.</p>

		Insurance with Replacement Cost but without Building Code Upgrade pays \$120,000, less the deductible.
How much does the insurance pay for the increased cost of living away from home while repairs are made?	<p>(21a) The policy pays for increase in living expenses during repairs without a time limitation (called Additional Living Expense).</p> <p>(21b) The policy pays for increase in living expenses during repairs for one year.</p> <p>(21c) The policy pays for increase in living expenses during repairs for two years.</p>	<p>Additional Living Expense covers the increased cost of living away from home while repairs are made, if necessary, such as rental of a substitute house.</p> <p>Different policies pay for as much Additional Living Expense as is needed or can limit the payment.</p>
Does the insurance pay to buy a replacement home at another location?	(22a) The policy pays to buy a replacement home at another location.	<p>If a homeowner decides to build or buy a different house rather than rebuild the house that was destroyed, payment under this term covers the cost, up to the Replacement Cost of the original house and the policy limits.</p> <p>If this term is not included and if a homeowner decides to build or buy a different house rather than rebuild</p>

	(22b) The policy does not pay to buy a replacement home at another location.	the house that was destroyed, payment is at Actual Cash Value.
Does the insurance pay to repair damaged property with material of like kind and quality?	<p>(23a) The policy pays to repair with material of like kind and quality, which means substantially the same as the original.</p> <p>(23b) The policy pays to repair with common construction, which may not be the same as original materials or construction.</p>	<p>Different policies pay for repairs with material of like kind or quality, or common construction.</p> <p>Illustration:</p> <p>A fire damages a Victorian-era home, requiring replacement of the floors, walls, and ceilings. The home contained plaster moldings and inlaid oak floors.</p> <p>Like kind and quality coverage pays the higher cost of new moldings and floors that are like the original ones. Common construction pays for modern wood moldings and floors that are not the same as the original ones.</p>
Does the insurance pay to replace undamaged property to match repairs to damaged property?	(24a) The policy pays to replace undamaged property to match repairs to damaged property.	<p>Different policies pay or do not pay for matching.</p> <p>Illustration:</p> <p>A fire damages half of the roof. The new, replacement shingles will look differently than the older, remaining shingles which have weathered.</p>

	(24b) The policy does not pay to replace undamaged property to match repairs to damaged property.	<p>A policy that pays for matching will pay to replace the undamaged shingles, at least on one slope of the roof, so that all shingles match.</p> <p>A policy that does not pay for matching pays only to replace the damaged shingles.</p>
What other payments does the insurance make if there is a loss?	(25a) The insurance makes some other types of payments.	Ask about issues that are important to you.
Does the insurance include a managed repair program?	<p>(26a) The policy includes an optional Managed Repair Program.</p> <p>(26b) The policy includes a managed repair program that limits payment for damages.</p> <p>(26c) The policy does not include a managed repair program.</p>	Under a managed repair program, the insurer recommends a contractor to repair property damage. Different policies include an optional program (the homeowner can use it or not, without penalty, limit the amount paid if the homeowner chooses not to use the program, or do not include a program).

<i>Does the insurance cover lawsuits brought by others against the insureds?</i>		
Does the insurance cover lawsuits brought by others against the insureds?	(27) The policy's Liability Coverage covers lawsuits brought by others against the insureds for bodily injury or property damage.	Under liability coverage, the insurer defends most types of lawsuits brought against the insureds and pays attorneys fees, settlements, and judgments.
Does the insurance cover medical expenses of persons injured on the insured premises or because of activities of the insureds?	(28) The policy covers medical expenses of persons injured on the insured premises or because of activities of the insureds.	

Glossary

Actual Cash Value is the depreciated value of the damaged property at the time of the loss, which is less than its Replacement Cost.

Additional Living Expense covers the increased cost of living away from home while repairs are made, if necessary, such as the rental of a substitute house.

All-risk or open perils means that the policy covers direct physical loss to the structures from a broad range of causes not specifically excluded under the policy.

Common construction pays for commonly used materials that may not be the same as original materials or construction.

Dwelling is the house in which the insureds live.

Earth movement may include earthquakes, landslides, mudslides, sinkholes, and other events.

Endorsements are amendments or riders to policies.

Extended Replacement Cost is Replacement Cost plus an additional percentage above the *policy limits* if necessary to repair or replace the damaged property.

Flood includes accumulation of surface water from a variety of sources, such as storm surge, rain, and overflow of containment systems.

Guaranteed Replacement Cost is the full cost of repairing or replacing damaged property, even if that amount is higher than the *policy limits*.

Liability coverage covers lawsuits brought by others against the insureds for bodily injury or property damage, typically including attorney's fees, settlements, and judgments.

Like kind and quality pay for materials that are substantially the same as the original construction.

Managed repair program means a program under which the insurer recommends a contractor to repair property damage. The program may be optional—the homeowner can use it or not, without penalty—or it can limit the amount paid if the homeowner chooses not to use it.

Named perils means that the policy covers loss caused only by risks specified in the policy, such as fire.

Open perils or all-risk means that the policy covers direct physical loss to the structures from a broad range of causes not specifically excluded under the policy.

Other structures means buildings, fences, and structures on the insured property other than the dwelling.

Personal property means belongings such as clothes, household items, furniture, and electronics—owned or used by the insureds.

Policy limits are the maximum amount the policy will pay, stated on the policy's declaration page.

Replacement Cost is the cost to repair or replace damaged property, without deducting for depreciation, subject to the *policy limits*. (This often is referred to as “new for old.”)

VII. APPENDIX B

Rutgers Homeowners Insurance Claims Quality Summary Template

	[Company]	Top 10 (or 20) companies	All companies
How frequently does the company deny claims?			
How frequently does the company fail to pay a claim within 60 days of filing?			
What is the median number of days to final payment on claims?			
How frequently does the company get sued for failing to pay a claim?			
How frequently does the company lose lawsuits filed by consumers?			
How frequently do consumers file complaints with the insurance department against the company?			

Definitions

<p>How frequently does the company deny claims?</p>	<p>Ratio of number of claims closed without payment to the consumer compared to the total number of claims closed</p>
<p>How frequently does the company fail to pay a claim within 60 days of filing?</p>	<p>Percentage of claims paid more than 60 days from filing</p>
<p>What is the median number of days to final payment on claims?</p>	<p>Median days to final payment</p>
<p>How frequently does the company get sued for failing to pay a claim?</p>	<p>Ratio of lawsuits filed against the company during the period compared to claims closed without payment</p>
<p>How frequently does the company lose lawsuits filed by consumers?</p>	<p>Ratio of number of lawsuits closed with payment to the consumer compared to number of lawsuits closed during the period</p>
<p>How frequently do consumers file complaints with the insurance department against the company?</p>	<p>Ratio of number of consumer complaints filed compared to policies in force</p>

VIII. APPENDIX C

RU Insure Score*Summary table***Homeowners Insurance Policy Scoring – Summary**

Chubb	94	★★★★★	Chubb provides excellent coverage with policies designed especially for high net worth consumers.
Amica	88	★★★★★	Amica provides very good overall coverage.
Travelers	86	★★★★★	Travelers provides overall good coverage with some limitations.
Liberty Mutual	84	★★★★★	Liberty Mutual provides overall good coverage with some limitations.
Nationwide	83	★★★★★	Nationwide provides overall good coverage with some limitations.
USAA	81	★★★★★	USAA provides adequate coverage with some limitations on coverage of risks and payment.
Auto-Owners	79	★★★★★	Auto-Owners provides adequate coverage with some limitations on coverage of risks and payment.
State Farm	78	★★★★★	State Farm provides adequate coverage with some limitations on property and risk covered and payment.
Farmers	75	★★★★★	Farmers provides adequate coverage with some significant limitations on coverage of property and risk and payment. The policy is more detailed than many others, with some of the details limiting coverage.
American Family	75	★★★★★	American Family provides adequate coverage with some significant limitations on coverage of property, risks, and payment.
Allstate	73	★★★★★	Allstate provides a basic policy that covers fewer risks and provides for smaller payments than many other policies.

Example of detailed scoring

Allstate						
	Overall score	Overall rating	Property insurance			Liability insurance
			<i>Things the insurance covers</i>	<i>Risks the insurance covers</i>	<i>What the insurance pays</i>	
	73	★★★★☆	★★★★☆	★★★★☆	★★★★☆	★★★★☆
Pros <ul style="list-style-type: none"> Some payment for damage to land 			Watch for <ul style="list-style-type: none"> Limited coverage for some plumbing leaks and other water risks Limited coverage for some mold damage Limited payment for roof damage No payment for compliance with building code Other limitations on coverage and payment 			
Allstate provides a basic policy that covers fewer risks and provides for smaller payments than many other policies.						

American Family						
	Overall score	Overall rating	Property insurance			Liability insurance
			<i>Things the insurance covers</i>	<i>Risks the insurance covers</i>	<i>What the insurance pays</i>	
	75	★★★★☆	★★★★☆	★★★★☆	★★★★☆	★★★★☆
Pros <ul style="list-style-type: none"> Good coverage for mold risks 			Watch for <ul style="list-style-type: none"> Limited coverage for some plumbing leaks and other water risks Limited payment for roof damage No payment for compliance with building code Other limitations on coverage and payment 			
American Family provides adequate coverage with some significant limitations on coverage of property, risk, and payment.						

Amica						
	Overall score	Overall rating	Property insurance			Liability insurance
			<i>Things the insurance covers</i>	<i>Risks the insurance covers</i>	<i>What the insurance pays</i>	
	88	★★★★☆	★★★★☆	★★★★☆	★★★★☆	★★★★☆
Pros <ul style="list-style-type: none"> Very good overall coverage Very good coverage for water risks Very good coverage for mold risks 			Watch for <ul style="list-style-type: none"> Limited payment for roof damage 			
Amica provides very good overall coverage.						