

## Homeowners Insurance Claims Quality Summary

The **Homeowners Insurance Claims Quality Summary** provides a template for a summary of how promptly and fairly insurance companies pay claims.

### Introduction

Quality is an important attribute of any product, including insurance. A key measure of quality for homeowners insurance is an insurance company's record of paying claims promptly and fairly—of keeping its promises.

The **Claims Quality Summary** provides current, helpful statistics with which consumers can compare companies as to how promptly and fairly they pay claims.

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

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, and so on
- Number of suits by policyholders opened and closed

The MCAS also uses Scorecard Ratio Formulas, including:

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

The NAIC website states, “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.” But consumers have little access to the information reported.

State insurance departments should create online tools that use these statistics to facilitate comparison of different companies. The **Claims Quality Summary** provides a format for doing so.

Forty-nine states already collect claim practices data and report it to the NAIC, which aggregates it and reports it in limited form to insurance companies. Unfortunately, legislation in many states treats the MCAS data as “privileged and confidential.” In those states, legislation is needed to remove that confidentiality and give insurance commissioners the authority to make the data available.

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. That information is less useful in comparing companies because many consumers do not bother to file complaints, or do not know they can or should do so. The information is somewhat useful to evaluate insurance companies that receive either many more complaints or many fewer complaints than the norm. The Claims Quality Summary also includes statistics on complaints.

# 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

How frequently does the company deny claims?	Ratio of number of claims closed without payment to the consumer compared to the total number of claims closed
How frequently does the company fail to pay a claim within 60 days of filing?	Percentage of claims paid more than 60 days from filing
What is the median number of days to final payment on claims?	Median days to final payment

How frequently does the company get sued for failing to pay a claim?	Ratio of lawsuits filed against the company during the period compared to claims closed without payment
How frequently does the company lose lawsuits filed by consumers?	Ratio of number of lawsuits closed with payment to the consumer compared to number of lawsuits closed during the period
How frequently do consumers file complaints with the insurance department against the company?	Ratio of number of consumer complaints filed compared to policies in force

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