

COMMONWEALTH

VIRGINIA



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STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

May 9, 1977

1977-5

TO: ALL COMPANIES LICENSED TO WRITE PROPERTY AND CASUALTY
INSURANCE IN VIRGINIA

RE: Readable Insurance Policies - Automobile, Fire, and
Homeowners Policies

The General Assembly of Virginia has enacted legislation to become effective July 1, 1977, which will permit insurance companies to file and use readable insurance policies on an experimental basis with respect to automobile, fire, and homeowners policies. A copy of the new law is enclosed for your information.

Accordingly, the Bureau of Insurance will accept for review filings of simplified, readable policies that offer the equivalent coverage currently provided for in existing automobile, fire, and homeowners policies.

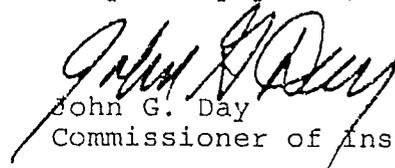
Specific standards relating to uniform printing (size of type) and to readability formulas (Flesch Reading Ease Test, Gunning "Fog" Index, etc.) are not being adopted at this time. In lieu of such standards, companies should review the recommendations contained in the enclosed Guidelines.

In the event insurers do not desire to develop and file readable insurance policies at this time, I strongly urge that appropriate explanatory brochures, outlining the major policy provisions, be developed and forwarded to each of your automobile, fire, and homeowners insureds. In the event brochures are used, copies should be sent to the Bureau.

Should you have any questions concerning this matter, kindly communicate same to this office in writing.

Thank you for your cooperation.

Very truly yours,


John G. Day
Commissioner of Insurance

JGD:dbh

Enclosures

CHAPTER 255

An Act to amend the Code of Virginia by adding sections numbered 38.1-367.1 and 38.1-387.1, relating to the language contained in certain policies of insurance.

[H 1522]

Approved March 16, 1977

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding sections numbered 38.1-367.1 and 38.1-387.1 as follows:

§ 38.1-367.1. Commission to establish guidelines on readability of fire insurance policies.—The Commission may establish guidelines for the filing of simplified and readable fire insurance policy forms which are acceptable for issuance; and, notwithstanding the provisions of §§ 38.1-365, 38.1-366 and 38.1-367, an insurance company may issue a fire insurance policy which deviates in language, but not in substance or coverage, from the standard policy form provided for in §§ 38.1-365, 38.1-366 and 38.1-367, provided the deviating policy form is approved by the Commission prior to issuance in accordance with the guidelines hereinabove authorized.

§ 38.1-387.1. Commission to establish guidelines on readability of automobile insurance policies.—The Commission may establish guidelines for the filing of simplified and readable automobile insurance policy forms which are acceptable for issuance; and, notwithstanding the provisions of §§ 38.1-382 through 38.1-387, an insurance company may issue an automobile insurance policy which deviates in language, but not in substance or coverage, from the standard policy form provided for in §§ 38.1-382 through 38.1-387, provided the deviating policy form is approved by the Commission prior to issuance in accordance with the guidelines hereinabove authorized.



STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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GUIDELINES FOR SIMPLIFICATION

AUTOMOBILE, FIRE, AND HOMEOWNERS POLICIES

The Policy as a Legal Document

1. *Revision of the insurance policy to make it more readable must not lead to its devaluation as a legal document.*

The principal objective of policy revision is to make it readable and understandable to the average layman. This does not mean that language used should be so informal that the importance of the contract is lessened. While unnecessary legalistic terminology can be and should be avoided, precision and accuracy must not be sacrificed in the process. Moreover, the revised policy should be sufficiently formal that it cannot be mistaken for a brochure or other advertising piece.

2. *The policy revision process must proceed with the highest degree of care and caution.*

Insurers who have undertaken to revise their policy thus far have found that inevitably there is some simplification. This is a desirable by-product of such a project. However, simplification and "streamlining" should be deliberate. Great care must be exercised to make certain that coverages set forth in the readable policy accurately express the intent of the drafters. The revised policy should conform to the existing policy or to newly introduced coverage concepts.

General Organization of Text

1. *The revised policy should be organized in such a manner that the text follows logical thought patterns.*

At present automobile insurance policies resemble Topsy in that they "just grew." Coverages, exclusions, conditions, etc., appear to have been tacked-on as legal requirements changed. Initiation of a readability project affords the insurer a unique opportunity to rearrange the contract into logical thought outline-flow sequence.

2. *Coverages should be self-contained and independent to the greatest degree possible.*

A format change adopted by some insurers who have already engaged in a readability project has been to rewrite with the objective of making each coverage independent of other policy provisions to the greatest degree possible. Present contract format does not lend itself to ease of comprehension. Even a knowledgeable reader must often refer to several different policy parts in order to solve specific coverage questions. This should be avoided whenever possible.

3. *General policy provisions applying to all or several coverages alike should be located in a common area.*

While policy conditions applicable only to certain coverages should be located in the appropriate coverage section, this does not mean that each section must be redundant as to certain provisions common to all, or virtually all, coverages. This means that there must be some repetition. At the same time, there must be some compromise with the goal of independence of coverage provisions.

4. *Non-essential provisions should be eliminated and the policy should be simplified wherever possible.*

Recent statutes, court decisions, regulations, and social changes may make a few policy provisions obsolete. Careful review may well result in identification of unnecessary language.

Specific Organization Suggestions

1. *The readable policy should generally comply with the following organizational format:*
 - a. *Type size should not be smaller than 8 point, non-condense.*

Generally, readability is enhanced by judiciously combining reasonably large type with other printing devices. However, other factors must be considered in order to avoid an overly lengthy policy. Increased paper and postage expense may result from adoption of large size type. Therefore, 8 point type size is an acceptable minimum.

- b. *Type style selection should be at the discretion of the insurer, but care should be taken in selecting a legible type.*

Extreme type styles, such as "Old English" or heavy block should be avoided. There are many acceptable type styles and reliable printers are generally capable of properly advising as to which individual style or combination of styles is most desirable for ease of reading.

- c. *Captions or headings should be designed to stand out clearly.*

Insurers should consider adoption of bold-face captions or use of a different type size or type style for headings and captions. Upper case type or printing in contrasting color may also be used for emphasis.

- d. *White space separating coverages, policy sections, and columns should be sufficient to make a distinct separation.*

Ample usage of white spacing can enhance readability. Insurers should use white or buffer space between the various headings, captions, and columns to avoid squeezing too much language on any one page. This makes the policy less of a challenge to the reader.

2. *In order to enhance readability, insurers may want to consider adoption of the following optional devices:*

- a. *Insurers should consider use of various devices to make the various insurance policies more attractive, and thus, more readable.*

Policies are more readable if printed on highly contrasting ink and paper. Use of more than one color might be advisable. Insurers may wish to use appropriate illustrations.

- b. *Convenience of size and weight should not be overlooked.*

Policy size and weight of paper is a problem, and will inevitably involve certain compromises. In general, insurers must evaluate their capacity to produce policies of a particular size, based on existing forms, procedures and equipment. The policyholder's convenience in storing the policy should be kept in mind. Cost of mailing and printing is an essential and proper consideration.

- c. *Use of a handy table of contents has advantages to the reader unfamiliar with the text.*

A policy table of contents is an excellent readability aid and permits ease of location of important contract provisions. It is suggested that insurers consider inclusion of such table of contents.

- d. *Defined words and terms should be selected with care and insurers should consider adoption of a separate definition section to appear early in the policy format.*

Defined words and terms should be used for purposes of clarity and to avoid frequent repetition and avoidable redundancy. Defined words may then be capitalized or underlined in the text. Definitions should be kept to a minimum. Insurers who have already developed readable policies have found that too many definitions are almost as much of a hindrance to ease of comprehension as too few. Many words and

terms, particularly those common to one coverage or section, can be explained in the text material itself without appearing to be formal definitions. The number of defined terms depends upon the policy contents, the number of coverages contained in the policy, and the scope of the policy: i.e., whether the policy is designed to cover private passenger cars or all types of vehicles.

General Readability Guidelines

1. *Policy revisors must adopt modern principles of writing in order that the revised policy can be read with increased comprehension. Some of these principles are as follows:*

- a. *To be readable, the policy should be written in everyday, conversational language.*

Legalistic terminology and legal sounding phrases should be avoided wherever possible. The adoption of conversational style does not mean that writing should be less accurate than at present. Undoubtedly, there will be portions of the contract requiring precision of thought and specific legal terminology. However, this should be kept to a minimum. Contractions can be used where appropriate. Correct grammar should be used throughout the text. Debasing of the English language is not necessary in order to make a formal document more comprehensible to its readers.

- b. *Use short, familiar words wherever possible.*

Vocabulary is a tool, a means to an end. It is not a proper end in itself. Avoid long, polysyllabic words when short ones will do just as well.

- c. *Sentences are more readable if they are short and simple.*

Most experts in modern writing agree that good sentences should average less than 20 words. It is preferable to express a complete thought in each short sentence and then to convey complex ideas by the use of several short sentences. Periods are

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better than colons or semicolons unless an outline style is adopted.

d. *Use a personal style.*

Use of "his," "her," "you," etc. is proper in a formal document. Current use of the impersonal style in insurance contracts does not lend itself to ease of comprehension. Present tense and active verbs should be used wherever possible.

2. *Readability formulas should be used to check the revised policy text against the previous existing standard text.*

Modern readability tests measure comprehension on the basis of sentence and word length and emphasize that short sentences and monosyllabic words are preferable when complex concepts are to be conveyed to the reader. No one readability standard formula is required, but insurers should use one of many available tests to check their revised policies. The Flesch Reading Ease Test, The Gunning "Fog" Index, and similar tests can be useful tools.