



Consumer Federation of America

May 19, 2006

Senator Mark Dayton
Senator Trent Lott
U.S. Senate
Washington, DC 20510

Honesty is the Best Policy Act of 2006

Dear Senators Dayton and Lott:

There are several important reasons why people have serious problems when confronted with an insurance claim:

1. ***Complex legal document that most consumers cannot understand.*** Most products are able to be viewed, tested, “tires kicked” and so on. Insurance policies, however, are difficult for consumers to read and understand -- even more difficult than documents for most other financial products. For example, consumers often think they are buying insurance, only to find they bought a list of exclusions. Americans need clarity, as your Bill will give, on just what won't be paid so that, when a claim occurs, the consumer knows what to expect.
2. ***Comparison Shopping is Difficult.*** Consumers must first understand what is in the policy in order to compare prices. Your Bill will be a big help for consumers not only when a claim occurs but also in the purchase process.
3. ***Policy Lag Time.*** Consumers pay a significant amount for a piece of paper that contains specific promises regarding actions that might be taken far into the future. The test of an insurance policy's usefulness may not arise for decades, when a claim arises. Your Bill will help consumers avoid paying premiums for years for policies that do not cover what the consumer intends the insurance to cover.

Your Honesty is the Best Policy Act of 2006 will go a long way to overcome some of these serious impediments to competition. CFA wholeheartedly supports your effort in this regard.

Yours truly:

J. Robert Hunter
Director of Insurance