

Review the use by insurers, in rating and underwriting decisions, of customer inquiries regarding the general terms or conditions of, or coverage offered under, an insurance policy

Insurer Survey

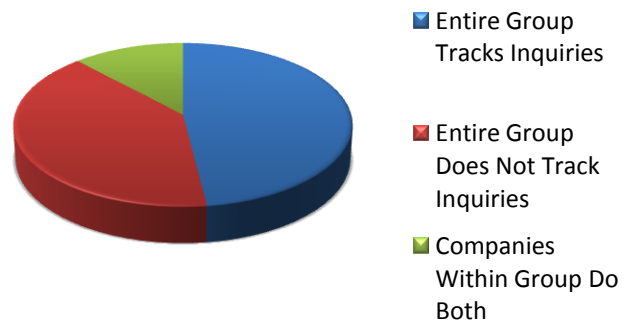
The Texas Department of Insurance surveyed the top 25 insurer groups regarding their use of customer inquiries. Texas Insurance Code, §551.113, prohibits an insurer from considering a customer inquiry as a basis for declination of insurance but does not address the use of the information in rating and other underwriting decisions. The survey questions focused on how insurers handle customer inquiries, how inquiries may result in opening of a claim, and how inquiries might affect the rating and underwriting of a homeowners policy.

The department received a response from 25 insurer groups representing 64 insurance companies.

Based on responses to the survey:

- fifteen insurer groups track customer inquiries; of these, three insurer groups include companies that do and do not track customer inquiries, and
- ten insurer groups do not track customer inquiries.

Tracking Customer Inquiries



Key Findings

All of the insurer groups that track information are able to tie inquiries to customers.

Three insurers may open a claim if a customer has questions about claims, the inquiry uncovers a situation that might result in a claim, or the customer confirms a loss has occurred. In these instances, TDI's concern is that an insurer might open a claim based on the customer inquiry and not at the request of the policyholder.

Two insurer groups use information obtained from customer inquiries to determine the rate or premium if the information relates to a factor included in the insurer's rating plan or results in the need for additional coverage. For example, inquiries resulting in the need for additional coverage or a change in construction classification (frame vs. brick) because of a remodel or addition may cause a premium increase.

Three insurer groups use information obtained from customer inquiries in making underwriting decisions. Information related to eligibility, prior damage, or known defects may be considered during renewal underwriting. For example, an insurer that learns about a leaking roof may not renew a policy if the insured has not made repairs.