

competencies across the consumer science discipline may serve as a tool for assessing the unique contribution of consumer science graduates to business, government and private, non-profit sectors.

Precise statistical evaluation of the data is not possible because of the open-ended nature of the data collection. Twenty-two useable survey instruments provided twenty-two unique responses. Therefore, generalizations or statements cannot be made without some subjective categorizing of the data. For purposes of this analysis, the authors summarized and categorized the data in the following way.

First, those competencies which were indicated by respondents as being "crucial" or "important" in at least 25 percent of the participating institutions were identified. Second, those phrases and terms which implied similar meanings were defined. Third, a distinction was made between those competencies provided within a consumer science department, and those which the student was expected to acquire from all other courses -- i.e., outside the departments. Finally, those competencies identified as being "crucial" or "important" without regard to where the competencies are obtained were identified.

In Section 10, program auditors gave some suggestions as to how to increase the employability of consumer science graduates, in response to an open-ended question asking what they felt should be done in the next five years. Again, the authors attempted to categorize their responses to derive a sense of commonality of the opinions.

C. Results

1. Section 7 - Career Competencies

Decision-making Skills, including Problem Solving, and Analytical and Critical Thinking, as shown in Tables I and II, are usually taught within the consumer science department (95% as opposed to 59% outside the department). Public Policy competencies were also reported as being provided in consumer science departments (100%), but not by other departments (0%). Financial Management and Consumer Complaint and Referral were only reported as offered from consumer science departments. Communication Skills were more likely to be reported as coming from other departments (i.e., 23% from consumer studies departments, 77% from other departments).

These findings are not surprising in light of the professed purposes of many consumer science departments: to apply the basic disciplines to the specific application of consumer affairs to be used in a business, government or consumer agency setting. Therefore, the types of competencies that a student would acquire in most consumer science programs, regardless of which

departments provided the knowledge, is noteworthy.

Table I

"Crucial" And "Important" Competencies Provided By Consumer Science Courses, As Identified By Program Auditors.

Competency	Crucial		Important		Combined	
	N	%	N	%	N	%
Number responding = 22						
Decisionmaking Skills						
Problem Solving						
Analytical & Critical Thinking	17	77%	4	18%	21	95%
Public Policy						
Consumer Needs & Priorities						
Legislative Issues						
Government Activities	12	55%	11	5%	23	105%
Information Use and Management	6	27%	3	14%	9	41%
Communication Skills	5	23%	--	--	5	23%
Use of Basic Disciplines	11	5%	4	18%	15	68%
Consumer Complaints & Referrals	7	32%	5	23%	12	55%
Financial Management	4	18%	5	23%	9	41%
Identify, Develop & Utilize Resources	7	32%	4	18%	11	50%
Philosophy of Consumerism	4	18%	2	9%	6	27%
Consumer Education Techniques	4	18%	2	9%	6	27%

*Note: Competencies may have been reported more than once by the same university - once as a crucial competency and again as an important competency.

As indicated in Table III, Decision-making Skills, Public Policy, Use of Basic Disciplines and Communication Skills were common in a majority of programs. From this we can deduce that a student prepared in consumer science should be able to apply basic discipline concepts to public policy issues and communicate this to others. Consumer Science programs in general should provide excellent preparation for the decision makers of the future, as this skill was highly rated by 95% of the responding institutions.

An appropriate question is, therefore, "How well do our consumer science graduates compare with other fields?" Consumer science graduates compete with arts and sciences and business graduates for positions. This survey indicates indirectly the faculty perception of the quality of consumer science graduates but there is a lack of information on the competencies of other fields. The data suggests that consumer science students are able to

integrate information, but whether they are better at this than their peers from other disciplines remains unknown.

Table II

"Crucial" And "Important" Competencies Provided By Courses Other Than Consumer Science Courses, As Identified By Program Auditors.

Number responding = 22	Crucial		Important		Combined	
	N	%	N	%	N	%
<u>Competency</u>						
Basic Disciplines	8	36%	5	23%	13	59%
Communication	15	68%	2	9%	17	77%
Computational Skills						
	3	14%	3	14%	6	27%
Critical Thinking	10	45%	1	5%	11	50%
Business Operation	3	14%	3	14%	6	27%
Decisionmaking/Management						
	4	18%	3	14%	7	32%
Research	2	9%	4	18%	6	27%

Table III

Competencies Acquired By Following Consumer Science Curriculum, As Identified by Program Auditors.

Number responding = 22	<u>Crucial or Important</u>	
	N	%
<u>Competency</u>		
Decisionmaking Skills/mgt.	21	95%
Public Policy		
Consumer Needs and Priorities		
Legislative Issues		
Government Activities	15	68%
Information Use and Management	7	32%
Communication Skills	18	82%
Use of Basic Disciplines	12	55%
Consumer Complaints & Referrals	9	41%
Financial Management	9	41%
Identify, Develop and Utilize Resources	8	36%
Philosophy of Consumerism	6	27%
Consumer Education Techniques	5	23%
Computational Skills	12	55%
Business Operation	8	36%
Research	9	41%

Table IV shows the tabulation of responses to the open-ended employability question. Forty-four percent of the respondents felt that the academic program should be strengthened in some way. Comments such as, "adapt curricula to current changes in the economy and to needs by

business and government," "strengthen academically, in both theoretical and applied areas," and "revise to incorporate newer emphases in computer science or communication," demonstrate auditors' awareness of the need for programs to respond to market conditions. Specifically, the need for computer skills was identified by 19% of the sample.

Table IV

Tasks to Increase Employability		
N=27	N	%
Strengthen Program	12	44%
Placement Network	11	41%
Occupational Title	8	30%
Internship	7	26%
Stress Diversity	6	22%
Computer Literacy	5	19%

The other major thrust appeared to be in the area of links to employers. Forty-one percent thought that networking would be the best way to place students. Thirty percent felt that the development of a specific occupational title would aid in placement. In this light are comments such as "develop literature aimed at the business community that will describe how consumer affairs departments contribute to the profitability of the firm" and a call for a "major national study of job opportunities in the public and private sector, respectively." The other area of response dealt with undergraduate internships. Twenty-six percent felt that internships are an important entre into the workplace. Possibly the lack of a specific occupational title makes internships especially important for consumer science graduates. The comments indicated the impression that if employers are exposed to these students' competencies and become aware of the quality and diversity of their skills, they will want to hire them as graduates. This has been shown to be effective in other areas, such as retailing.

The major implication of the responses to this question is that the program auditors are fully aware of the need to be responsive to the needs of business, government and non-profit organizations. They expect to keep an open dialogue through placing interns and establishing a professional network of contacts that will help them refine curriculum offerings.

D. Discussion

From this analysis we can develop a profile of a typical consumer science graduate, at least as intended by those responsible for curriculum. The individual is a skilled decision-maker with an appreciation for the policy implications of legislation. His or her roots in the basic

disciplines make the graduate capable of analyzing consumer needs and priorities and then communicating them to business/government leaders and consumers. The individual is flexible in his/her application of skills because the emphasis is on management and problem solving.

Accordingly, the competencies set forth in this analysis may be used as a basis for establishing evaluation criteria to determine the extent to which the consumer science curriculum or a developing program in a given institution of higher education prepares students for consumer affairs careers. The competencies and profile identified in this analysis may be helpful in educating employers as to the unique contribution to consumer affairs, general business, management and government that can be made by consumer science graduates.

Further, the consensus is that consumer science graduates are good "products" of their undergraduate programs, and the "problem" is primarily one of effective marketing to sell the product. The current means of selling appear to take the form of trial (internships) and word-of-mouth (networking). As marketers will readily attest, this may be one of the slowest means of disseminating information about a product. The authors submit that it may be more appropriate to attract attention or create an awareness of consumer science graduates through a public information/relations campaign. Consumer science educators need to find specific ways to make the public (i.e., business, government, consumer agencies) aware of graduates and their skills. In a vein similar to that offered on the maturing of consumerism itself (Bloom and Greyser, 1981) this is the only way that consumer science can move its "product" from the innovation/early adoption stage to a majority acceptance stage.

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THE SCOPE OF CONSUMER SCIENCE:
SEMANTICS AND SUBSTANCE

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ABSTRACT

Stampfl's study of Consumer Science in Institutions of Higher Education suggests a wide divergence in interpretation of such disciplinary organizational terms as "focus and "scope." Any discussion within the field concerning its nature and future is thus likely to be fraught with semantic pitfalls. This paper attempts to separate some of these semantic difficulties from some substantive issues regarding scope.

Previous papers by this author concerning consumer science as a field of study in higher education² have attempted to raise and/or address such issues as:

1. the relevance to consumer science of the evolutionary pattern of certain other academic fields (i.e., from primal-disciplinary to multi-disciplinary to inter-disciplinary and to uni-disciplinary stages);
2. the potential for and advantages of uni-disciplinary status and recognition;
3. the unique niche of consumer science in terms of focus and scope as a field of study vis-a-vis its contributing disciplines;
4. the sense in which consumer science can be considered a science; and
5. the appropriateness of "consumer science" as a disciplinary title in terms of the above analysis (1, 3, 4).

The 1982 National Invitational Symposium on Consumer Science in Institutions of Higher Education and Stampfl's later in-depth program audits of 27 such institutions revealed some elements of consensus and some areas of apparently great divergence of opinion concerning the above and related issues (7, 8). This paper will primarily analyze the commonalities and differences in expressed approaches concerning the scope of consumer science. The author will further attempt to clarify and distinguish some substantive differences from those which are largely semantic.

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²Encompassing study currently known under a diversity of titles including "family economics," "consumer economics," "consumer affairs," "consumer education," "consumer studies," "consumer science," and "consumer whatever."

SCOPE VERSUS FOCUS

The term "focus" can be characterized as having less divergence of interpretation than has the term "scope" among those interested in consumer science. This semantic advantage of the former term may thus be at least partially responsible for the relative consensus in its identification. Despite our differences in preference for words, word combinations, and emphases, the accepted "essence" of what we study is contained somewhere within the following:

The focus of consumer science is on "consumer role interactions." Furthermore, the "consumer role" concept has been conceptually and practically expanded in the field beyond the ultimate purchaser/user to the spectrum of non-producer economic roles including those of budgeter, borrower, saver, investor, taxpayer/public goods user, and citizen concerned with societal economic issues. The entities with which such roles interact include households, families, products and services, firms, consumer and labor organizations, government agencies, and economic, political, and social systems (3).

The above definition of focus may seem so expansive to some that any usefulness of a distinction between the focus or "central point" of the academic field and its scope or "extent or range" becomes obscure. This is especially the case if one thinks in terms of the theoretical research scope of the field or the scope of the subject matter content of its courses. But does a useful distinction between focus and scope become more apparent if one thinks of the latter in terms of an entire degree program including the non-consumer science courses?; or if one thinks of scope in terms of the ranges of approaches to teaching the subject matter (as for instance along the continuum of intended objectivity to conscious advocacy)?

SCOPE IN TERMS OF FUNCTION

As implied above, appropriate definitions of scope of an academic field depend on the various academic functions which are being considered. The concept of scope or "extent or range" of a discipline can thus be applied to at least the following functional areas:

1. theoretical research done;
2. subject matter content chosen for courses within the discipline;

3. approaches used in investigating, evaluating, and teaching such content (e.g., scientific, application, advocacy);
4. university extension and other client group, community and societal services rendered;
5. total degree program content chosen;
6. orientation of programs offered (e.g., liberal arts and sciences vs. career orientation).

Stampfl was perhaps attempting to determine faculty opinions concerning the first two usages of the term when he asked for a list of ". . . what should be included in the intellectual focus and scope of the consumer field" (8). Many respondents, at least, seemed to interpret the question in that manner since their responses were substantially similar to this author's statement of focus presented earlier.

Other respondents, however, apparently had one or some combination of usage 3 to 6 in mind. For instance, responses such as "prescriptive courses of action" were probably inspired by usage 3. Responses such as "anthropology, physical and biological sciences" are more clearly generated by usage 5. Others such as "business courses," or "Knowledge so one can enter an industry" seem more related to usage 6.

Stampfl's next question asking opinions on "items" that ". . . should not be included in the intellectual scope of the consumer field" drew responses illustrating a similar diversity of interpretation. Those who interpreted the question narrowly (i.e., usage 1 and/or 2) tended to exclude most of what they did not include in the prior question. On the other hand, those who assumed a broad perspective toward the questions (i.e., usages 1 through 6) tended to be reluctant to exclude anything from the scope of consumer science.

The author thus concludes that at least some of the apparent internal disagreement concerning the nature and future of the field is semantic in origin. Furthermore, such semantic problems tend to retard identification and discussion of substantive issues.

THE BAMMPP MODEL OF DISCIPLINARY SCOPE

The BAMMPP Model (i.e., the Basic/Applied, Micro/Macro, Private/Public dimensions) of disciplinary scope may be useful in clarifying some current issues concerning emphases within the field (i.e., intra-scope analysis) which arise under all six of the functional areas identified. The objective of its prior presentations, however, was to differentiate the scope of consumer science from those of certain other fields which study the consumer (i.e.,

inter-scope comparisons) in regard to the first four perspectives toward the term (1,3).

Concerning the first two perspectives (i.e., consumer science research and subject matter), two dimensions of scope found to be useful in organizing content in some other social science fields were adopted. The micro/macro and private/public dichotomies and their combinations were thus used to compare consumer science to its contributing disciplines. Although many interpretations can be specified for these distinctions, most would overlap considerably with the author's. In the case of the micro/ macro dichotomy, the "micro" domain tends to be interpreted as the study of consumer decisions by individuals, households, and/or families which have primary impact upon their own well being. The "macro" domain in contrast seems to be interpreted in some sense as the study of decision-making on and/or impacts on a societal, or at least a larger group level. Thus, the study of the family decision-making process for purchasing a home, for instance, is intuitively more "micro" than the more "macro" study of the development of consumer organizations and/or consumerism.

Likewise, most interpretations of the private/public distinction are likely to be similar to the author's. The "private" domain tends to be interpreted by those in the field as pertaining to consumer role interactions involving the market portion of the economy. The "public" domain, on the other hand, refers to consumer role interactions directly involving government entities.

In regards to perspectives 3 and 4 toward scope (i.e., research and teaching approach toward content; and client groups explicitly recognized), the basic/applied dichotomy was also incorporated into the model. The semantics of this distinction are more controversial. Although the major definitions all overlap, each is more appropriate for some academic fields than it is for others. The author has elsewhere identified and analyzed the contenders (4). The distinction which seems most appropriate for consumer science is akin to that between empirical theory development (basic domain) and application to client group problems in consideration of values and objectives (applied domain).

Some in the field have interpreted the author's definition of "applied" to be more prescriptive than it was intended to be. Perhaps the use of the term "normative" contributed to the misunderstanding. In prior presentations of the BAMMPP Model, it was used in the sense of ". . . if objectives A, B, and/or C are desirable, then basic science knowledge of the situation suggests the efficacy of solutions X, Y, and/or Z" rather than in the sense of ". . . objectives A, B, and/or C should be considered desirable." Table 1 thus presents the BAMMPP Model with certain wording changes which hopefully more clearly convey the author's intent.

INTER-SCOPE ANALYSIS

TABLE 1 presents combinations of each of the BAMMPP distinctions for a total of eight cells with example consumer science problem statements appropriate to each. Previous inter-scope analyses have compared the approach of consumer science in each cell to those of its most closely associated disciplines (i.e., economics, marketing, and certain subfields of home economics). Among the conclusions were the following:

1. In its micro (i.e., individual, household, family)-domain, consumer science differs from economics in that the former includes the examination of the psychosocial aspects of consumer roles that the latter treats as givens.

2. Marketing's study of consumer behavior, on the other hand, is closer to the more comprehensive micro objective of consumer science. However, it has tended to be confined to only one of the consumer roles which is of interest to consumer science (i.e., purchaser/user). Also, research topics chosen may differ because of the different client groups served.
3. In its micro-domain consumer science includes both a) the intra-family interactions related to consumer roles (sometimes described as the focus of family economics) and b) the inter-economic unit interactions involving consumers and other economic units (e.g., sellers) (sometimes described as the focus of consumer economics).

TABLE 1. The BAMMPP Model of Consumer Science: Basic/Appplied; Micro/Macro; Priate/Public Dimensions of its Scope (with Examples of Problems Appropriate to Each Cell)

		Basic (empirical theory)	Applied (application of theory)
Private (market) Domain	Micro (personal)	<p>(1) Conceptual development and testing of empirical phenomena, relationships, and theories concerning problems such as:</p> <ul style="list-style-type: none"> * Determinants of individual, household, or family consumer satisfactions/dissatisfactions with products, services and firms. * Determinants of budgeting techniques used, categories established and amounts allocated by individuals, households, or families. 	<p>(2) With consideration for 1) current basic science understanding; and 2) clarification of values and objectives--analysis of alternatives concerning problems such as:</p> <ul style="list-style-type: none"> * How individuals, households, or families can choose products, services, and firms. * How individuals, households, or families can budget their finances.
	Macro (societal)	<p>(3) Conceptual development and testing of empirical phenomena, relationships, and theories concerning problems such as:</p> <ul style="list-style-type: none"> * Factors that determine consumer movements and formation of private consumer organizations and their activities. * Factors affecting socially responsible consumer and producer behavior. 	<p>(4) With consideration for 1) current basic science understanding; and 2) clarification of values and objectives--analysis of alternatives concerning problems such as:</p> <ul style="list-style-type: none"> * How consumers and their organizations can improve marketplace functioning through information dissemination and other means. * The appropriate role for voluntary, socially responsible behavior on the part of consumers and producers.

(cells 5, 6, 7, and 8 on next page)

TABLE 1 (continued)

		Basic (empirical theory)	Applied (application of theory)
Public (government) Domain	Micro (personal)	<p>(5) Conceptual development and testing of empirical phenomena, relationships, and theories concerning problems such as:</p> <ul style="list-style-type: none"> * The effectiveness of various government agencies in handling specific types of individual consumer complaints or inquiries. * Characteristics of successful small claims court cases brought by individual consumers; factors leading to successful consumer complaints to various government agencies. 	<p>(6) With consideration for 1) current basic science understanding; and 2) clarification of values and objectives--analysis of alternatives concerning problems such as:</p> <ul style="list-style-type: none"> * The agencies to which individuals can pursue specific consumer complaints or inquiries. * How individuals can prepare and pursue their consumer complaints to the appropriate public entities.
	Macro (societal)	<p>(7) Conceptual development and testing of empirical phenomena, relationships, and theories concerning problems such as:</p> <ul style="list-style-type: none"> * Factors affecting consumer representation in the political system. * How consumer public policy is formulated; effects of different policy approaches. 	<p>(8) With consideration for 1) current basic science understanding; and 2) clarification of values and objectives--analysis of alternatives concerning problems such as:</p> <ul style="list-style-type: none"> * How consumer political representation can be improved. * What policy mix can be chosen from among consumer education, consumer information, anti-trust, and regulation.

4. Both consumer science and marketing are shifting emphasis somewhat from their historical micro roots to their macro (i.e., societal) domains.
5. In its macro domain, consumer science is interested in more than analysis of economic aggregates in contrast to economics. The study of consumerism, for instance, as well as the study of socially responsible consumer behavior requires psychosocial analyses as well.
6. In their macro-domains the interests of marketing and consumer science overlap considerably. Both have done considerable research, for instance, on the above mentioned topics of consumerism and socially responsible consumer behavior.
7. Perhaps with the increase in government size and decision making importance, consumer science and marketing have shifted emphasis somewhat from their historical private sector roots to their public sector domain.
8. Consumer science differs somewhat from marketing study in the public sector, however, in primarily studying consumer options in dealing with public units/systems rather than public units/systems options in dealing with consumers.
9. The study of the consumer in both consumer science and marketing differs from that in economics in explicitly recognizing the following:

- a) a micro-client group in addition to a macro-group (i.e., society). For marketing the micro group has historically been business organizations. For consumer science it has been consumers, their educators, and representatives.
 - b) An applied (application of theory) domain as well as a basic (i.e., empirical theory development) domain. In the former, various objectives, strategies, and alternatives are discussed for developing scientifically grounded solutions for micro-client group problems.
10. Marketing, and to a certain extent, consumer science, have begun to put more emphasis on their own empirical theory development (basic-domain) appropriate to their own respective foci as opposed to those of their contributing basic sciences.
11. Disciplines which at least occasionally study the consumer will always overlap in their interests, particularly along the periphery of their respective scopes. Yet consumer science has a unique focus and mix of other scope characteristics which necessitate that it continue to develop its own concepts and theory appropriate to its own needs while continuing to integrate relevant interdisciplinary contributions (1,3,4).

The author believes that the BMMPP Model is useful in identifying the above unique nature of consumer science as an academic field of study. Moreover, it may be useful in exploring issues of program emphases and diversity within the field itself. As a starting point in such an analysis, Stampfl's data on the current BMMPP Model mix in his quota sample of consumer science programs may be instructive.

CURRENT BMMPP EMPHASES WITHIN CONSUMER SCIENCE

In Stampfl's "In-Depth Program Audits," he asked respondents to "Try to profile the emphasis of your undergraduate and graduate programs by (BMMPP) cell below. Place a:

- "1" to indicate no emphasis
- "2" to indicate little emphasis
- "3" to indicate some emphasis
- "4" to indicate heavy emphasis

Please refer to article (i.e., Kroll/Hunt, 1980) before answering this question." A summary of results are shown in Table 2.

Because of the general wording in this question and because of the diversity of interpretation of scope as evidenced in responses to other questions, the reader is cautioned that any or all of perspectives 1 through 6 could have influenced the responses. Data on each of the

specific interpretations may be necessary to more precisely identify consensus areas and current issues. Nevertheless, the results may be an adequate exploratory representation of general approaches toward intra-scope emphases.

A few respondents verbally described such a general approach in a manner representative of the group statistics presented in TABLE 2. For instance, Metzen states that:

Our program devotes some focus to each of these sectors at each level with a greater proportion of focus at the undergraduate level upon the applied and upon the micro considerations, and a proportionally greater focus upon the basic, the macro, and the public sector at the graduate levels. (8, p. 228)

The respondents as a group thus tended to accept all BMMPP cells as being within the scope of the field. They further tended to view undergraduate education as being more personal-applications oriented (i.e., micro and applied) than graduate education. The latter was viewed as being more research (i.e., thesis), societal, and public policy oriented in comparison (i.e., basic, macro, and public).

Although the level of program (i.e., undergrad vs. grad) seems to account for many of the differences in cell emphases, some across-level imbalances remain. For instance, the basic/macro/private cell receives less emphasis than the basic/micro/private cell at all levels. Such discrepancies in cell emphases as well as the undergrad/grad differences may help raise and/or clarify certain intra-scope issues.

INTRA-SCOPE ISSUES

As previously stated, consensus and issues concerning the intra-scope emphases of consumer science can only be identified if a particular definition of scope is explicitly identified. If one wishes to use the term to refer to theoretical research done or subject matter content of the discipline (i.e., functions 1 and 2), for instance, he/she is using it somewhat similarly to the expansive use of the term "focus" as presented earlier.

Although the above functions of scope seems to arouse the least controversy, some relevant questions remain even here. For instance, does the field have an opportunity and/or an obligation to further investigate and teach areas accepted as being within its scope which are currently being de-emphasized (e.g., certain basic macro and public cells in Table 2)? Various authors have particularly highlighted the research (i.e., function 1) neglect of the macro and public cells not only by consumer science but by disciplines which occasionally overlap with it in those domains (e.g., political science and sociology) (4,5,6). Others see such basic macro

TABLE 2. Average BMMPP Emphases in Twenty-Seven Selected Consumer Science Programs*

Cell No.	BAMPP Cell (Corresponding to TABLE 1)	Graduate Program					
		Undergraduate (N = 27)		Masters (n = 22)		Ph.D (n = 15)	
		Mean	Rank	Mean	Rank	Mean	Rank
1	basic/micro/private	3.27	2	3.52	1	3.60	1
2	applied/micro/private	3.19	3	2.87	7	2.67	6-7
3	basic/macro/private	2.85	5	3.30	3	3.20	4
4	applied/macro/private	2.77	7	2.78	8	2.67	6-7
5	basic/micro/public	3.08	4	3.35	2	3.27	2-3
6	applied/micro/public	3.46	1	3.13	5	2.60	8
7	basic/macro/public	2.81	6	3.26	4	3.27	2-3
8	applied/macro/public	2.50	8	3.04	6	3.07	5

Averages Across Cells in each BMMPP Domain

Cell Nos.	Domain	Graduate Program					
		Undergraduate (N = 27)		Masters (n = 22)		Ph.D (n = 15)	
		Mean	Rank	Mean	Rank	Mean	Rank
1,3,5,7	Basic	3.00	3	3.36	1	3.34	1
2,4,6,8	Applied	2.98	4	2.96	6	2.75	6
1,2,5,6	Micro	3.25	1	3.22	2	3.04	4-5
3,4,7,8	Macro	2.73	6	3.10	5	3.05	2-3
1,2,3,4	Private	3.02	2	3.12	4	3.04	4-5
5,6,7,8	Public	2.96	5	3.20	3	3.05	2-3

*Derived from Stampfl data (8).

and public domain neglect in terms of a student recruitment problem as well. Charters, for instance, states that:

Recruitment of students does not take place from among students interested in the contributing disciplines, i.e., economics, political science, sociology This tends to screen out students interested in the public and macro domains. (8, p. 566)

Of course, all institutions must specialize to a degree depending on their resources and interests, but the challenge remains for some to fill the academic void identified in these areas.

If one defines scope more broadly to include approaches to evaluating, investigating, and

teaching of content (i.e., function 3), other issues arise. For instance, in the basic domain, a field can either act as a broker in presenting theoretical contributions from other fields and/or adapt, modify, integrate, originate, and develop empirical theory appropriate to its own unique purpose. This author has argued elsewhere for increased emphasis on the latter approach as a route to disciplinary differentiation and progress (4). Bivens expresses a similar position as follows:

As probably has been appropriate, the consumer sciences have borrowed theoretical constructs from many fields, but we now need to develop out of the many an integrated and synthesized set of theory that serves our needs even better. (8, p. 559)

To the extent that the basic (i.e., empirical theory) domain is stressed at the graduate level as is indicated in TABLE 2, graduate theses and theory courses should be contributing to further identification, organization, integration, and synthesis of consumer science theory.

In terms of function 3 and function 4 (i.e., client groups served), such issues as objectivity versus advocacy arise in the applied domain. Although some in the field use the term advocacy in a mission statement for their programs while others detest its use, the differences may be partially semantic. We do broadly advocate the welfare of micro-client groups (e.g., consumers) but do not institutionally advocate particular objectives or courses of action. Since the term can be interpreted in the latter sense, one can question whether or not it taints the image of the field to relevant external publics interested in objective information. The author has argued elsewhere that "applied science" more closely communicates the nature of that portion of our scope which analyzes the objectives and possible courses of action of consumers in terms of scientifically corroborated knowledge from our basic domain (1, 3, 4).

Definitions of scope in terms of total program content and range of program type offered from career orientation to liberal arts and sciences orientation (i.e., functions 5 and 6) raise still other issues. For instance, can and/or should consumer science exclusively rely on a liberal arts and sciences approach? Consumer science can be conceptually justified in terms of a liberal arts and sciences degree in the basic science study of consumer role interactions just as political science can be justified for its basic science study of political role interactions (4, p. 20). However, current undergraduate programs in the former field, unlike political science, appear to equally emphasize applications as well as theory knowledge (i.e., applied as well as a basic cell emphasis; see TABLE 2). Furthermore, consumer science is not as far along in terms of development of its own unidisciplinary (as opposed to interdisciplinary) basic science and in terms of favorable recognition from external publics.

Therefore, not many programs currently do, can, or should rely exclusively on a liberal arts and sciences approach to attain or maintain an essential minimum number of students and faculty. Such a "critical mass" of the latter is important because as Swagler states:

In most cases, there are only a very few scholars working in consumer science (CS) in any one institution. This limits interchange and makes it more difficult to offer the range of courses necessary. It also limits leverage and visibility within the university. (8, p. 578)

Career oriented programs can thus be viewed as a means of achieving and/or maintaining critical mass during an era of declining university enrollment. As Walsh puts it:

The situation forces consumer programs to emphasize a career orientation in recruitment and advisement with students at the expense of stress on consumer courses . . . to advance the study of consumer science per se (8, p. 580).

One can, of course, also consider a career oriented program as a positive objective in itself. Can consumer science perform a societal service in filling an education-career gap which neither other educational programs nor employers can adequately fill? If so, what careers are ascending for which consumer science and its unique focus are relevant? Which are waning?

The author has argued elsewhere that the relative importance of the various consumer roles and related careers can fluctuate over time (2). Currently, the purchaser/user role seems to have declined in importance vis-a-vis the saver/investor/financial manager roles. Consequently, traditional consumer affairs type careers are shrinking while personal financial services careers are burgeoning. Business schools, particularly departments of finance, have largely serviced this market. However, they have traditionally emphasized financial management from an institutional rather than personal, household, or family perspective.

Whether or not a given institution or the field as a whole chooses to service the above career market or any other career market, consumer financial roles appear to be another area of basic research neglect within the field. Considering the similar neglect of the entire macro and public domains highlighted earlier, research, as well as career program voids exist which can represent opportunities to the field for expansion and greater public service.

CONCLUSIONS

Semantic problems abound in developing academic fields rich in contributions from related disciplines. Such problems may be usefully categorized as those dealing with the subject matter itself and those dealing with the organization of the subject matter. The former type of problem relates to the development of common definitions of the key concepts of the discipline which are the building blocks of its empirical theories. The latter refers to the development of common definitions of such organizational terms as theory, normative and positive models, paradigms, basic and applied science, and focus and scope.

This paper has addressed some aspects of this second type of problem which involves the lexicon of the philosophy and sociology of science. Even

in those fields, relevant terminology has competing usages. In addition, various disciplines which contribute to consumer science have modified such terms for their own particular purposes. Consequently, any attempt at applying them to a comparatively new field can be a frustrating source of semantic discord but can also be a source of greater understanding and guidance.

Participants in consumer science need to distinguish among the major competing usages of such words as "scope" in order to minimize the frustration and optimize the understanding and guidance. Eventually, this particular intellectual burden may become lighter as tradition as well as rational deliberation determine the terms and definitions which usefully organize the field and direct its efforts.

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CONSUMER PROTECTION UNDER THE UNFAIR CLAIMS SETTLEMENT
PRACTICES ACT AND RELATED LEGISLATION

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ABSTRACT

Legal critics have suggested that an aberrant handful of courts have mistakenly created extra-contractual rights for insureds and third party claimants, ignoring the legislative intent of the new unfair claims settlement practices statutes. The author contends that imposing evidence exists that refutes these arguments.

INTRODUCTION

Reflecting a restrictive interpretation of the commerce clause of the United States Constitution, the U.S. Supreme Court in 1869 held that the business of insurance was not commerce,² thus the body of federal antitrust and regulatory legislation beginning in 1890 and continuing into the 20th century was not applicable to the business of insurance. The case was followed as precedent until the court in 1944 ruled that insurance business across state lines was interstate commerce and subject to federal laws and regulations.³ In 1945 Congress enacted the McCarran-Ferguson Act,⁴ providing that after January 1, 1948, the principal antitrust acts "shall be applicable to the business of insurance to the extent that such business is not regulated by State law."⁵

To avoid federal regulation, the states enacted legislation similar to or identical to a model bill drafted in 1945 by the National Association of Insurance Commissioners (N.A.I.C.), establishing state regulation comparable to the federal regulation provided by the antitrust acts. The new legislation was adequate to protect the public in most insurer/insuring-public circumstances, but the area of insurance claims handling came under increasing criticism, spawning "bad faith" litigation against insurers, arising out of alleged unfair claims practices.

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²Paul v. Virginia, 8 Wall 168 (1869).

³United States v. South-Eastern Underwriters Association, 322 U.S. 533.

⁴Public Law 15-79th Congress, Chapter 20--1st Session.

⁵Section 2. (b), Public Law 15.

Unfair Claims Settlement Practices

Signalling the new criticism, New York, responding to public complaint, enacted legislation in 1970 to protect consumers by authorizing sanctions against insurers engaged in improper claims practices. Spurred by the New York law, the N.A.I.C. in 1971 and 1972 incorporated a new Section 9 into its 1945 model act. Most states now have incorporated in whole or in part the provisions of Section 9, the "Unfair Claims Settlement Practices Act."

Prior to this new legislation, an insurer's obligation to deal fairly with policyholders on claims was solely a matter of private contract law. Since third party claimants (those with liability claims against insureds) had no "privity of contract" with the insurer, there was no legal obligation to third parties. However, some insurers acquired excellent reputations for handling liability claims expeditiously and thoroughly, out of a sense of fairness to the public as well as a perceived contractual responsibility to insureds. Nevertheless, other insurers viewed third parties as adversaries to whom no moral or legal obligation was owed.

Further, it was standard practice not too many years ago for many insurers to "let sleeping dogs lie" -- don't "stir up" any quiescent claims, whether they are first party or third party claims.⁶ Although this is appropriate strategy in cases of doubtful or disputed liability, it was viewed as unconscionable conduct by the public and by many insurers in cases involving clear-cut liability to insureds or third parties. Moreover, the industry's image was tarnished when, in an unfortunate few cases, claims departments were instructed to deny all claims irrespective of merit. One insurer, for example, denied coverage to its insured, although aware that there indeed was coverage. Its claims manager wrote: "...lets (sic) bluff it out we can always buy out at a later date."⁷ This conduct reflected favorably on the insurer's loss experience, thwarting just claims by forcing the public to secure legal aid. One automobile insurer consistently showed a loss ratio of 10% to 20% below the industry average by utilizing this unconscionable practice. Many just claims

⁶Reported in Willis Park Rokes, Human Relations in Handling Insurance Claims, (Homewood, Illinois: Richard D. Irwin, Inc., 1967), p. 250.

⁷Farris v. United States Fidelity and Guaranty Company, 587 P.2d 1015 at 1016 (1978).

were abandoned in frustration when this technique was employed.

Lack of Consumer Protection

Before enactment of the Unfair Claims Settlement Practices Act, no law required an insurer to pay claims or gave any state agency the power to resolve contractual disputes. As a result, if an insurer unfairly denied a claim, the consumer was relegated to the courts, with inherent delay and expense. To support enactment of its new law, the New York State Insurance Department argued: "General courses of conduct or general business practices cannot be effectively dealt with by individual litigants and the courts. If general business practices are to be affected directly--other than only indirectly through the discipline of individual cases--this can best and most profitably be accomplished by an administrative agency which exercises a continuing surveillance over the licensees and the practices in question."⁸

Before the new laws were enacted, individual state insurance departments acted as consumer advocates for the public in many instances. In some cases, however, there were honest differences of opinion, and these could only be resolved by the courts. This was entirely appropriate and proper. In many other cases, intervention of the insurance department motivated insurers to handle claims fairly. There were cases, however, where a department lacked power to compel fair settlements. This permitted a recalcitrant insurer to persist in unreasonable conduct. Indeed, it was in cases where unfair practices were systematically present that the departments felt impotent to protect the public interest.

THE UNFAIR CLAIMS SETTLEMENT PRACTICES ACT

The new legislation defines unfair claims practices and gives state regulators sanctions--fines, injunctions, and rehabilitation--for use in cases where unfair practices are systematically present. The Unfair Claims section of the original N.A.I.C. model act covered such abuses as misrepresenting facts or policy provisions; failing to acknowledge communications with respect to claims; failing to set standards for claims investigation; meritless refusal to pay claims; failing to affirm or deny coverage; not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear; compelling insureds to sue by offering substantially less than the amounts ultimately recovered; and related abuses.⁹

⁸State of New York, 111th Annual Report, Superintendent of Insurance, p. 37.

⁹William H. Huff, "Unfair Claims Settlement Practices," Best's Review (Property and Liability Insurance edition), vol. 74, no. 2, (June 1973), p. 38. Mr. Huff was Iowa Insurance Commissioner and a member of the N.A.I.C. Unfair Trade Practices Subcommittee.

LEGISLATIVE INTENT OF THE ACT - WHO HAS A REMEDY?

To ascertain the remedies afforded to the public under the new Act, one must determine legislative intent. Some writers contend that the legislative intent of state legislators who enacted the Unfair Claims laws in the 1970s and 1980s can be inferred from the legislative intent of the state Unfair Trade Practices legislation in the 1940s, following passage of the McCarran-Ferguson Act.¹⁰ The 1940s state legislation was drafted to follow the legislative intent of the federal lawmakers when Congress enacted the FTC Act in 1914 and the Sherman Act of 1890. Some federal cases ruled that no private right of action was created under the Federal Trade Commission Act.¹¹ Federal courts have held that the Federal Trade Commission Act, as amended, does not impliedly create a private cause of action for unfair or deceptive practices,¹² and therefore, no private cause of action accrues to private parties under the state Unfair Trade Practices legislation. Thus, the new Section 9 of such legislation would grant no private cause of action, according to this reasoning.

When contemporary problems demand a legislative remedy, it may be presumptuous to believe that a state legislature will take its cue exclusively from the legislative intent of the U.S. Congress when it enacted a 1914 federal law. Statutes are to be read in the light of attendant conditions at the time of their enactment.¹³ Increased public expectations and awareness have translated into expanded consumer protection, and the trend is accelerating, both in legislation giving private rights of action and in liberalized interpretation of contract law dealing with insurance policies. Further, no intent may be imputed to a legislature in the enactment of a law other than such as is supported by the face of the law itself.¹⁴ It is the legislative

¹⁰G. Robert Mecherle and Donald R. Overton, "A New Extra Contractual Cloud Upon the Horizon: Do the Unfair Claims Settlement Practices Acts Create a Private Cause of Action?" Insurance Counsel Journal (April, 1983), p. 263.

¹¹Moore v. New York Cotton Exchange, 270 U.S. 593 (1926); Carlson v. Coca-Cola Company, 483 F.2d 279 (9th Cir. 1973); Amalgamated Utility Workers v. Consolidated Edison Company of New York, 309 U.S. 261, 268, 60 S.Ct. 561, 84 L. Ed. 738 (1940) (dictum); Holloway v. Bristol-Myers Corp., 485 F.2d 986 (D.C. Cir. 1973); United States v. St. Regis Paper Co., 355 F.2d 688, 693 (2d Cir. 1966) (dictum).

¹²Skelton v. General Motors, 500 F.Supp. 1181 (N.D. Ill. 1980), citing Holloway v. Bristol-Myers Corp., 485 F.2d 986 (D.C. Cir. 1973).

¹³Orr Ditch and Water Co. v. Justice Ct., 64 Nev. 138, 178 P.2d 558.

¹⁴Denn v. Reid, 35 U.S. 524, 9 L.Ed. 519; McDonald v. Wasson, 188 Ark. 782, 67 S.W.2d 722; Waterloo Woolen Manufacturing Company v. Shanahan, 128 N.Y. 345, 28 N.E. 358.

intent manifested in the statute that is of importance,¹⁵ and such intent must be determined primarily from the language of the statute.¹⁶

Although the Unfair Claims Settlement Practices Act amended state Fair Trade Practices Acts patterned after a 1945 N.A.I.C. model act, we cannot expect all of today's legislators to be loyal to such precedent. Without belaboring the point, however, and to test the hypothesis of legislative disloyalty to venerable Congressional precedent, it is appropriate to attempt to ascertain legislative intent of the legislatures that enacted unfair claims settlement practices acts and related legislation.

Private Rights Under Unfair Trade Practices Laws

A federal court in Louisiana (the state has not adopted Section 9) ruled in favor of private rights of action under the state Unfair Trade Practices Act, stating that Louisiana couched its Act "in terms of such magnitude" that ruled out exclusivity of remedy in the administrative agency.¹⁷

Maine legislators have specifically authorized private remedies under its unfair trade statutes.¹⁸ A Maine court points out that federal decisions interpreting the FTC Act "afford uncertain guidance in the interpretation of the Maine private remedial provisions."¹⁹

Private Rights Under Unfair Claims Practices Laws

Third parties have a statutory right of action against the insurer in New York as a judgment creditor of the insured.²⁰ New York law also requires insurers to act in good faith to all members of the public. Article 22-A "Consumer Protection from Deceptive Acts and Practices," §349(h) provides that any person who has been

¹⁵United States v. N.E. Rosenblum Truck Lines, 315 U.S. 50, 86 L.Ed. 671, 62 S.Ct. 445; MacKenzie v. Hare, 239 U.S. 299, 60 L.Ed. 297, 36 S.Ct. 106.

¹⁶American Medical Association v. United States, 317 U.S. 519, 87 L.Ed. 434, 63 S.Ct. 326; MacKenzie v. Hare, 239 U.S. 299, 60 L.Ed. 297, 36 S.Ct. 106; The Paulina v. United States, 7 Cranch (U.S.) 52, 3 L.Ed. 266.

¹⁷French Market Plaza Corp. v. Sequoia Insurance Co., 480 F.Supp. 821 at 826 (1979 La.), referring to Section 22:1213, Louisiana Revised Statutes Annotated.

¹⁸See Title 5, Ch. 10, Sections 207 and 213 Maine Revised Statutes Annotated.

¹⁹Bartner v. Carter, 405 A.2d 194 (1979), ruling that a consumer's action under Section 213 "was not for damages generally but was for restitution."

²⁰See §167 (1)(b), Consolidated Laws of New York Annotated.

injured by reason of any violation of this section may bring an action and courts may increase the award of damages.

New York's supreme court ruled in 1977 that the state Unfair Claims Act does not create a private right of action but affords a public right of redress by the Insurance Department.²¹ The law reads:

"No insurer doing business in this state shall engage in unfair claims settlement practices. Any of the following acts by an insurer, if committed without just cause and performed with such frequency as to indicate a general business practice (emphasis added), shall constitute unfair claims settlement practices. . . ."

The section is silent as to what relief is afforded when an insurer engages in an outrageously unfair act, but such does not occur with the requisite frequency so as to incur the displeasure of the State Insurance Department.²²

In 1976, the New York supreme court criticized the law: ". . . while the title of the section is somewhat imposing, for reasons unknown to this Court, the effectiveness of the statute itself is diluted to the extent that it is all but impossible for anyone 'wronged' by the tactics of a carrier to take any effective steps to seek redress."²³ Further, in a strong dissent in 1978, a justice observed:

"In an ordinary and general sense no individual insured will be in a position to prove that its insurer has engaged in unfair settlement practices 'with such frequency as to indicate a general business practice.' This should not serve to shield the insurer against all accusations of gross and maliciously unfair settlement practice in a private suit. An overly restrictive application of the law . . . would serve to dilute the clear public policy enunciated by the Legislature in enacting such statutes."²⁴

Insureds in New York can recover damages in excess of policy limits for a breach of implied conditions of the insurance contract for an insurer's failure to act in good faith in refusing to settle within the policy limits.²⁵

²¹Frizzy Hairstylists v. Eagle Star Insurance Co., 93 Misc. 2d 59, 403 N.Y. S.2d 389 (1977).

²²Cohen v. New York Property Ins. Underwriting, 410 N.Y.S.2d 597 (1978).

²³Grabowski v. Allstate Insurance Co., 380 N.Y.S.2d 587 (1976).

²⁴Cohen v. New York Property Ins. Underwriting, 410 N.Y. S.2d 597 at 609 (1978).

²⁵Gordon v. Nationwide Mutual Insurance Co., 30 N.Y.2d 427, 334 N.Y. S.2d 601, 285 N.E.2d 849 (1972).

Washington has a Consumer Protection Act outlawing unfair trade practices;²⁶ only insureds may bring an action against an insurer.²⁷ Using authority to define unfair trade practices in general,²⁸ the state department incorporated the Unfair Claims Settlement Practices Act into law by virtue of administrative regulations.²⁹ These give a direct cause of action to "claimants"-- either an insured or a third party.³⁰ The state Supreme Court ruled that a third party has a private cause of action based upon a violation of the administrative regulation.³¹

In *Royal Globe Insurance Co. v. Superior Court of Butte County*,³² the California Supreme Court ruled that it was the legislature's intent to permit third parties to sue and recover under the state Unfair Claims Settlement Practices Act. In prior decisions the court had ruled that the insurer's duty to settle was owed only to insureds.³³ The court in the *Royal Globe* case extended the statutes' protection to third parties, stating that when the Act was enacted in 1972, the legislative committees which considered the bill were expressly made aware that the new act applied to claimants, as well as to insureds, and nevertheless refrained from amending the bill.³⁴ The court reasoned that legislative intent could be inferred from the committees' inaction, and that such represented a deliberate decision that third party claimants, as well as insureds, were to enjoy the law's protection. The court turned first to the words of the statute to ascertain the legislative intent, ruling that courts are bound to give effect to statutes

²⁶Chapter 19.86 Revised Code of Washington Annotated.

²⁷*Cindy Green v. Ralph R. Holm, Jr., et al.*, 28 Wn.App. 135, 622 P.2d 869 (1981).

²⁸Chapter 48.30.010.

²⁹WAC 284-30-300 through 284-30-410.

³⁰WAC 284-30-320(2).

³¹Regulation WAC 284-30-330; see *Cindy Green, et al. v. Ralph R. Holm, Jr., et al.*, 28 Wn. App. 135, at 139, 622 P.2d 869 (1981).

³²153 Cal. Rptr. 842, 592 P.2d 329 (1979).

³³*Scheuch v. Western World Insurance Co.*, 82 Cal. App. 3d 31 (1978); *Murphy v. Allstate Insurance Company*, 17 Cal. 3d 937, 944, 132 Cal. Rep. 424, 428, 553 P.2d 584, 588 (1976); *Zahn v. Canadian Indemnity Co.*, 57 Cal. App. 3d 509, 129 Cal. Rep. 286 (1976); *Spencer v. State Farm Mutual Auto Insurance Co.*, 152 Cal. App. 2d 797, 313 P.2d 900 (1957).

³⁴*Royal Globe Insurance Company v. Superior Court of Butte County*, 592 P.2d 329 at 335 (1979, California).

according to the ordinary import of the language employed in framing them.³⁵

California law provides that it is an unfair claims practice to directly advise a claimant not to obtain the services of an attorney.³⁶ Other provisions also refer to the claimant or can be inferred to apply to the claimant. Courts may not find ambiguity in statutory language which laymen are readily able to comprehend.³⁷ In the *Royal Globe* case the defendant directly advised the claimant not to obtain services of an attorney.

Whether a third party has standing to bring a private cause of action was the point in issue. Defendants could not argue that the California Act was based on the FTC Act and that the legislative intent should be derived from that 1914 law. The provision violated by the defendants had no similar provision in the FTC Act. California law provides for civil liability and authorizes a private action.³⁸ In related litigation a court held that the Insurance Commissioner did not have exclusive jurisdiction to restrain future illegal conduct by insurers.³⁹

One might question California public policy that gives third party claimants a direct cause of action, but perhaps it is "to gain prompt compensation of injured persons, encourage settlements, and discourage litigation. Insurers may not sit back and relax simply because court congestion shields them for a time."⁴⁰ In addition, a California court in 1983 ruled that a final judgment against the insured was not necessary in order for a third party to maintain an action for bad faith against an insurer.⁴¹

Connecticut provides a direct right of action to both insureds and claimants under its Act,⁴² and

³⁵*Rich v. State Board of Optometry*, 235 Cal. App.2d 591, 45 Cal. Rptr. 512 (1965); *Chavez v. Sargent*, 52 Cal.2d 162, 339 P.2d 801; *Benson v. Superior Court*, 29 Cal. Rptr. 760; *People v. Knowles*, 35 Cal.2d 175, 217 P.2d 1.

³⁶Section 790.03(h) (15) Annotated California Codes.

³⁷*Portland Van and Storage Company v. Hoss*, 139 Or. 434, 9 P.2d 122, 81 ALR 1136.

³⁸*Greenberg v. Equitable Life Assurance Society of U.S.*, 110 Cal. Rptr. 470, 34 C.A. 3d 994 (1973).

³⁹*Shernoff v. Superior Court of Los Angeles County*, 118 Cal. Rptr. 680, 44 C.A. 3d 406 (1975).

⁴⁰*Avila v. Travelers Insurance Companies*, 481 F. Supp. 431 (1979 Cal.).

⁴¹*Rodriguez v. Fireman's Fund*, 142 Cal.App. 3d 46, 190 Cal. Rptr. 705 (1983).

⁴²Section 42-110g General Statutes of Connecticut. Also see Sections 42-110b and 38-61.

the state Supreme Court in 1982 ruled that insureds need not first exhaust the administrative remedies under the law.⁴³

Florida provides remedies for "any person damaged by" a violation of its Act, permitting a civil action against an insurer.⁴⁴ In addition, a Florida court in 1971 ruled that an injured third party, as a judgment creditor, could bring a direct action against an insurer for bad faith failure to settle a claim.⁴⁵ Florida courts have declared that a liability insurance policy is a third-party beneficiary contract between the insurer and insured for the benefit of a third-party claimant.⁴⁶

Montana's Act⁴⁷ gives the insured not only the right to recover for breach of contract but also the right to recover punitive damages.⁴⁸ Claims must be settled as soon as possible and in accordance with the terms of the policy;⁴⁹ failure to do so subjects an insurer to administrative penalties, fines and imprisonment,⁵⁰ and punitive damages. It is not necessary to show malice to recover punitive damages.⁵¹

West Virginia's act provides a private cause of action for both insureds and third parties, stating that ". . . a private cause of action is consistent with the underlying legislative purpose, which is to prevent improper settlement practices."⁵² Further, a statutory penalty that "provides sanctions against the company or fines in favor of the State" does not preclude the

⁴³*Griswold v. Union Labor Life Insurance Co.*, 186 Conn. 507, 442 A.2d 920 at 926 (1982).

⁴⁴Section 624.155(1)(a) and (b), 1982 Supplement to Florida Statutes 1981.

⁴⁵*Thompson v. Commercial Union Insurance Co. of New York*, 250 So.2d 259 (1971, Fla.).

⁴⁶*Canal Insurance Co. of Greenville, S.C., v. Sturgis*, 114 So.2d 469 (1959), *aff'd.* in *Sturgis v. Canal Insurance Co. of Greenville, S.C.*, 122 So.2d 313 (1960); *Shingleton v. Bussey*, 223 So. 2d 713 (1969); *Thompson v. Commercial Union Insurance Co. of New York*, 250 So.2d 259 (1971).

⁴⁷Section 33-18-201 Montana Code Annotated.

⁴⁸*State ex rel. Larson v. District Court*, 149 Mont. 131, 136, 423 P.2d 598, 600 (1967); *First Security Bank of Bozeman v. Goddard*, 593 P.2d 1040 (Mont. 1979).

⁴⁹Section 33-21-105 Montana Code Annotated.

⁵⁰Section 33-1-104 Montana Code Annotated.

⁵¹*Harrington v. Holiday Rambler Corporation*, 575 P.2d 578, 35 St. Rep. 46 (Mont. 1978).

⁵²*Klaudt v. Flink and State Farm Mutual Automobile Insurance Company*, 658 P.2d 1065 (1983, Mont.).

right of a person to seek damages for violation of the statute.⁵³ The law affords a right of recovery to "any person injured by the violation of any statute. . ."⁵⁴

Protection Provided By State Insurance Departments

State department sanctions provide consumer protection under the Unfair Trade Practices legislation and under the new Unfair Claims Settlement Practices Acts. Departments may investigate complaints, inquire into the activities of insurers, and hold hearings, which may culminate in cease and desist orders. Further, they may refuse to issue or to renew or may revoke or suspend an insurer's certificate of authority,⁵⁵ may suspend or revoke individuals' licenses,⁵⁶ may impose monetary penalties,⁵⁷ and may utilize any other statutory sanctions, as well as exercising informal moral suasion.

CONCLUSIONS

Some writers argue that there is a "gross distortion of legislative intent by a few courts" in their interpretation of the unfair claims settlement practices legislation.⁵⁸ They argue that amending legislation is needed to provide that violation of the act does not create a cause of action for any individual or class and that the penalties of the act be limited to state administrative remedies. However, the charge that the courts have erred and misinterpreted the state legislation is without substance when the acts themselves are analyzed together with related legislation in those states affording remedies to private parties.

An analysis of the litigation, together with an evaluation of the legislation and administrative rules and regulations, leaves one to conclude that in some of the states where unfair claims settlement practices acts have been enacted, the

⁵²*Klaudt v. Flink and State Farm Mutual Automobile Insurance Company*, 658 P.2d 1065 (1983, Mont.).

⁵³*Id.* at 1067.

⁵⁴*Id.*, citing Section 33-18-1004(5) Montana Code Annotated.

⁵⁵Section 55, Maryland Supplement, Annotated Code of Maryland.

⁵⁶Chapter 176D, section 7, Massachusetts General Laws Annotated.

⁵⁷Section 44-1529 Nebraska Insurance Code, Revised Statutes of Nebraska 1943.

⁵⁸G. Robert Mecherle and Donald R. Overton, "A New Extra-Contractual Cloud Upon the Horizon: Do the Unfair Claims Settlement Practices Acts Create a Private Cause of Action?" Insurance Counsel Journal (April 1983), p. 268.

legislative intent is definitely not to grant direct rights of action against insurers for third party claimants. Some states, however, grant a direct cause of action for insureds. In those states where both third party claimants and insureds have been given the right to proceed directly against the insurers, the legislative intent reflected in these statutes demonstrates a manifestation of a public mood--an unsympathetic and hostile impatience with insurance companies and some expression of no confidence and/or ignorance of the functions of state insurance departments. This has translated into extra-contractual rights of action for the insuring public, a trend that is likely to accelerate. We are witnessing a judicial and legislative recognition that:

" . . . the claimant and the insurance company are rarely of equal stature, commanding equal resources. The average consumer is perhaps never more vulnerable and more isolated than at the precise moment of standing forward to make a claim. Most claimants cannot match the insurance company's knowledge, legal resources, mastery of procedural complexity, or the opportunity--if it chooses--to dally and to feint. When the insurance company cloaks its attitude about claims practices not only in the cloth coat of its own obvious interests, but also in the full regalia of protector of the interests of all its policy holders in affordable premiums, the isolation of the ordinary claimant is virtually complete."⁵⁹

It has long been recognized that in the insurance transaction, the contracting parties are not "pari causa" --upon an equal footing -- and punitive damages and other tort principles help to balance the inequities caused by the adhesive nature of insurance contracts,⁶⁰ and expansion of rights to third parties reflects the fact that state legislatures and the courts have increasingly recognized a general social responsibility to be discharged through the liability insurance mechanism so that third party claimants are entitled to be treated with courtesy and fairness.⁶¹ This extension and expansion of public legal rights is not inconsistent with the general liberalizing trend of the law to grant more legal protection to members of the public and to hold corporations more accountable for their behavior.

⁵⁹The Division of Consumer Services, New Jersey Department of Insurance, A Report on the Unfair Claims Settlement Practices Regulation (N.J.A.C. 11:2-17), October 7, 1981, p. 2.

⁶⁰Not subject to bargaining or alteration by an insured; see commentary, Bradley Jay Fisher, "Egan v. Mutual of Omaha Insurance Co.: The Expanding Use of Punitive Damages in Breach of Insurance Contract Actions," San Diego Law Review, vol. 15: 287, 1978.

⁶¹The Division of Consumer Services, New Jersey Department of Insurance, A Report on the Unfair Claims Settlement Practices Regulation (N.J.A.C. 11:2-17), October 7, 1981, pp. 3-4.

THE IDENTIFICATION OF DESIRABLE BEHAVIORS
OF CONSUMERS OF AUTOMOBILE INSURANCE

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ABSTRACT

An investigation to identify the behaviors of consumers of automobile insurance considered important by four groups: (a) insurance regulators, (b) state consumer protection officials, (c) insurance company consumer affairs officials, and (d) a sample of 283 insurance agents. Of the 32 behaviors listed in the survey instrument, nine were considered either as of "Above Average Importance" or of "Great Importance" by all four groups. Behaviors ranked most important by all four groups were those associated with the actual purchase of insurance. Of secondary importance were behaviors concerned with post-choice consumer responsibilities.

INTRODUCTION

Consumers are faced with major decisions when contemplating the purchase of automobile insurance. Not only do consumers make decisions that can affect their financial well-being by protecting themselves against the financial losses that could be caused by damage to their automobiles or a financial loss that could result from being adjudged liable for injuries they cause to someone else, but their decisions also involve substantial sums of money paid for insurance premiums. The cost of insurance itself is significant when it is considered that in 1982 consumers spent nearly \$27 billion on private passenger automobile insurance premiums alone. [8]

Not only is automobile insurance a major cost to consumers, but research suggests that consumers do not make wise decisions concerning automobile insurance. In a survey of the attitudes of 2,462 consumers toward automobile and home insurance, Cummins [3] noted: "Like exclusions and exceptions, deductibles have frequently been the source of policyholder misunderstanding with regard to their property insurance policies."

Eldred [4] surveyed 788 South Carolina consumers and noted three principal findings:

(1) many consumers do not buy wisely; (2) property insurance agents are not promoting reasoned consumer choice to the extent possible; and (3) consumers will modify their insurance purchasing behavior when given explanations.

Educators who attempt to prepare students to become effective consumers customarily cover

the topic of automobile insurance. The selection of automobile insurance topics included in educational programs represents a determination of important consumer behaviors. On the other hand, topics omitted from these programs represent a determination of behaviors considered not to be important.

PURPOSE OF THE STUDY

The purpose of this study was to identify and analyze the important behaviors of consumers of automobile insurance as viewed by four populations: (a) insurance regulators, (b) state government consumer protection officials, (c) insurance company consumer affairs officials, and (d) insurance agents.

REVIEW OF THE LITERATURE

Because of the paucity of research on the behavior of consumers of automobile insurance, some studies cited in this section have only indirect relevance to this investigation. The studies reviewed, however, often obliquely suggested certain behaviors that were incorporated into the survey questionnaire. Consumers of insurance in general, and consumers of automobile insurance in particular, have historically failed to demonstrate rational behavior in their choices. Of the many choices a consumer of automobile insurance must make -- agent or company, liability limits, coverages, deductible amount -- the one that has been the subject of much research is the consumers' choice of deductible amount. The literature revealed much scholarly investigation and the application of various mathematical approaches and theories to the choice of deductibles.

Matlack [9] and Murray [10] applied utility theory to consumer decisions on deductibles. Smith [13] reviewed the concept of deductibles and discussed (a) the various kinds of deductibles available to the consumer, (b) benefits to the consumer, and (c) the relationship of deductibles, premiums, and risk.

In addition to the observations of Cummins [3] and Eldred [4] cited previously, Collins [2] assessed buyers' understanding of property and casualty insurance and found that insurance buyers have a very limited understanding of many insurance concepts, whereas their understanding of some other concepts, is relatively good.

Collins also tested the understanding of

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insurance of high school and college students and reported that the test scores varied greatly and that students' overall achievement was generally rather low.

Hess [7] attempted to determine what every consumer should know about auto and life insurance as perceived by insurance agents. He found that consumers lack an understanding of insurance, find it difficult to understand insurance contract language, and that they lack the ability to determine a suitable insurance company from which to purchase.

Fox [5] examined the behavior and understanding of younger versus older policyholders in seven states and found that (a) many respondents had not compared costs, or if they had, they did so more than two years previously, (b) the insurance product is not well understood by many of its purchasers (many respondents indicated that they had acquired whatever understanding they had of their insurance policy only after experiencing a loss), (c) many policy holders did not know what coverages they had, their policy limits, or their deductible amounts, and (d) true cost comparisons were impossible because of imperfect knowledge.

Fox also reported that nearly 65% of the policyholders 25 and under compared costs and that 70% of the sample aged 26 and over compared costs. No attempt was made to determine what actions policyholders took as a result of cost comparisons.

Osborn [11] examined consumers' expectations of insurance companies and agents and found that numerous imbalances occur between expectations and the services provided. Consumers felt that insurance companies and agents should generally (a) give better information about the insurance mechanism, (b) do a better job of risk analysis, (c) avoid renewing policies automatically, (d) retain the consumer's insurance even though he or she had a few losses, (e) know more than they do about all types of insurance policies, and (f) provide better assistance in financing premiums.

Skinner, Childers, and Jones [12] surveyed consumers to determine whether they would switch companies if they could get lower rates from another company, and how much of a saving would be large enough to warrant switching. For automobile insurance, 70% of the respondents indicated a willingness to switch to obtain premium savings. It appears that consumers will respond when offered price reductions of at least \$50-\$59.

In a study conducted for the U.S. Department of Transportation by the Survey Research Center, Institute for Social Research, University of Michigan [14] respondents were asked whether they had changed insurance companies in the past two years; 17% of all families had, but the proportion among those with personal injury accidents was much higher than the families

that had no personal injury accidents. Young families switched companies very frequently; nearly a third of the youngest group and over a fifth of those aged 25-34 had done so. According to the study, much of this behavior was attributable to the relatively large numbers in these age groups who had been forced to seek coverage by assigned risk plans, or by high rate companies.

METHODOLOGY

The methodology of this study consisted of the following steps: (a) development of the questionnaire, (b) selection of the four groups, and (c) collection and processing the data.

Development of the Questionnaire

The process of identifying consumer behaviors consisted of an examination of: (a) commercially published educational materials, (b) consumer buying guides published by state departments of insurance, and (c) records of consumer complaints and requests for information maintained by the department of consumer affairs of a national insurance public relations organization.

The consumer behaviors thus identified were arranged in categories as follows: I. General Consumer Understanding of Automobile Insurance; II. Pre-Purchase Consumer Behavior; III. Post-Purchase Consumer Behavior; IV. Ongoing Consumer and Citizenship Responsibilities. Each item in the questionnaire was accompanied by a Likert-type 5-point scale to which the respondent indicated his or her rating of each item of behavior as follows: the number 1 indicated that the behavior was of "Little Importance"; the number 2 indicated that the behavior was of "Below-Average Importance;" the number 3 indicated that the behavior was of "Average Importance"; the number 4 indicated that the behavior was of "Above Average Importance"; the number 5 indicated that the behavior was of "Great Importance." A zero was used to indicate "No Opinion/Does Not Apply."

The questionnaire developed as described was submitted to a jury of five insurance academics who were directed to add, refine, rework, or delete items. Minor revisions of the questionnaire were made as a result.

Following the revisions suggested by the jury of insurance experts, the questionnaire was pilot-tested with two persons from each of the four groups to be later surveyed.

Selection of the Four Groups

Insurance Regulators. Since regulation of the business of insurance is done at the state level, each of the 50 state regulators was surveyed.

State Consumer Protection Officials. Each state and the District of Columbia has an office of consumer protection. All such officials were surveyed.

Insurance Company Consumer Affairs Officials. Major insurance companies, which account for the bulk of automobile insurance sold in the United States, have an office of consumer affairs. These offices typically respond to consumer complaints and consumer requests for information. Since personnel in these offices have frequent direct contact with consumers of automobile insurance and their problems, 39 individuals employed in these offices were surveyed.

Insurance Agents. Insurance agents who sell automobile insurance are in a unique position to identify the important behaviors of consumers of automobile insurance. They know the business of insurance and they have a fiduciary relationship with their clients. Agents are aware of their clients' risks, losses, complaints, and any problems clients may have had with their insurance. A sample of 283 agents was surveyed.

COLLECTION AND PROCESSING OF THE DATA

The questionnaire was mailed to all four groups on March 9, 1983. Responses for each group are shown in Table 1.

Table 1. Response of Survey Population or Sample

Population (or sample)	N	Useable responses	
		Number	%
Insurance regulators	50	33	66
State consumer protection officials	51	27	53
Insurance company consumer affairs officials	39	26	67
Insurance Agents ^a	283	152	54
Total	423	238	

^aSample

Responses for each of the 32 items of behavior were tallied in the appropriate response category. Frequency distributions were constructed for each questionnaire item for each group in order to determine the means of the responses, which were then arranged in rank order for each group.

For each of the three groups that consisted of entire populations, the Proportion P of the population ranking each as either of Above-Average Importance (4) or of Great Importance (5) were computed. Those items with $P > .50$ were considered to have been given a group rating of Important. For the group consisting of a population sample (agents), the

sample proportion p, ranking an item as either 4 or 5 was used to test whether or not $p > .50$ for those items in the population. This was done by testing:

$$H_0: p = .50$$

versus

$$H_1: p > .50$$

at a significance level $\alpha = .05$ using the z test for proportion. [6]

$$z = \frac{p - .50}{\sqrt{.50(1 - .50)/n}}$$

The above formula was reworked to solve for p (proportion) as follows:

$$p = 0.50 + z \sqrt{0.50(1 - .50)/n}$$

For the sample of agents, N = 152: at the 0.05 significance level, z is 1.645, using tables for the normal distribution [6] which in this instance is a good approximation for the binomial. Therefore:

$$\begin{aligned} p &= 0.5 + 1.645 \sqrt{.5(1 - 0.5)/152} \\ &= 0.5 + .067 \\ &= 0.567 \end{aligned}$$

Thus, for items with $p \geq 0.567$ the null hypothesis of $H_0: p = 0.5$ was rejected.

Lists were prepared of items that: (a) all four groups rated as important; (b) three groups rated as important; (c) two groups rated as important; (d) one group rated as important; and (e) items no groups rated as important. These data are shown in Tables 2 and 3.

ANALYSIS OF THE DATA

The survey of four groups involved 423 participants and resulted in 238 completed questionnaires. Each questionnaire presented 32 behavior items, but some respondents did not respond to every statement, i.e., some items were left blank. Other respondents gave a response of "0," which indicated "No Opinion/Does Not Apply"; these items were not counted as responses. The computations of means were based on the sum of the numerical values (1 through 5) of those responses that offered opinions of the importance of the consumer behavior items listed, and subsequent division by the number of responses for each item.

The responses for all four groups, listed in rank order of weighted mean are shown in Table 4. The questionnaire provided an opportunity for the respondents to add other behaviors considered important. No significant additional behaviors were suggested.

Table 2. Behaviors Considered Important by All Four Groups Surveyed (Insurance Regulators, Consumer Protection Officials, Insurance Company Consumer Affairs Officials, and Insurance Agents)

Listed in Rank Order of Mean Responses

Rank Order	Item	Behavior
1	24	Describe the actions to be taken at the time of an accident, including taking names and addresses of witnesses, filing accident report, notifying the insurance agent and/or insurer and protecting his/her damaged automobile.
2	22	Choose policy liability limits after considering the cost and the possibility of being held liable for a particular amount.
3	21	Choose deductible amounts after considering premium savings and his or her ability to absorb a financial loss up to a given amount.
4	6	Describe the effect on insurance rates of maintaining a driving record free of at-fault accidents or motor vehicle violations.
5	28	Describe the circumstances under which the policyholder must notify his/her agent and/or insurer, e.g., changes of address, automobiles, and drivers.
6	23	Describe the need for the purchase of collision insurance in relation to the value of the insured's own automobile.
7	25	Follow instructions of his/her agent and/or insurer regarding the obtaining of estimates for repair costs.
8	26	Periodically review insurance coverages, deductibles, and policy limits.
9	12	Describe the effect of a material misrepresentation in the application for insurance when a claim is later made.

Table 3. Behaviors Considered Important by Three, Two, One or No Groups in the Survey.

Listed in Rank Order of Mean Responses

Rank Order	Item	Behavior
By Three Groups		
1	19	Compare price quotations of several agents and/or insurers.
2	4	Define significant insurance terms including: deductible, declarations, exclusions, and conditions.
3	20	Evaluate the competency and effectiveness of several agents and/or insurers.
4	14	Describe the effect on insurance rates of purchasing a high-powered automobile.
5	30	Describe available sources of help or redress including agent, company consumer affairs department, judicial system, and state insurance department.
6	16	Describe the effect and purpose of policy exclusions, and provide examples.

Table 3. (Continued)

Rank Order	Item	Behavior
By Two Groups		
1	32	Develop and follow a standard of ethical conduct in dealing with an insurance agent and/or insurer.
2	9	Describe the perils he or she faces as a driver and/or owner of an automobile.
3	15	Name several discounts commonly available to automobile insurance consumers (safe-driver, good student, etc).
4	27	Name the kinds of records and documents relating to the automobile and to the insurance that should be maintained by consumers.
5	7	Name the services provided to policy holders by insurance companies, in addition to actual payment of losses, such as legal defense.
By One Group		
1	5	Describe the kinds of damage that are beyond the scope of the insurance policy (e.g., an engine block cracked by freezing).
2	13	Identify the opportunity for premium savings when buying insurance to cover a "crash worthy" automobile.
By no group		
1	1	Describe the essential concept of insurance whereby the losses of the few are shared by the many who are exposed to the same risks.
2	10	Describe how insurance rates are determined for various drivers and territorial classifications.
3	11	Describe and provide an example of losses covered by each of the parts of one of the popular standard automobile insurance policies.
4	8	Describe the purposes and functions of financial responsibility laws and/or compulsory insurance laws.
5	2	Describe the reasons for the existence of involuntary markets such as assigned risk plans.
6	29	Describe the arguments for and against controversial insurance issues, i.e., the role of investment income in ratemaking or the use of age, sex, and marital status in setting rates.
7	18	Describe the principal methods of marketing automobile insurance, i.e., through independent agent, exclusive agent, etc.
8	31	Describe the principal purposes and functions of the state department of insurance.
9	17	Name the three principal ownership forms of insurance companies, i.e., stock, mutual, reciprocal.
10	3	Name significant events in the history of the insurance business in the United States.

Table 4. Rank Order of Consumer Behaviors as Indicated by Insurance Regulators, Consumer Protection Officials, Insurance Company Consumer Affairs Officials, and Insurance Agents

(N = 238)

Rank order	Behavior	Weighted mean	Responses per item
1	Describe the actions to be taken at the time of an accident, including taking names and addresses of witnesses, filing accident report, notifying the insurance agent and/or insurer and protecting his/her damaged automobile. (24)	4.48	235
2	Choose policy liability limits after considering the cost and the possibility of being held liable for a particular amount. (22)	4.31	236
3	Describe the effect on insurance rates of maintaining a driving record free of at-fault accidents or motor vehicle violations. (6)	4.23	238
4	Choose deductible amounts after considering premium savings and his or her ability to absorb a financial loss up to a given amount. (21)	4.13	237
5	Describe the circumstances under which the policyholder must notify his/her agent and/or insurer, e.g., changes of address, automobiles, and drivers. (28)	4.12	235
6	Follow instructions of his/her agent and/or insurer regarding the obtaining of estimates for repair costs. (25)	4.05	235
7	Periodically review insurance coverages, deductibles, and policy limits. (26)	4.01	235
8	Describe the need for the purchase of collision insurance in relation to the value of the insured's own automobile. (23)	3.96	236
9	Develop and follow a standard of ethical conduct in dealing with an insurance agent and/or insurer. (32)	3.86	232
10	Evaluate the competency and effectiveness of several agents and/or insurers. (20)	3.83	233
11	Compare price quotations of several agents and/or insurers. (19)	3.79	238
12	Describe the effect of a material misrepresentation in the application for insurance when a claim is later made. (12)	3.70	238
13	Describe the effect on insurance rates of purchasing a high-powered automobile. (14)	3.65	236
14	Define significant insurance terms including: deductible, declarations, exclusions, and conditions. (4)	3.61	237
15	Describe the perils he or she faces as a driver and/or owner of an automobile. (9)	3.58	236
16	Name several discounts commonly available to automobile insurance consumers (safe-driver, good student, etc.). (15)	3.48	236
17	Describe the kinds of damage that are beyond the scope of the insurance policy (e.g., an engine block cracked by freezing). (5)	3.40	236
18	Name the services provided to policyholders by insurance companies, in addition to actual payment of losses, such as legal defense. (7)	3.30	237
19	Identify the opportunity for premium savings when buying insurance to cover a "crash worthy" automobile. (13)	3.25	229
20	Describe available sources of help or redress including agent, company consumer affairs department, judicial system, and state insurance department. (30)	3.22	234

Table 4. (Continued)

Rank order	Behavior	Weighted mean	Responses per item
21	Describe the effect and purpose of policy exclusions, and provide examples. (16)	3.20	237
22	Name the kinds of records and documents relating to the automobile and to the insurance that should be maintained by consumers. (27)	3.15	232
23	Describe the essential concept of insurance whereby the losses of the few are shared by the many who are exposed to the same risks. (1)	3.10	234
24	Describe how insurance rates are determined for various drivers and territorial classifications. (10)	2.93	236
25	Describe and provide an example of losses covered by each of the parts of one of the popular standard automobile insurance policies. (11)	2.90	236
26	Describe the purposes and functions of financial responsibility laws and/or compulsory insurance laws. (8)	2.87	237
27	Describe the reasons for the existence of involuntary markets such as assigned risk plans. (2)	2.50	231
28	Describe the arguments for and against controversial insurance issues, i.e., the role of investment income in ratemaking or the use of age, sex, and marital status in setting rates. (29)	2.46	228
29	Describe the principal methods of marketing automobile insurance, i.e., through independent agent, exclusive agent, etc. (18)	2.42	230
30	Describe the principal purposes and functions of the state department of insurance. (31)	2.36	234
31	Name the three principal ownership forms of insurance companies, i.e., stock, mutual, and reciprocal. (17)	1.40	218
32	Name significant events in the history of the insurance business in the United States. (3)	1.12	199

DISCUSSION AND RECOMMENDATIONS

An analysis of the consumer behaviors considered both important and unimportant by survey respondents was conducted to determine whether the behaviors could be classified into specific categories.

Important Behaviors

All nine behaviors considered important by survey respondents (see Table 2) can be classified into two broad categories. The first category includes behaviors associated with the actual purchase decision, such as: (a) choosing the deductible amount, (b) choosing liability limits, (c) deciding on the need for collision insurance, and (d) making truthful representations in applying for insurance. The second category includes behavior items associated with post-purchase consumer responsibilities, such as: (a) acting appropriately at the time of accident, (b) maintaining a good driving record, (c) notifying the agent or insurer of changes in

status, (d) periodically reviewing the insurance program, and (e) following instructions of the agent or insurer in the event of a loss.

Unimportant Behaviors

Ten behaviors not considered important by any of the four groups surveyed fall into one category of general background information relating to the operation of the insurance mechanism or the insurance business. Unimportant behaviors, are shown in Table 3.

The identification of behaviors considered unimportant by the survey respondents is useful in helping to establish priorities for educators, publishers, regulators, and others who strive to improve consumers' performance in the marketplace.

Agreement Among Groups

While the rank order of items that were considered important varied slightly from one

group of survey respondents to another, there was a noticeable similarity among the four groups with a few exceptions. For example, item six, "Describe the effect on insurance rates of maintaining a driving record free of at-fault accidents or motor vehicle violations," was considered the most important behavior by insurance agents, but insurance regulators ranked this item eighth, and consumer protection officials and insurance company consumer affairs officials ranked it ninth. Possibly, agents ranked this item higher than the other three groups because they have the face-to-face contact with consumers and must explain the higher premiums charged for insurance when the consumer has a poor driving record.

Another exception is seen in item 19, "Compare price quotations of several agents and/or insurers." This item was ranked third in importance by insurance regulators and consumer protection officials, ninth by insurance company consumer affairs officials, and fourteenth by insurance agents. Possibly, agents ranked this item lower than did the other respondent groups because many agents believe that the agent-consumer relationship should be based on more than just the price of insurance and should emphasize service, agent competence, and other nonprice factors.

Items ranked the lowest by all four groups fall into a category that might be called "background information."

In summary, the findings of this study show that behaviors of consumers considered important by survey respondents tend to be those associated with the decision-making process and the fulfillment of specific ongoing consumer responsibilities.

One way of examining consumer behavior and eventually improving educational programs is to foster behaviors considered important by the four groups surveyed, each of which has an interest in and an understanding of consumers of automobile insurance.

But not all treatment of insurance topics in educational programs is intended to foster the development of specific competencies. Sound pedagogical theory recognizes the distinction between the development of competencies and the use of implementation strategies. Thus, educators should avoid emphasizing only the important behaviors identified in this study to the exclusion of the behaviors rated as unimportant.

Further, consumer education is not limited simply to preparing students to become purchasers of goods and services such as insurance. The U.S. Office of Consumers' Education reflects a broad emphasis in its description of consumer education as cited by Bannister and Monsma [1].

Educators should examine their curricula to ensure that the more important behaviors are developed in students and thus more nearly achieve the goal of preparing students to perform effectively in the marketplace. Since the responses to the survey are stated in behavioral terms, educators should find it relatively easy to revise their curricula to include these behaviors.

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DISABILITY INCOME PROTECTION:
A CHALLENGE TO EDUCATORS AND RESEARCHERS

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ABSTRACT

Despite the potentially serious financial consequences, many Americans lack adequate disability income protection. For most workers, the likelihood of disability is far greater than the likelihood of death. This paper reviews disability income protection sources and offers recommendations to consumer educators and researchers.

Despite the potentially serious financial consequences for families, disability income protection is a topic often neglected by consumer educators and researchers. Few college and personal finance textbooks provide adequate coverage and a review of literature indicated a dearth of research. In fact, no articles on disability income protection have been published in The Journal of Consumer Affairs.

For persons younger than 65, a disabling illness or injury lasting three months or more is much more likely than death. A 22 year old is seven times more likely to become disabled than to die, while the ratio is 3:1 for 35 year olds [3, p. 122]. Once over the age of 50, a person has one chance in four of becoming disabled for six months or more before retirement [6, p. 1]. According to the Social Security Administration, one in four steady workers will be disabled for at least a year due to severe injury or illness before retirement [11, p. 3].

The available data indicate that the possibility of severe disability is far more likely for the working population than death, yet many American workers are seriously underprotected. While 86% of American families own life insurance, with an average face value of \$53,200 [1, p. 5], only 20% of the civilian labor force is covered by long term disability insurance [4, p. 11]. A study by Maynes and Geistfeld [9] indicated that many families do not own an appropriate amount of life insurance; no similar study has been conducted to assess whether American families suffer a deficit of disability income protection.

The purposes of this paper are threefold:

1. to present information on disability income protection,
2. to suggest some topics for research on disability income needs, and
3. to encourage educators to evaluate course and program content regarding disability income protection strategies.

A BRIEF REVIEW OF DISABILITY INSURANCE

The purpose of disability income insurance is to replace a portion of lost wages when the insured is sick or injured and unable to work. Sources of disability income protection are varied and may include government programs, employer group insurance, individual policies and family resources.

Social Security

Social Security may be the most well known but also the most difficult program for which to qualify. Disability benefits were first paid in 1957; the program now pays \$18 million a year to 3.9 million disabled persons [12]. In order to keep a lid on costs, Social Security's definition of disability is very restrictive and the requirements for insured status are more rigorous than for other Social Security benefits [14, p. 275].

To be considered disabled under the Social Security law you must have a physical or mental condition which:

- prevents you from doing any substantial gainful work, and
- is expected to last (or have lasted) for at least 12 months, or
- is expected to result in death [11, p. 10].

The strict interpretation of this definition places the burden of proof on the disabled person. Perhaps too many families assume that Social Security will be there to pay the bills in the event of disability of the wage earner. Current personal finance textbooks reinforce this view. However, a review of recent events may indicate otherwise.

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