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## CONSIDINE DISCUSSES PROTECTION GAP IN PROPERTY INSURANCE

*Discusses Possible Solutions*

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Manasquan, NJ – Commissioner Tom Considine, NCOIL CEO participated in the Rutgers Center for Risk and Responsibility at Rutgers Law School Conference on The Protection Gap in Property Insurance in residential and commercial property losses and related types of losses in the United States.

"As NCOIL CEO, and a former state insurance regulator I bring a unique perspective at policy conferences that highlight challenges that could be solved through sound public policy" said Considine. "The protection gap has tremendous ramifications for policyholders, insurance companies and communities."

Considine participated in the panel entitled "What Cures are there for Protection Gaps?" with Prof. Jay Feinman, Rutgers Law School; Laura Foggan, Crowell & Moring; Prof. Robert Schindler, Rutgers School of Business-Camden; Prof. Harold Weston, Georgia State University; and Sherilyn Pastor, McCarter & English.

The protection gap is the difference between losses that are insured and losses that could or should be insured. The property insurance protection gap can have significant impact on individuals and communities; a property owner who does not have flood insurance may lack the resources to rebuild after a hurricane, for example, and if many property owners lack insurance, an entire community may be hard-pressed to recover.

Although the conference was geared toward the protection gap in property insurance, a number of panelists mentioned the staggering protection gap in life insurance coverage. Considine discussed how the life insurance protection gap is not consistent internationally, noting that life insurance coverage in Japan, for example, is far more extensive than in the US.

Background about the protection gap from the event:

***What is a protection gap? What protection gaps exist in property insurance and what causes them?*** Some examples:

- An entity is entirely uninsured or insurance is unavailable. This is rare in property insurance in the US, with the notable and high-profile exception of Puerto Rico, which came to light after Hurricane Maria.



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- Insured, but certain perils not covered. Homeowners insurance policies exclude coverage for losses caused by natural disasters such as flood or earthquake, and many homeowners fail to purchase available catastrophe insurance.
- Under-insured. Three of every five homes in America are underinsured by an average of 20 percent less than full value, according to analytics firm CoreLogic.
- Other exclusions or restrictions on coverage. Many homeowners and commercial property policies contain hurricane deductibles or windstorm deductibles, restrictive loss settlement provisions, or other limitations of which policyholders may be unaware.

***What solutions are there for protection gaps?***

Some examples:

- Legislators and regulators can require information disclosures and prescribe policy terms to ensure adequate coverage. In the wake of the California wildfires, the legislature enacted a series of reforms aimed at improving consumer understanding and better coverage for homeowners.
- Insurers and intermediaries can innovate products and marketing and can reduce costs to increase availability of coverage and consumer awareness. Insurtech, on-demand insurance, and parametric insurance are being offered as solutions to protection gaps.

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*NCOIL is a national legislative organization with the nation's 50 states as members, represented principally by legislators serving on their states' insurance and financial institutions committees. NCOIL writes Model Laws in insurance and financial services, works to preserve the State jurisdiction over insurance as established by the McCarran-Ferguson Act seventy-four years ago, and to serve as an educational forum for public policymakers and interested parties. Founded in 1969, NCOIL works to assert the prerogative of legislators in making State policy when it comes to insurance and educate State legislators on current and longstanding insurance issues.*



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