



## *Essential Protections for Policyholders*



# **Essential Protection for Policyholders State Rankings of Homeowners Insurance Protections: “Use It and Lose It”**

A report from  
the Rutgers Center for Risk and Responsibility at Rutgers Law School  
in cooperation with United Policyholders

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### **State Rankings of Homeowners Insurance Protections: “Use It and Lose It”**

A homeowner who has paid premiums for years suffers a loss and files a claim; the insurance company responds by dramatically raising the homeowners' premium or even refusing to renew the policy altogether. Even if the homeowner just calls their insurance agent to see if a loss would be covered or files a claim for which the company doesn't pay anything, the event may get recorded and treated as if a claim was paid, resulting in a premium increase or non-renewal.

This is the practice known as **“Use It and Lose It.”**

Insurance is about financial and emotional security. But that security is illusory if policyholders are penalized for actually using their insurance by Use It and Lose It.

Use It and Lose It has become a huge problem for homeowners. Insurance companies collect information on consumer inquiries and claims and share the information with each other through national databases. If a policyholder is dropped by one insurance company, it can be hard to find comparable coverage at an affordable price. As homeowners become aware of the practice, they are deterred from filing claims even if the losses would be covered under their policies.

Insurance companies legitimately can use some elements of policyholders' claims experience in deciding whether to renew policies and how to price them. But companies should not be able to engage in practices that punish policyholders just for asking a simple question or getting the coverage their insurance policies promise and that discourage legitimate claims.

To combat Use It and Lose It, the Essential Protections for Policyholders project recommends that states should prohibit insurance companies from surcharging, increasing premiums, or refusing to renew policies because policyholders have made inquiries about coverage or have filed a single claim.

This report measures how well states are protecting consumers from Use It and Lose It. Every state regulates homeowners insurance and insurance companies, but states differ dramatically in how much and what kind of regulation they provide for the benefit of policyholders. Each state is evaluated based on how well it meets the Essential Protection Standards:

State law should prohibit an insurance company from using a

- single claim within three years,
- a claim that results in no payment by the company,
- an inquiry by a policyholder that does not result in a claim, or
- a single claim for loss caused by weather or a natural disaster

as a basis for

- not renewing a policy or
- imposing a surcharge or premium increase.

For more details, including a description of the problem, recommended statutory language, and a survey of current law, refer to the Essential Protections for Coverage at the Essential Protections for Policyholders website: <https://epp.law.rutgers.edu/>

### ***Key findings:***

- Only two states—Rhode Island and Texas—earned a five-star rating for protecting consumers from improper rate increases and non-renewals for inquiries, claims closed without any payment, and a single claim.
- Eighteen states have no explicit protection at all from Use It and Lose It.
- Twenty-two states bar an insurance company from treating a simple inquiry about coverage as a claim, either for non-renewal, premium increase, or both.
- Ten states prohibit treating a claim for which no payment is made as a claim.
- Fifteen states prevent an insurance company from using a single claim as a basis for non-renewal. Only five of these states also prohibit using a claim as a basis for a premium increase.
- Eighteen states prohibit the use of claims due to weather or natural disasters for premium increase or non-renewal.

## Essential Protections for Policyholders State Rankings — “Use It and Lose It”

Rhode Island	★★★★★	New Hampshire	★★
Texas	★★★★★	North Carolina	★★
District of Columbia	★★★★½	Tennessee	★★
Oklahoma	★★★★½	Vermont	★★
Delaware	★★★★	Alaska	★
Louisiana	★★★★	Hawaii	★
Maryland	★★★★	Idaho	★
Minnesota	★★★★	Illinois	★
Montana	★★★★	Indiana	★
Pennsylvania	★★★★	Kansas	★
Georgia	★★★★½	Maine	★
Michigan	★★★★½	Massachusetts	★
South Carolina	★★★★½	Mississippi	★
Alabama	★★★	Missouri	★
Arkansas	★★★	Nebraska	★
Connecticut	★★★	Nevada	★
Florida	★★★	New Mexico	★
New Jersey	★★★	New York	★
North Dakota	★★★	Ohio	★
Wyoming	★★★	Oregon	★
Utah	★★½	South Dakota	★
Arizona	★★	Virginia	★
California	★★	Washington	★
Colorado	★★	West Virginia	★
Iowa	★★	Wisconsin	★
Kentucky	★★		

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