

Insurance Department Web Sites As a Resource for Consumer Educators

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Every state in the U. S. as well as the District of Columbia has an insurance department and each state insurance department has a Web site. The 51 insurance department Web sites offer useful resources to consumer educators.

This article reports on a subset of data collected in a project completed at the request of the National Association of Insurance Commissioners (NAIC). The goal of the project was to improve the education and information available to consumers on state insurance department Web sites. The focus of this paper is to identify resources found on Web sites that are useful to consumer educators.

There was no traditional academic literature to review for this project. However, in 2000, the Consumer Federation of America (CFA) completed a project grading state insurance department Web sites. CFA reported that over one-half of the population lived in states with excellent Web page information and over 95% lived in states with at least good information. States receiving an "A" grade were Florida, Illinois, Indiana, Kansas, Missouri, Oregon, Texas, and Wisconsin. An A meant that a state had all major lines of insurance covered by brochures and had most lines covered for price and service information. Thirty-two states earned an "F."

In 1999, CFA reported on the information available on state insurance department Web sites about complaints against insurers that consumers have filed with insurance departments. CFA (1999) reported that 62% of American consumers lived in states that supply at least some information on the frequency of complaints against insurers.

There is no consensus on objective standards by which to evaluate the quality of the Web sites of state agencies. While Lociacano, Watson, and Goodhue (2000) have developed an instrument to measure the quality of Web sites, it is most useful for commercial sites. More general criteria, accuracy, authority, objectivity, currency, and coverage, were used in this research (Kapoun, 1998).

Between May and July 2001, the author visited the Web site of every state insurance department. This article reports on the results when each site was reviewed for the following: Frequently Asked Questions (FAQs), information about insurance department/division role and functions, insurance companies, and insurance premiums.

Frequently Asked Questions (FAQs)

Many state insurance department Web sites included a Frequently Asked Questions (FAQs) section. FAQs can be extremely useful not only to consumers but also to educators who are searching for more specific information than is typically found in textbooks. FAQs appear to be more useful when they are *informational* rather than *educational*. Informational FAQs are problem-related (Do I have to accept the use of after-market parts, used parts, or paintless dent repair?) while educational FAQs (What is life insurance?) often are not. The value of FAQs to consumers also is greater if both the questions and the answers are relevant to the specific state.

Consumer educators could send students with access to the Web to various state insurance department Web sites in search of answers to questions about specific lines of insurance. If the student can't find the answer, the discussion could focus on whether it's reasonable to assume that a state insurance department should make that answer available to consumers on the Web.

Role and Functions of the State Insurance Department

Few consumers understand what a state insurance department does and how it can be a resource for them. A state insurance department has a valuable opportunity to educate consumers by including at least some basic information on the Web site that describes its functions. States with Web sites that did this well included North Carolina, Texas, and Wyoming.

As a learning experience, students could visit randomly assigned or selected state insurance department web sites and share the information they discover. While most state insurance departments perform the same basic functions, some are combined with other departments in state government. Also, some provide more services and information for insurers than they do for consumers. Students can form a relative assessment of their own state's insurance department by visiting others.

Information about Insurance Companies

As educators, we encourage consumers to compare the prices of at least three competitors before making a buying decision. In practice that may be difficult to do if it isn't easy to learn who the competitors are. Several state insurance departments simplify the process by providing a list of all insurance companies doing business in the state. This list is far more useful if it is searchable, ideally by line of insurance *and* by the company name. State insurance departments that had searchable lists of insurance companies included California, Iowa, Missouri, New York, North Carolina, Oregon, Pennsylvania, South Dakota, and Washington, D.C. Virginia's site listed all of the companies by line of insurance sold; clicking on a category produced a list of insurance companies but the list wasn't searchable. Another useful feature

for consumers is a searchable list of insurance agents and agencies (available on sites of Iowa, Ohio, and Oregon).

Some state insurance departments provided consumers with more than just contact information about companies. Consumers should be able to look to insurance departments for information about insurance companies' performance. Useful information related to performance found on some state insurance department Web sites included Market Conduct Exam Reports (Oregon and Washington), Financial Exam Reports (Wisconsin and Oregon), Market Share Reports (South Dakota and Missouri), Enforcement Actions (California, Colorado and Washington), and Companies in Receivership (Missouri).

Market conduct exams evaluate various aspects of a company's market activities, including marketing and advertising, agent training, complaint handling, and appointment of agents. Financial exam reports review the company's financial status. Market share reports let consumers know what proportion of the market an insurance company has in that state. Enforcement actions detail actions taken by the insurance department against companies, agencies, and agents who have violated one or more insurance laws or regulations. Missouri's list of companies in receivership reported those which were in financial trouble or have asked to be dissolved. Such lists help students to see the variety of dimensions with which one might measure the quality of an insurance company.

Another way state insurance departments can share information about insurers is through insurance company profiles. Texas, California, and Pennsylvania all offered company profiles, but profiles for Texas were the most complete. Company profiles on the Texas site included information about the status of a company's license in the state, contact information, lines of insurance written, ratings by financial rating services, and the assets and liabilities of a company.

An important aspect of choosing an insurance company is reviewing the company's financial condition. Typically consumers do this by reviewing reports from financial rating services. Many state insurance department Web sites provided information about financial rating services; however, it is interesting that the rating services identified varied from only one on some sites to as many as seven on others. With the exception of Illinois' and Tennessee's sites, few described what a financial rating service was or why a consumer would benefit from checking with one.

Students could be given an assignment to use state insurance department Web sites to research insurance companies. The assignment could require students to identify those companies selling a particular line of insurance in their state and to learn what they could about a company's financial condition and performance in the marketplace. The research assignment should include learning about complaints consumers have filed about the company, information that is available on most state insurance department Web sites.

Information about Insurance Premiums

One of the most valuable features of state insurance department Web sites is comparative information about insurance premiums. The examples on state insurance department Web sites can be extremely useful to consumer educators in communicating the value of comparison shopping. The examples often provide sufficient information to demonstrate the effect on premiums of different underwriting factors (such as location or gender) and/or the terms of the policy (such as the deductible or amount of coverage). Students could be given assignments to compare premiums for auto or homeowner's insurance using various sets of characteristics.

Twenty-six insurance department Web sites provided premium comparison information for auto insurance. Typically a Web site

priced one or more examples. An example included specifications about the driver (gender, age, driving record), the vehicle, and miles driven. The number of examples across the 26 insurance department Web sites ranged from one (Pennsylvania and Maryland) to 28 (Nevada) although a set of three to five examples was most common. A clean driving record was assumed for every example on half of the Web sites. Quite a few sites included one or more examples with a youthful driver. Most comparisons required the consumer to select from a limited number of locations in the state; the choices did not always include an "other" category. A few Web sites allowed one to choose the geographic location by county. While many sites priced full coverage, on a few, pricing was limited to liability coverage only.

Several sites (Alaska, Florida, Hawaii, Missouri, New York, and Texas) included other useful information such as pricing each element of coverage separately, pricing the policy with and without comprehensive and collision coverage, including the complaint ratio for that state for each company and/or the A.M. Best ratings, and showing the change in premium if one increased coverage.

Twenty-one state insurance department Web sites provided premium comparison information on homeowner's insurance. Variations in pricing were due to construction (frame vs. brick), location within the state, level of fire protection, and occasionally the home's value or the deductible. Eight Web sites priced homeowner's, renter's, and condominium insurance; seven priced homeowner's and renter's insurance; four priced homeowner's insurance only. Only two Web sites priced manufactured housing insurance, yet 7.6% of the U. S. population lives in manufactured housing and 21% of all new single-family housing starts in 1999 were manufactured housing (Manufactured Housing Institute, 1999). Alaska, Missouri, Oregon, and Washington included price information about earthquake insurance; only Washington priced flood insurance.

In both the auto and homeowner's insurance premium comparisons, the companies included were typically described as those writing 70% or more of the market, and who completed and returned the examples sent to them by the state insurance department. Too often, however, there was no indication of how the companies represented in the premium comparisons were selected.

North Carolina provided premium comparisons in a very useful format. Using drop-down menus, auto insurance consumers enter personal information including the model, make, and year of the vehicle; the number of miles driven to work; the city, county, and zip code; and the number of years licensed to drive. Consumers may modify the listing to add violations, accidents, or discounts. For homeowner's insurance, consumers may get premium quotes for five forms by entering the amount of insurance, information about the home and its location, and fire protection.

Summary

State insurance department Web sites can serve as a valuable resource to consumer educators. They are especially useful in demonstrating to consumers the value of comparison shopping before buying insurance. While all of the assignment examples here were written for classroom instructors, they could easily be modified for informal adult education.

In turn, consumer educators can be valuable resources to state insurance departments. Few insurance departments include any staff who were trained in education, much less consumer education. This absence limits the department's ability to identify the practical information essential to consumers' ability to function effectively in the marketplace. Consumer educators who partner with state insurance departments can fill an important void.

Acknowledgments and Limitations

All state insurance department Web sites were reviewed in May through July 2001; more recent additions or changes in department Web sites are not reflected in this article.

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All Web links were accessible on September 14, 2001. The simplest way to find a state insurance department's Web page is to log onto <http://www.naic.org/consumer.htm> and click on State Insurance Regulators Web Sites.

The full report of information presented in this article, including links to the examples cited, is available in PDF at <http://www.fcs.uga.edu/hace/NAIC4.html>

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