United Policyholders
Empowering the Insured

5 Factors That Could Raise Your Insurance Rates

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Insurers consider a dizzying number of factors in determining premiums, so it's often challenging for consumers to understand why they're paying higher rates than their neighbors or co-workers. "All the consumer can do is ask questions when they buy insurance and get comparison apples-to-apples quotes and hope they're getting a fair shake," says Amy Bach, executive director of United Policyholders, a nonprofit insurance resource.

Here's a look at five factors you may not realize affect your insurance premiums.

1. Smoking. Under the Affordable Care Act, health insurers can no longer deny coverage or charge higher premiums to people with pre-existing medical conditions. But health insurers can add up to a 50 percent surcharge to premiums for people who smoke. Some states do not allow the smoker surcharge, while other states have smaller caps on the surcharge. However, smokers can often avoid the health insurance surcharge by enrolling in a smoking cessation program, according to Lynn Quincy, a senior policy analyst with Consumers Union, the policy and action division of Consumer Reports.

But health insurers aren't the only ones charging higher premiums to smokers. Since many house fires are caused by smoldering cigarettes, nonsmokers may get a discount on their homeowners insurance, says Pete Moraga, a spokesperson for the Insurance Information Network of California. Life insurers also charge smokers higher premiums because the habit raises their risk of stroke, lung disease and other life-threatening medical conditions. If you lie and tell your insurance agent you're a nonsmoker, that doesn't mean you're in the clear. Failure to disclose a smoking habit could be seen as insurance fraud, according to Moraga.

2. Credit score. Some insurers factor in a policyholder's credit score when determining premiums for property and casualty or life insurance taking credit scores into account is not allowed with health insurance). Many insurance experts agree that this is a controversial and discriminatory practice. "It's not a legitimate basis for setting somebody's rates," Bach says. "Insurers counter and say your credit score is relevant because it shows how responsible you are. They believe that the worse your credit, the

sloppier you are in how you live your life."
Fair or not, the practice is legal in some states. In California, for instance, property and casualty insurers can only use credit scoring in the underwriting process if a policyholder is spreading the premiums over the year rather than paying annual premiums in a lump sum, according to Moraga. Not all insurers use credit scores, so if you're concerned that yours might hike up your rate due to your score, get several quotes to compare.
3. Past insurance claims. Depending on your state's rules, auto, homeowners and renters insurers can increase your rates after you file a claim once you're up for renewal. Insurers consider you more likely to file another claim if you've filed claims in the past. Switching insurers after a claim won't necessarily save you from a rate hike because many insurers use the Comprehensive Loss Underwriting Exchange to look up claims you've made in the past five years.
For smaller claims, Moraga recommends absorbing the costs yourself instead of filing a claim and potentially boosting your insurance costs in the future. "Homeowners insurance is not a fix for little things," he says. "In the event of a major thing that has a major effect on your house, that's when you file a claim."
If you have a low deductible, he suggests raising your deductible to reduce the temptation to file a claim, and save the difference in premiums in a bank account to cover small issues or the higher deductible if you truly need to file a claim. Some companies also offer policies with claim forgiveness. "If you have one claim, they forgive you," Moraga says. "But in general, filing the claim could raise your insurance."
4. Lifestyle and occupation. Life insurers in particular are interested in any activities that could create a higher risk for premature death. "If you're in what's considered a higher-risk occupation, an airline pilot or a high-rise construction engineer, you're going to pay more for your life insurance," Bach says.
Some life insurers may also ask about travel plans, such as whether you've traveled outside of the United States in the past two years or plan to do so in the future. Policyholders who participate in activities such as extreme skiing, ballooning or deep-sea scuba diving may also pose a higher risk to life insurers. "It varies by company," Bach says. "Each company has their own underwriting criteria and their own actuaries who assign numbers to the risk that person poses."
5. Dog ownership. Dog-related insurance claims cost property and casualty insurers millions of dollars a year. In fact, California insurers alone paid $480 millions in dog bite claims in 2011. These claims typically fall under the liability portion of your homeowners or renters insurance policy, so insurers want to know if you have a dog, especially if it's a breed that's considered more aggressive.
"Depending on the type of dog you have, some insurers may exclude the dog or add a surcharge because you have a dangerous dog," Moraga says. "If you have a vicious dog and don't keep him away

from people, that may be a cause for nonrenewal or getting your premiums increased."