2020 Summer National Meeting

Transparency and Readability of Consumer Information (C) Working Group

July 30, 2020
WebEx – 2:00-3:00 pm (Central)
Adopt July 16 and June 16 Minutes
The Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee met via conference call June 26, 2020. The following Working Group members participated: Joy Hatchette, Chair (MD); Bobbie Baca (CO); George Bradner (CT); Angela King (DC); Heather Droge and Tate Flott (KS); Ron Henderson (LA); Jeana Thomas (MO); Kathy Shortt (NC); Chris Aufenthie (ND); Landon Hubbutt, Ron Kreiter and Cuc Nguyen (OK); Tricia Goldsmith (OR); Marianne Baker (TX); and Dena Wildman (WV). Also participating were: Kate Kixmiller (IN); Renee Campbell (MI); Troy Smith (MT); Tynesia Dorsey and Jana Jarrett (OH); and Jody Ullman (WI).

1. Discussed Creating Social Media Content and the Best Formats to Use to Communicate With Consumers

Ms. Hatchette said there is a need to help consumers better understand their insurance policies and the things that affect the insurance policy. The latest project that the Working Group completed is the NAIC Consumer Claims Guide. Some of the departments of insurance (DOIs) have already used this claims guide following a disaster. Ms. Hatchette said the claims guide helps answer some of the day-to-day questions that consumers have following a disaster. She said the Working Group will want to discuss other avenues to distribute the information contained in the consumer claims guide to the consumer.

Ms. Hatchette said the consumer claims guide is available to DOIs in both portable document format (pdf) and Microsoft Word format. State DOIs may want to make some changes in the consumer claims guide to meet the needs in their state and can do so easily using the Microsoft Word version of the document.

Ms. Hatchette said one of the items discussed regarding the consumer claims guide was that many consumers, especially younger consumers, are using social media more and more to obtain information. She said one of the Working Group’s previous discussions included considering ways to take the information presented in the consumer claims guide and using chunks of the information to create social media posts. Ms. Thomas said if the Working Group took this approach, their communications team would post this information on their social media communications. Ms. Baker said Colorado would take advantage of this opportunity as well. Lisa Brown (American Property Casualty Insurance Association—APCIA) said the APCIA would also be willing to post this information on its social media pages too. She said she would also suggest encouraging insurers to use any information the Working Group created in their social media campaigns. Ms. Brown said this would increase the outreach to consumers, as many of them might follow their insurer on social media.

Mr. Bradner said the Working Group needs to consider discussing how to reach younger consumers, as well as identifying the various vehicles for reaching that audience. He said it is unlikely that younger consumers are looking at a DOI’s social media communication. Ms. Baker said the Texas DOI is using social media and YouTube videos to inform consumers and believes it would be beneficial to explore these vehicles as well, as there will likely be a number of vehicles that state DOIs will need to use to reach the largest number of consumers.

Ken Klein (California Western School of Law) said the vehicle used today may change tomorrow. He said once the Working Group creates the social media snippets, the DOI can use whatever platform is applicable at the time. Mr. Klein said the state DOIs need to track where their audience goes to obtain information at any one moment in time.

Ms. Hatchette asked the Working Group if it is the will of the group to discuss and explore social media platforms before working on putting the information into a format to be used on social media. The Working Group agreed. Mr. Bradner said once the Working Group determines the platforms that need to be used and the audience the DOIs want to reach, then the Working Group can look at the message the Working Group wants to get out and make it interesting for the audience.

Lisa Groshong (Center for Insurance Policy and Research—CIPR) said the CIPR is interested in being more involved in this Working Group. She said she would like to know more about the priorities of the Working Group and to help with various projects.
Ms. Hatchette asked NAIC staff to see if the NAIC Communications Department would be willing to join the next Working Group conference call to discuss options regarding messaging. She said she would also be interested in hearing the insurer’s viewpoint regarding the communications strategies they have found to be successful. Ms. Brown said she would be happy to reach out to APCIA’s members and present some information to the Working Group during the next conference call. She said many of its members are active on social media and reach a significant percentage of their policyholders through social media.

Ms. Shortt said one of the things North Carolina does is to “like” the Facebook pages of other sources, such as the towns they visit and the fire departments they visit, and then “tag” them in their posts so it will show up on all of the pages they “like” too. She said this allows them to build partnerships with others.

Mr. Henderson said the Louisiana DOI communications team is active with social media. He said Louisiana also has a high school-based program and a college-based program, so its DOI has a lot of younger people following the DOI. Mr. Henderson said these people are interested in insurance as a career path or wanting the DOI to speak at a school. He said the DOI also has a newsletter that it sends out monthly.

Karrol Kitt (The University of Texas at Austin) reminded the Working Group that she and Brenda J. Cude (University of Georgia) presented at the NAIC/Consumer Liaison Group last June regarding a research study they did about what states do engage consumers when designing consumer information education and disclosure. She said they would be willing to send the Working Group presentations for distribution by NAIC staff. Ms. Cude said it is important to keep in mind the teachable moment when communicating to consumers. She said, for example, people want to know about flood insurance during and after a flood event, which we know is not the right time, but a reality. It is important to think about other times when it might be possible to get people’s interest about flood insurance.

Ms. Hatchette asked NAIC staff to line up some presentations for the next conference call to present the Working Group with information regarding social media outlets and to help the Working Group determine the types of outreach the Working Group should consider. Once the Working Group has decided on the types of outreach, it will begin working on the message. Ms. King said the District of Columbia does some podcasting, which has been working for its DOI. She added that a podcast can be inserted into a document. Ms. Hatchette said it is up to individual states to choose what works for their state.

2. Discussed Flood Insurance Disclosures

Ms. Hatchette said the Property and Casualty Insurance (C) Committee asked the Working Group to consider creating a disclosure regarding flood insurance. She asked the Working Group for its thoughts, as there are consumers who still believe their homeowners insurance policy will cover a flood event. Even if the consumer does know about flood insurance, he or she may still have questions regarding the limitations of the flood insurance product.

Ms. Bach said the private flood insurance market has been developing relatively slowly, but there is some private flood insurance available. She suggested the Working Group consider taking on the task of preparing a comparison between an National Flood Insurance Program (NFIP) flood policy and a private flood insurance policy. Mr. Bradner said he would caution the Working Group on taking on too much right now, as the Federal Emergency Management Agency (FEMA) is in the process of working on Risk Rating 2.0. This means there are going to be some changes regarding flood insurance policies. He said he is under the impression that FEMA will also possibly be making significant changes to the flood insurance contract and may possibly include coverage for loss of use, items in finished basements, etc. Mr. Bradner said if the Working Group wants to take on this project, it might be a good idea to do so in parallel with changes put into place by FEMA. Ms. Vollucci said FEMA has deferred Risk Rating 2.0 until October 2021.

The Working Group discussed the idea of creating a disclosure for a policyholder’s standard homeowners policy stating that the policy does not cover flood events. Ms. Baker said during the last legislative session in Texas, the legislature adopted a statute requiring homeowners policies that do not include flood insurance to have a disclosure that says, “You may also need to consider the purchase of flood insurance. Your insurance policy does not include coverage for damage resulting from a flood, even if hurricane winds and rain cause the flood to occur. Without separate flood insurance coverage, you may have uncovered losses covered by a flood. Please discuss the need to purchase separate flood insurance coverage with your insurance agent or insurance company or visit www.floodsmart.gov.” Ms. Baker said the legislation requires any residential insurance policy or commercial insurance policy that does not include flood insurance to include this disclosure.
Mr. Bradner said that while he thinks the disclosure is a great one, one of the problems regarding disclosures is that many people receive their insurance policy in the mail and never even open the mail or read disclosures. He said after every flood event, a certain number of consumers continue to voice that they did not realize flood insurance is not covered by their homeowners insurance policy. Mr. Bradner said this is a frustrating experience for state insurance regulators.

Ms. Brown said she agrees that many consumers do not read their insurance policies. She said that one of APCIA’s members received kudos from state insurance regulators years ago for putting a piece of paper in the policy’s envelope that would fall out; it read something like, “Water, water, everywhere and you are not covered.” Ms. Brown said she believes that for this particular issue, the message is going to have to be extremely simple and that is readily noticeable; otherwise, consumers are not going to be truly aware.

Ms. Hatchette asked Ms. Brown if she believes using the social media the Working Group will gain from its next discussion will aid in consumer understanding. Ms. Brown said she believes it is a great start and also suggested state DOIs follow local news apps and social media and tag them in posts as well. She said simple posts, such as, “By the way, did you know your homeowners insurance does not cover you for flood risk, regardless of the cause of your flood?” and tagging the various outlets will spread the message to more consumers. Ms. Brown said if you were looking at a disclosure from an insurer, she would not suggest putting this disclosure on a declarations page or somewhere in the insurance policy because consumers often times do not read their policy.

Ms. Cude said consumers are more likely to read their billing information than their insurance policy. She said messages sent to a consumer need to be put on all communications they receive. Ms. Cude said consumers also believe that if they incur damage and do not have insurance, government funds will bail them out. She said we all know this is not true and need to be sure consumers receive this message. Peter Kochenburger (University of Connecticut School of Law) agreed and said the Working Group needs to find ways to make the disclosures more obvious.

Ms. Brown said the Working Group will also need to consider how to get information to consumers that receive all of their communications regarding their insurance policy digitally. She suggested something on the payment page. Mr. Bradner said it would also be an innovative idea if a policyholder had an idea how much flood insurance would cost if he or she were to want to consider purchasing flood insurance. If insurers were able to provide this information, it might help consumers make the decision to purchase flood insurance. Mr. Bradner said the statement could say, “Your insurance policy does not cover flood damage, but if you were to purchase flood insurance, it might cost $X per year. Contact your agent.” Ms. Brown said even if an insurer was not a Write Your Own (WYO) company, it could provide a link to more information.

Ms. King said in the District of Columbia, they received some complaints in the DOI regarding an issue with consumers thinking they might have coverage for sewer backup and overflow. She said this might also need addressing at some point. Ms. King also said in terms of reaching the consumer, there are some avenues the Working Group could consider for first-time home buyers. She said there are real estate companies and groups that hold home-buying classes. This information could possibly be emphasized and disseminated in these classes.

Having no further business, the Transparency and Readability of Consumer Information (C) Working Group adjourned.
The Transparency and Readability of Consumer Information (C) Working Group of the Property and Casualty Insurance (C) Committee met via conference call July 16, 2020. The following Working Group members participated: Joy Hatchette, Chair (MD); Bobbie Baca (CO); George Bradner (CT); Ron Henderson (LA); Carrie Couch (MO); Kathy Shortt (NC); Chris Aufenthie (ND); Sarah Graves (OR); and Marianne Baker (TX). Also participating were: Jennifer Ramcharan (TN); and Manabu Mizushima (WA).

1. **Heard a Presentation from the APCIA**

Ms. Hatchette said the purpose of this call is to hear some presentations to help the Working Group determine some best practices regarding ways to enhance a department of insurance’s (DOI’s) communication to consumers.

Lisa Brown (American Property Casualty Insurance Association—APCIA) said consumers may not follow their state DOI on social media, but they may follow their insurer on social media. She said many people are currently working from home during the COVID-19 pandemic, which makes consumers and businesses more dependent upon social media. She said insurers have recently done a lot of work to expand their social media reach.

Lauren Pavluk (APCIA) said social media focuses on a business’s individual brand, and the social media page needs to identify the organization's brand and top public priorities and positions. Insurers are primarily using social media as a central hub to define their brand and tell their story through messages geared toward consumer education and preparedness, industry and talent promotion, diversity and inclusion, and societal good and philanthropy. Associations also provide information regarding advocacy.

Ms. Pavluk said each social media platform has its own niche. For example, Twitter’s platform is used to promote advocacy and relay news; Facebook’s platform encompasses more consumer-based family and personal content; and LinkedIn’s platform embodies the business community. When tailoring communication that an organization drafts, it should do so based on the platform it is using.

Ms. Pavluk said the APCIA and its member companies are running various campaigns to promote consumer education and preparedness throughout the year. Currently, the APCIA is running campaigns regarding wildfire safety and preparation, hurricane preparedness, and auto safety; it is also providing information regarding general insurance policy tips. The APCIA also uses social media to promote events it hosts, such as the National Flood Conference held in June.

Ms. Pavluk said the challenge is for insurers and associations to get the content in front of the appropriate audience. She said it is important to be creative about how the message is relayed to the target audience.

Ms. Pavluk said associations, such as the NAIC and the APCIA, generally use social media for advocacy reasons; however, you do not generally see insurers weighing in on advocacy issues. She said Twitter is a good platform to use when advocating because it is a very news heavy platform. It is important to put position statements on social media platforms when promoting advocacy.

Ms. Pavluk said the APCIA also uses social media for industry and talent promotion. She said the APCIA discusses talent recruitment and retention issues via social media. The APCIA is promoting the insurance industry as an exciting place to work, and insurers are involved in this space. Insurers promote the benefits of being a part of their organizations. Ms. Pavluk said the APCIA is currently running a campaign called “Insurance Keeping Us Connected.” She said this campaign discusses how to stay connected in the new virtual environment, as well as how to get to know your coworkers.

Ms. Pavluk said diversity and inclusion has been a priority for the insurance industry for a long time, but due to the current social environment, the APCIA and insurers are stepping up and speaking out regarding this topic. She said she believes the insurance industry will make strides in this area over the upcoming months. She said earlier this year, the APCIA hosted a “Women & Diversity” conference. She said overall, she believes insurers are making positive strides in this area.
Ms. Pavluk said societal good and philanthropy is the area where the APCIA sees some thought leadership from the insurance industry. She said Hartford’s chief executive officer (CEO) is holding conversations around things such as addiction and ways to combat the opioid epidemic. This conversation started around openness and a discussion around its own staff and their families who might be struggling. Ms. Pavluk said the CSAA Insurance Group held conversations regarding mental health during mental health awareness month. These conversations were started to help reduce the stigma regarding mental health. Ms. Pavluk said there are many stories regarding how insurance companies have given back during the COVID-19 pandemic. Social media is becoming the place for insurance companies to make these types of statements and hold these conversations.

Ms. Pavluk said the DOIs are doing a great job putting content together for consumers. She said the content is well put together and tailored to the state doing the education. She said she believes the challenge is that consumers are not actively seeking this information on a day to day basis. She said if a consumer is looking to see what their policy covers, it is due to experiencing some type of loss. She said there are ways to be creative to get these messages in front of consumers. For example, she said she might be more receptive to receiving safety tips if she is already on a website like Angie’s List looking for a contractor to waterproof her basement. She said the APCIA is getting ready to launch a wildfire preparedness campaign with Nextdoor, which is a neighborhood app that separates people by zip code. She said they will be able to target precise zip codes. Ms. Pavluk said you do have to advertise on Nextdoor; however, it is much less expensive to advertise on the app than the costs for other types of advertising. She said it is also inexpensive to advertise on Facebook.

Ms. Pavluk said the APCIA would like to collaborate more with other entities. She said if your social media channels look the same at the end of March as they did in January and you are not addressing COVID-19 and the new reality that people find themselves in today, then you should be rethinking your strategy. She said younger consumers are looking for organizations to take a stand on social issues and acknowledge the events people are experiencing.

2. **Heard a Presentation from the NAIC Communications Department**

Laura Kane (NAIC) said the NAIC Communications Department uses an integrated approach when building a communications campaign. This enables the Communications Department to leverage its assets and build an audience. Ms. Kane said the Communications Department also partners with like-minded organizations to help the NAIC broaden its reach, and it is a cost-effective way to gain greater visibility for its messages. Partnering with like-minded organizations also expands the NAIC’s media coverage, reinforces the key messages, and improves the search results. NAIC staff will be sending an example of an NAIC Communications Department toolkit following the call.

Ms. Kane said the elements of the NAIC “Your Risk is Real” campaign included infographics, social media posts, Twitter chats, videos, story ideas, draft public service announcement (PSA) audio/news releases, consumer insights, satellite media tours, and web pages. The Communications Department created some interactive items for consumers to use. One item it created was a quiz for consumers called “What the Flood.” This interactive piece includes education regarding flood followed by quiz questions with explanations about the answers.

Ms. Kane said another interactive piece created by the Communications Department includes putting together a “go bag.” This interactive piece allows the consumer to drop items into a bag that they believe they would need to take with them if they needed to evacuate their home due to a disaster. The website reminds the consumer about the NAIC Home Inventory App for consumers to use to inventory their home prior to a disaster. The web page includes a link to the app. Ms. Kane said the NAIC is in the process of updating this app to improve the look and feel.

Ms. Kane said the Communications Department created a set of key messages, as well as sub-messages, to fit into each of the key message categories. Many people still believe that their homeowners insurance policy will cover a flood event, which is a misnomer. Ms. Kane said a survey the Communications Department conducted revealed that approximately 50% of the consumers surveyed believed their homeowners policy covered a flood event. She said when a person is insured, they will recover faster than a person that is not insured.

Ms. Kane said the Communications Department sent out a toolkit to the DOIs to let them know when various events are going to occur and when it is going to send out press releases. She said the Communications Department created information both graphically and photographically. She said people need to see a message at least seven times before they notice the message. She said it may need to even be more than seven times with social media; repetition is a strong learning tool. She said consumers need to see messages on multiple platforms.
Ms. Kane said the Communications Departments also use Twitter chats as part of the way it communicates. The NAIC conducted these Twitter chats in conjunction with other groups, such as the Federal Emergency Management Agency (FEMA), the Insurance Institute for Business & Home Safety (IBHS), Nextdoor, and the APCIA. This helps to increase the number of NAIC Twitter followers.

Ms. Kane said the Communications Department released written press releases as well as audio news releases. It also organized two satellite media tours. Superintendent Eric A. Cioppa (ME) participated in one of the satellite media tours, and Director Raymond G. Farmer (SC) participated in the other satellite media tour. The reach on these satellite media tours was in the neighborhood of 10,000,000 people. The “Risk is Real” campaign has also brought new reporters to the NAIC asking for information.

David Dunston (NAIC) demonstrated some of the tools created by the Communications Department. He also demonstrated where the NAIC website houses the flood information. Currently, the NAIC Communications Department is working on a campaign regarding health insurance education. Mr. Dunston also outlined the current health care campaign the Communications Department is working on.

3. Heard a Presentation from Brenda J. Cude

Brenda J. Cude (University of Georgia) asked the Working Group members to realize that it is a normal human reaction to rationalize decisions, as well as believe these decisions are good. She said she calls this smoothing out our deficiencies, as no one wants to say they have made a poor decision.

Ms. Cude said there are certainly people who do believe that their homeowners insurance covers a flood event. However, it is useful to also consider why someone might think their homeowners insurance covers such an event. She said it is important to think about things people have heard that might reinforce false beliefs regarding what their homeowners policy covers.

Ms. Cude said some homeowners made insurance decisions years ago and do not remember the thought process behind their decisions, while others may just not believe that their home is ever going to flood. She said if a person has never experienced a flood, it might be difficult to imagine that one would ever occur. She said managing the risk of flood is another topic the Working Group might want to consider conveying to homeowners or renters.

Ms. Cude said another category of consumers may hold the belief that the federal government will bail them out in the event of a flood. Consumers often hear about government programs, and they may assume that these programs will take care of the damage they might experience due to flooding. Ms. Cude said this might justify educating the consumer regarding the true economic fallout they would experience in the case that they do not have flood insurance coverage.

Ms. Cude said other homeowners may have thought about purchasing flood insurance, but thought it was too expensive to purchase even if they are unaware of the cost. She suggested that it might be important to educate consumers regarding some information around the cost of flood insurance.

Ms. Cude said many times when people are making insurance decisions, they are also making many other decisions. She said in this case, flood insurance may not get the person’s attention. She said there may also be those homeowners that know they may need flood insurance but decide to take the risk and not purchase flood insurance.

Ms. Cude suggested an app that hits the high points of distinct types of insurance decisions consumers are making that would be beneficial. For example, she said when purchasing a home, a consumer might be thinking of more than one type of insurance (TOI) purchase during that time, so an opportunity for education exists.

Karrol Kitt (Consumer Advocates) said she and Ms. Cude gave a report last summer during the NAIC/Consumer Liaison Committee meeting last summer. She said it is important to do consumer testing for materials that are written for consumers; however, the drawback is the cost of such testing. She said she and Ms. Cude realize that informal testing, where consumers provide their thoughts about materials that are developed by state DOIs, can also be a valuable resource.

Ms. Kitt said the report focused on 20 members of the NAIC. Each of the members were asked to comment on how they engaged consumers when designing their consumer educational and disclosure materials. There were five states in the western
zone, five states in the southern zone, five states in the midwestern zone, and five states in the northeastern zone. Ms. Kitt said 17 of the 20 states provided information.

Ms. Kitt said some of these states directly involved consumers in the design of consumer educational and disclosure materials. She said other states indirectly involved consumers or have plans to involve consumers in the future. She said she and Ms. Cude learned that the states are getting some direct feedback, but not necessarily from individual consumers. Some of those they received feedback from were experts in an area or groups the states partner with on various projects. Ms. Kitt said the states also had some testing done regarding the usefulness and usability of their websites. She said the states learned about consumer attitudes, what consumers are interested in learning about, various organizations’ styles, and the content itself. She said it is important for the states to use informal testing when they do not have the resources to perform formal testing.

Ken Klein (California Western School of Law) said he would encourage state insurance regulators to consider another issue with flood insurance. He said the National Flood Insurance Program (NFIP) coverage is capped at a level that is significantly below the actual reconstruction cost of many homes. For homeowners who do not have access to enough money to cover the shortfall, flood insurance will look like a bad buy. This in turn, will drive up the percentage of people in the insurance pool who only buy flood insurance because they are required by their mortgage to do so. This will make the pricing function like high risk pools; therefore, it all becomes a rigorous cycle.

Having no further business, the Transparency and Readability of Consumer Information (C) Working Group adjourned.

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Discuss the Need for Consumer Disclosures Regarding Significant Premium Increases on Property/Casualty Insurance Products
Discuss Any Other Matters