



STUDY OF STATE INSURANCE DEPARTMENTS PART 3 – INTERNET WEB PAGE GRADES

Executive Summary

There is good news from state regulation of insurance. The quality of the web pages being constructed by state regulators is of high quality, considering the relatively brief time states have had to develop these pages. Over half of the population lives in states with excellent web page information (15 states). Over 95% of the population live in states with at least good information (40 states). Only 5% of the nation's population live in states with poor or no web-based information available (11 states of which only 3 have no web page).

State web pages are in a state of flux. There is a lot of work underway to upgrade these sites. Certain states have web pages with information that is especially useful to consumers.

The states are doing a good job of utilizing the new technology. But much more can be done. CFA recommends that states look at the states with "A" ratings as well as those we identify for special merit in order to have clear models for improvement.

CFA also recommends that the NAIC set up a complaint center for on line complaining about insurance. After the complaint is received, the NAIC could send it on to the state for processing. The NAIC should also create a national complaint ratio service so that consumers in the small states could have credible complaint/service information on all companies by line, on line.

NAIC should establish itself as the arbiter of safe, trustworthy private Internet sites. This would perform a great service to consumers by helping them avoid the pitfalls of sites that link to only paid advertisers or to sites with no low cost providers listed because the site is collecting commissions. In other words, the NAIC should assist consumers in helping to insure the

transparency and completeness of the information they rely upon to make their insurance decisions.

Background

As we move into the information age with global insurance companies selling insurance to us at our home or in our office via mail, telephone and the internet, the availability of real time and excellent independent information for consumers has become more important than ever before.

That is why the Consumer Federation of America has undertaken a series of studies that review the consumer information and outreach activities of state insurance departments. Our first study, Consumer Information Available from State Insurance Departments (March 1999), took a look at consumer brochures sent to consumers who call states for information to help them shop for insurance and deal with the insurance industry in claims and other aspects. We emphasized the availability of price information in that report.

Our second study, Insurance Department Grades for Consumer Complaint Information (May, 1999), studied the availability and usefulness of information states make available to consumers on the quality of insurance, as measured by complaint ratios comparing the level of dissatisfaction with competing insurance companies.

This is our third study of consumer information. In this study we review the availability and quality of information available from the states at each state's web site. This information is particularly important to consumers who are, more and more, using the Internet to shop for goods and services.

Methodology

CFA experts went on line to examine the web sites of each of the 50 states and the District of Columbia. The information we sought was the number of brochures, the number of lines with price information on line, the number of lines with complaint information on line and whether or not a consumer could file a complaint on line. We also looked for special attributes in a given site and the ease of the site to use (i.e. speed, simple to use, and so forth).

After our initial survey we sought to verify our results by not only checking our own work but also by asking the National Association of Insurance Commissioners (NAIC) to help verify it. Over 30 states commented. CFA appreciates the excellent cooperation from the NAIC and the states. Their fact corrections, many of which were due to upgraded sites since our last visit, are embodied in this report.

Our scoring method was quite straightforward and simple. If a state had all major consumer lines of insurance covered by brochures and had most lines covered for price and service information, they received an “A”. If they had no web site they got an “F”. If they had no useful information or only one line with coverage or no price or service information at all they got a “D”. All other states received a “B/C” grade. We combined the “B” and “C” grades because many of these states are trying to upgrade as we write this study and because subtle differences between acceptable sites are not appropriate to measure in a time of great change. We did not, for this first attempt at grading state insurance department web pages, employ a tough standard for grading. We will use more stringent tests in future studies, as these sites become more and more important sources of consumer information.

Results

1. The most important finding is that all but three jurisdictions have a web page up and running. This is a good effort by the states to make use of the new technology.
2. The second most important finding is that there is a great amount of upgrading going on as we wrote this report. This report will be antiquated quickly as we saw over our 5 months of work on this report. Many, if not most, states are actively trying to make their web pages more useful to consumers.
3. Over half of the nation’s population lives in states with excellent web sites and 95% of the nation lives in states with good or excellent sites. Only 5% of the nation lives in states with very poor web sites or no site at all. The state grades are as follows:

- A 15 states with 54% of the nation's population.
- B/C 25 states with 41% of the nation's population.
- D 8 states with 4% of the nation's population.
- F 3 states with 1% of the nation's population.

4. CFA noted some innovative and highly useful features of the web pages of certain states:

- Washington State has a great overall page with easy to use, clear, and hard-hitting information for consumers. Even people from other states that want to learn about a line of insurance, including the pitfalls, should look here.
- Oregon and Wisconsin have financial exams and market conduct exams on line. This is excellent information for a consumer to determine, in depth, the solidity and market practices of the insurance company they are considering
- New York is the first state to webcast hearings so that the public can get more involved in the regulatory process.
- The company profiles at the Texas web site are best. They contain good complaint and financial information on each company doing business there. They also include hot links to financial information from such providers as S&P and A.M. Best (the S&P information is free).
- Missouri's disclosure of auto underwriting guides to warn consumers not to shop from companies who won't take them is a big help for consumers.

5. CFA was very gratified with the cooperation received from the states in verifying the factual underpinnings of this study. We did not show the states the draft report or these findings, however. Their assistance was limited to the factual base found in the attached exhibits.

6. The best way to find a states web page is to log on to www.naic.org/consumer/state/usamap. Click on to your state on the USA map and you will be at that state's web page.
7. If a state does not have price or complaint data, try another state's web page. For complaints, a very good site is www.insure.com/complaints. At this site, one can click on a state and get the rankings of companies for each line for which the state has data. Or one can type in a company and the page will show the rankings of the company in each state with an arrow indicating if the company has an above or below ranking in service. But be careful, CFA has not yet tested this site for price information so we only can recommend it for complaint information.
8. It is most desirable for the states to have the brochures available both for on-line viewing and for download. It is troublesome and time-consuming to have to download a brochure to see if what you need is in it.

Recommendations

Overall, the states are doing a very good job of getting into the new technology. But much more can be done. CFA recommends that states look at the states with "A" ratings as well as those listed above for special mention in order to see models for improvement.

The NAIC should set up a complaint center for on line complaining about insurance. After the complaint is received, the NAIC could send it on to the state for processing.

The NAIC should set up a national complaint ratio service so that consumers in the small states could have credible complaint/service information on all companies by line, on line. The data used for this service should be the huge NAIC complaint database which has not yet been made available to America's consumers.

CFA recommends that the NAIC expand on its portal capacity beyond what it does with the very helpful map to the USA to link to the states. The NAIC should be the site for all consumers to start their shopping for insurance. If a consumer linked through NAIC he or she would have, in effect, a seal of approval. It could work like this: the consumer logs on to www.NAIC.org and is asked a start off question such as what are your needs? Let's say the

consumer chooses I want to buy auto insurance off of the drop down list of choices. You could link to a state's page if it had rate comparisons or, since there is an auto insurance quote service that is truly independent, www.consumerreports.com, you might link the consumer there. But first you would tell the consumer to also check the company's service status (perhaps at the state site or at www.insure.com/complaints that, by then, would surely contain the NAIC's public national database). Also the consumer could be given solvency information by a suggestion to check the financials by a link to free services such as S&P.

If NAIC should set itself up as the arbiter of safe, trustworthy Internet sites, it would perform a great service for consumers. NAIC would help consumers to avoid the pitfalls of sites that link you to paid advertisers or commissioned sites with no low cost providers such as USAA Life or Ameritus Life. You should warn the consumer to check service and solvency and lead her or him to NAIC approved information sources.

NAIC could help facilitate free flow of needed information by allowing underwriting guides to be made public in order to warn consumers not to shop from companies who won't write them, as they do on Michigan's site for auto insurance. You could facilitate more price information by requiring insurers to submit their filings in electronic form and making that public to information brokers just as the hard copy is available today.