

Allstate policy raises roof on prices in Oklahoma

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Insurance costs: Oklahoma homeowners could pay more under terms of a new Allstate policy, which no longer pays the full cost of repairing or replacing older roofs.

A new type of homeowners' insurance launched in Oklahoma by Allstate Corp. no longer pays for the full cost of replacing damaged roofs that are more than 10 years old.

The product, which the company plans to expand to other states over the next two years, is dubbed House and Home. Allstate CEO Thomas J. Wilson told analysts in a recent conference call that it is part of a plan to boost the company's earnings.

"So this new product gives us the opportunity to deal with roofs differently," Wilson said. "That's really the next game and we will need to successfully accomplish that to get to our 13 percent return on equity by 2014."

IS IT DISCRIMINATION?

Amy Bach, executive director of United Policyholders, a nonprofit group that speaks for and provides information to insurance consumers, said the House and Home policy discriminates against customers with older roofs.

"It's kind of piled onto a trend that we are already worried about, which is shrinking coverage for homeowners' policies," Bach said. "There's this growing gap between what the homeowner thinks they're buying and what providers are actually delivering, and the price isn't going down."

Allstate provides about 8 percent of Oklahoma's homeowners' insurance, according to the Oklahoma Insurance Department, and is the second-largest national provider. The Illinois-based firm issued a written statement in response to questions from The Oklahoman about the House and Home program.

'A MORE COMPREHENSIVE APPROACH'

"Allstate House & Home is an innovative new product that provides a more comprehensive approach to underwriting in the best interest of customers," the statement said.

"The product offers significant flexibility and choice so customers have the ability to tailor coverage for

their specific needs, plan for their potential risks and fully consider different cost options.

“In today’s market, finding adequate, affordable homeowner coverage in many markets has become increasingly more complex. Our new House & Home product allows Allstate to fill the gap and make coverage available to more customers with more options that can help balance both coverage and cost,” the statement said.

Brant Cale, spokesman for the Oklahoma Insurance Department, said the agency is not aware of any other homeowners’ insurance provider that does business in Oklahoma that has similar policy terms regarding roof replacement.

DRIVING RECORD, TOO

Allstate’s new policy also considers customers’ driving records and auto insurance claim history in setting rates for homeowners’ coverage.

Allstate, in its statement, said the company “considers auto loss history as part of our underwriting because leading industry data points to a strong correlation between a good auto loss history and a lower likelihood of homeowners’ losses.”

Allstate spokeswoman Kari Mather said House and Home replaces Allstate’s current standard homeowners’ policy for new customers. Existing customers will be able to retain their current coverage, Mather said.

CHECK ON COVERAGE

Sandra Helin, president of the Southwestern Insurance Information Service, said homeowners should ask lots of questions about their coverage.

“We would encourage everybody, especially in Tornado Alley, to look to safety measures and then look at your insurance coverage to make sure that your home is insured to value, meaning your insurance will cover what it will cost to replace lost or damaged items, which includes roofs,” Helin said.

Consumers have a lot of choices in the insurance marketplace, Helin said, and need to shop around.

“You just need to make sure that monetarily, if something happens, that you either have the coverage or have the dollars to replace what you’ve lost,” she said.

FACTORING DEPRECIATION

Wilson, responding to an analyst’s question about the company’s changes in homeowners’ coverage, said the House and Home product allows Allstate to depreciate the value of older roofs much like insurance companies currently do with vehicles. Customers pay the difference between the depreciated value and the replacement value.

“So one of the big losses in severe weather are roofs,” Wilson told analysts. “Some people just don’t get their house — their roofs fixed, and then a hailstorm comes and we replace a \$20,000 roof when we’re

getting a thousand bucks from the customer, and it's obviously not a good trade.

"And so, if the roof is one year old, it might have no damage to it, and \$900 is the right price for the customer to pay). If the roof is 20 years old, then maybe we should be charging \$2,000 or \$3,000."

Oklahomans already pay among the nation's highest rates for homeowners' coverage because of the severe and damaging weather that regularly sweeps through the state. In 2009, Oklahoma homeowners paid the fifth-highest average annual premium, \$1,123, led only by four states on the Gulf Coast, according to National Association of Insurance Commissioners.

Mather said Oklahoma's damaging weather, and the claims it spawns, likely played a role in Allstate launching the House and Home program here.