

Plain English in Michigan Insurance Policies

The four most common types of personal (consumer) insurance policies are life, health, car and home insurance. To learn the present status of plain English in such policies in Michigan, we asked the largest seller of each type in our state to discuss their company's position regarding plain English in their policies. Their answers indicate that most personal insurance policies in Michigan are already written in plain English, and eventually, all will be.

The Questions

We asked each company these eight questions:

1. In what year did you write your first Michigan plain English policy?
2. Why did you write your policy in plain English?
3. What proportion of all your Michigan policies are now written in plain English?
4. When do you hope to have all your Michigan policies written in plain English?
5. What problems did you have in rewriting your policies in plain English?
6. What benefits have you seen because your policies are written in plain English?
7. Do you have any market data, opinion surveys, etc., that indicate whether or not it was worthwhile to rewrite your policies in plain English?
8. Do you have any other comments about plain English in insurance policies?

Life Insurance

Metropolitan Life Insurance Co. has the largest market share (8.5%) of the 500 companies that sell life insurance in Michigan. Jeanne R. Corbett, Vice President, answered the questions as follows:

1. The wording used in our policy forms evolved toward "plain English" over a number of years. Two major form revisions were made:

- On January 1, 1960, new forms were introduced. They represented a complete rewriting of policy provisions, aiming towards the elimination of technical and legalistic expressions.

- New forms were again introduced in 1979. This revision was to personalize policies, e.g., "you" (the policy owner) and "we" (Metropolitan); and to achieve further possible wording simplifications and shorter sentences.

2. The 1960 revision was prompted by the start of consumer interest in "plain English." The 1979 revision took account of the growing consumer interest and legislation in Massachusetts and Minnesota concerning specific requirements of type size, spacing and Flesch scores.

- 3./4. One hundred percent of our policies are now in plain English.

5. The major problem was to write unambiguous contracts which would assume only those risks contemplated by our pricing.

6. We believe our policies are easier for sales representatives to explain and customers to understand. Also, sales and advertising material can more readily be adapted from the contractual language.

7. No specific market data or surveys.

8. Comments are incorporated above.

Health Insurance

Michigan Blue Cross/Blue Shield has the largest market share (48% of the state's population) of the 20 major companies that sell health insurance in Michigan. Joseph A. Murphy, Jr., Vice President and Deputy General Counsel of Blue Cross/Blue Shield answered the questions as follows:

1. In 1980 we recast three of our individual (non-group) certificates in plain English. These contracts were implemented in January, 1981 after receiving Michigan Insurance Bureau

approval. We also increased our type-size to 12 point Helvetica print in the non-group over 65 plain English certificates for senior citizens.

2. Internal demands from our management in response to rumblings in the Legislature of mandating that certificates be written in plain English and the adoption of plain English by other Blue Plans gave impetus for our changes.

3. 100% of our over 65 individual certificates, 59% of our under age 65 individual certificates and 100% of the booklets that explain our group certificates.

4. No timetable is established to rewrite our group certificates. We are using easy-to-read benefit booklets and benefit explanation folders for group enrollment in lieu of certificates. We are continuing to convert the remaining individual lines of business health care certificates into plain English.

5. Preserving the intent and defensibility of a benefit provision while translating the provision into plain English was difficult. The transition often requires more words and increases the length of the document.

6. We have had positive feedback in court regarding our plain English definition of the medical emergency condition benefit.

7. No.

Auto Insurance

The Automobile Club of Michigan has the largest market share (25%) of the 200 companies that sell car insurance in Michigan. Edwin F. Dyer II of the Automobile Club answered the questions as follows:

1. The first plain English policy issued by the Automobile Club of Michigan Insurance Group was its CAR Insurance policy, which became effective January 1, 1982.

2. We recognized a trend in the insurance industry toward the use of plain English policies. There was and

is legislation pending in the state Legislature which, if adopted, would require that all consumer contracts, including insurance policies, be written in plain English. Additionally, we recognized that the adoption of plain English policies would give us a competitive edge over companies which did not use them.

3. Approximately 70 to 75 percent of the policies now in use by the companies affiliated with the Automobile Club of Michigan Insurance Group are plain English policies.

4. We hope to have all policies in plain English by early 1988.

5. We did not experience any particular problems in rewriting our policies in plain English. Of course, it is always difficult to ensure that any new policy, whether in plain English or not, really says what you intend it to say without ambiguity. Additionally, all of our policies had to conform to the guidelines set forth in the proposed legislation which required a score of at least 45 on the Flesch test.

6. We have found that consumer acceptance of our plain English policies has been very good. After our CAR policy went into use we received many letters from our customers expressing satisfaction with the new policies. In addition, we have found that the plain English policies make it much easier for our sales persons and adjusters to answer our customers' questions concerning what is and what is not covered by our policies. Additionally, when litigation has arisen concerning interpretation of the policy, we have enjoyed very good results in defending our position in court.

7. We have not done any research to determine whether it was worthwhile to rewrite our policies in plain English. Some market surveys were done before adoption of the plain English CAR policy, to determine whether it would be worthwhile to rewrite the policy, but these were not extensive or particularly scientific.

8. We have gone beyond the proposed statutory requirements in type size and spacing in our plain English policies. We feel that larger type and wider spacing makes the policy much more readable. We have also bold-faced all definitions. This makes the policy much easier to read. We have also built no-fault definitions and coverages into the policy. Many auto insurers who have gone to plain English policies still include no-fault coverages by endorsement. We feel that the use of endorsements detracts from the readability of the policies because the insured has to sort through a number of documents to determine what is covered.

Home Insurance

The group composed of State Farm Fire and Casualty Company and State Farm General Insurance Company has the largest market share (20%) of the 125 groups of companies that sell homeowners' insurance in Michigan. J. Wesley Ooms, Assistant Vice President of State Farm answered the questions as follows:

1. State Farm wrote its first Homeowners' policy in plain English in Michigan on February 1, 1979.

2. Legislatures in a number of states enacted laws in the mid to late 70's requiring personal line types of policies (including Homeowners) to meet readability requirements. Such statutes became effective at a later date to allow the industry to meet such requirements. Because our Homeowners' contract is national in scope, it was introduced everywhere, even though a number of states did not have readability requirements at the time.

3. All our Michigan Homeowners' policies (473,000) are written in plain English. Much of the Homeowners business in Michigan uses plain English policies.

4. See No. 3 above.

5. Beyond the expense, a basic problem in redrafting policy language

is the obvious loss of legal precedents in the use of terms and phrases. Further, significant coverage questions were raised after the plain English policies went into effect. Some of these questions were because of the plain English contract. Repairing the contract to be more precise in providing the specific coverage parameters is now more difficult.

6. Rewriting the policies in plain English gave us the opportunity to revise and revamp our contracts and incorporate necessary changes.

7. Definitive market data or opinion surveys are not available as to the worthwhileness of rewriting Homeowners' policies into plain English. However, when it becomes necessary to read the contract, the addition of an index, more white space, definitions of terms and reformatting has certainly enhanced the ease of reading the contract.

8. Whether the insurance contract is or is not readable does not make much difference in whether or not people will read it. Simply, to make it readable does not automatically result in more people reading it. Also, we find the judicial system does not interpret the plain English contract as meaning what it apparently and plainly says. However, that may be due to current political, economic and social conditions. ■

"Plain Language" is a regular feature of the *Michigan Bar Journal*, edited by George H. Hathaway, Chairperson of the State Bar Plain English Committee. Through this column the Committee hopes to promote the use of plain English in the law. Want to contribute a Plain English article? Contact Mr. Hathaway at The Detroit Edison Co., Room 688 WCB, 2000 Second Ave., Detroit, MI 48226.