

Insurance: Premiums soar in 2002, 2003

Continued from 1C

ger, deputy commissioner of market regulation for the Colorado Division of Insurance. Colorado regulators predict tough new consumer protection laws will be passed in the next legislative session.

Insurers make no apology for raising homeowners' rates, which went up 8 percent in 2002 and are predicted to increase 9 percent in 2003.

They blame skyrocketing housing and construction costs. They also point to lackluster returns in the bond market, where they park 75 percent of their reserves.

"In addition to that, for a long time the homeowners market has been underpriced," said Mike Ben-schneider, spokesman for Farmers Insurance Group.

In the past 10 years, insurers say that nationally they paid out \$1.16 for every dollar they took in, but until three years ago were able to make up the loss in the stock market.

Now, along with raising rates, insurers are being more choosy about whom they cover. They've been aided by the use of credit and CLUE (comprehensive loss underwriting exchange) reports, which track claims history by house and homeowner.

According to the Insurance Information Institute, an industry-funded data center, insurers expect homeowners to report one loss every eight to 10 years. Any more puts them into a high-risk category, dumping them into the "nonstandard" risk pool where insurance is more difficult to find and more expensive to buy.

Congress Park homeowner Mike Kenny learned that the hard way. Twice in the past year, Kenny's expensive, ultra-light bicycles were stolen, once from his garage, once from his car. Twice he filed claims with his insurer, receiving a total of \$2,600.

In April, he got a letter from All-state, telling him his coverage was canceled.

After many phone calls Kenny found a new carrier, Desert Specialty. His new annual premium is \$2,600 — twice what he paid before.

"I feel like I'm the victim twice," Kenny said. "People should be

Getting a clue about CLUE

■ **If you have contacted** your homeowners insurance company with a loss in the past five years, it will likely show up on your CLUE report.

■ **By law, you're entitled** to one free report a year. To get it, send a letter to ChoicePoint Consumer Disclosure, ChoicePoint Services Inc., P.O. Box 105108, Atlanta, GA 30348.

■ **The company will send** you a form to complete before mailing your report.

■ **You can also download** the paperwork in PDF format at www.choicepoint.com.

able to use their insurance when they buy it."

Homeowners, home buyers and Realtors say such practices are unfair.

The state Division of Insurance gets calls every day from homeowners who can't get insurance, Yeager said, although the division can't quantify the scope of the problem.

Among the problems: Home buyers show up to close on a property, then find out no one will insure it.

"We've had a lot of complaints about people having their properties dropped, about showing up at closing and hearing their house is uninsurable," said Rick O'Donnell, executive director of the Colorado Department of Regulatory Affairs.

Part of the problem, experts say, is the issue of responsibility. Natural disasters such as wildfires, hail and tornadoes are acts of God. "But a lot of things covered in homeowners (policies) are kind of in that gray area," Yeager said. "A pipe burst, there's certain precautions you need to take. A lot of household fires are the result of negligence."

Insurers say they want to make homeowners more responsible for those preventable losses; consumers want to know where insurers

draw the line.

Then there's the question of what data is used to determine rates. Increasingly, insurers are looking at credit scores to determine risk. And while a person's credit card payment history may seem an unlikely gauge of their stewardship of a house, insurers say it works.

"There is a very strong correlation between how well people manage their money and how well they manage risk," said PJ Crowley, spokesman for the Insurance Information Institute. In other words, red flags on your credit report likely mean you pay more for insurance, even if you never file a claim.

Insurers have long traded information about customers' loss histories, but now they're looking more closely at electronic CLUE reports, sold by Georgia-based ChoicePoint Inc., which track losses by homeowner and by property.

At issue for regulators is whether losses reported to CLUE, such as stolen golf clubs or a lost wedding ring, are a good measure of a property's future risk of losses. Another problem: A simple inquiry to an agent, as in Henderson's case, may get recorded as a loss.

And as is sometimes the case with credit reports, many consumers don't know how to access or clean up their CLUE reports.

"Right now, CLUE, they are a private company and a private database," O'Donnell said. "They can do what they want."

In the next year, that may change. "I have no doubt there is going to be regulation introduced regarding CLUE reports," O'Donnell said.

ChoicePoint stands by its reports.

"I think the information is accurate," ChoicePoint Vice President Richard Collier said. He said that for every 10,000 CLUE reports sold, only six are disputed, and it's up to insurance companies how to use the information.

"The database tracks actual losses," he said. "Each underwriter has their own underwriting standards."

brandr@RockyMountainNews.com
or 303-892-5269

Insurance premiums

■ Premiums for homeowners insurance in the United States have risen steadily over the past decade, according to the Insurance Information Institute.

Year	Avg. premium
1994	\$420
1995	\$418
1996	\$440
1997	\$455
1998	\$481
1999	\$487
2000	\$500
2001	\$512
2002	\$553
2003	\$603

Premiums from 2000 to 2003 are estimates. Figures are from the National Association of Insurance Commissioners and the Insurance Information Institute and based on the cost of an HO-3 homeowner package policy for owner-occupied dwellings, 1-4 family units. HO-3 is the most common package written.

By state costs

■ In 1999*, Colorado ranked 11th in average premium cost for homeowners insurance in the U.S., at \$559.

Nationwide, the average premium was \$487.

The top 10:

1. Texas	\$861
2. Louisiana	\$714
3. Florida	\$657
4. District of Columbia	\$617
5. Hawaii	\$606
6. Alaska	\$601
7. Mississippi	\$594
8. Oklahoma	\$594
9. California	\$578
10. Kansas	\$576

*1999 was the last year for which non-estimated figures are available
Source: Insurance Information Institute

Home policies a house of cards

Claim, even query can lead to higher rates on insurance

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By Rachel Brand
ROCKY MOUNTAIN NEWS

It was a simple question, with a costly consequence.

Ron Henderson wanted to know if the cost to repair the rotting roof on his two-story home, worn from years of rain and snow, would be covered by homeowners insurance.

So he called his agent. And though Henderson, a Realtor in Montrose, only asked a question — not for money — his agent noted the call and charged a loss to Henderson's policy.

You may never file an insurance claim for your home, never receive a dime from your home insurer, but buyer beware — insurers are using a wide range of information, from credit reports to phone calls simply to ask a question, as reasons to raise your premium.

And insurance companies say their tactics are justified, after years of losing money.

A routine inquiry about a burst water pipe, for instance, can tip off insurers to future mold problems, said Kelly Campbell of State Farm Insurance. "It has been shown that past damage is indicative of future losses," she said.

But consumer advocates are concerned. "It's a disincentive to call and get basic information about your policy," said Kirk Ye