

[Broken window? Think twice about a claim on home insurance](http://www.today.com/money/broken-window-think-twice-about-claim-home-insurance-...)

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You buy homeowners insurance hoping you'll never need to use it. Then something happens. It's not a big loss — maybe the neighbor's kid throws a ball through the window or a falling branch damages the gutter.

Do you file a claim? After all, that's why you've paid the premiums all these years. Unfortunately, it's not that simple. You need to consider the consequences.

"Don't make claims on small losses," advises Laura Adams, senior insurance analyst at Insurance Quotes.com. "If it will only cost you several hundred dollars out of pocket, it's probably better to pay for the repair yourself instead of filing a formal claim with your insurance company."

The average premium rate hike for a U.S. family filing a homeowner's claim is about nine percent or \$150 a year, according to a new study by Insurance Quotes. But in some states, that single claim could result in an increase significantly higher than the national average.

"Where you live plays a really big role in whether you should file a claim and the financial consequences you might see as a result of making the claim," Adams told me.

The five states where the premium increases would be the highest for a single claim:

Minnesota: 21 percent

Connecticut: 21 percent

Maryland: 19 percent

California: 18 percent

Oregon: 17 percent

The five states where the premium increase would be the smallest:

Texas: 0 percent

New York: 1 percent

Florida: 2 percent

Vermont: 2 percent

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Source: <https://uphelp.org/broken-window-think-twice-about-a-claim-on-home-insurance/> Date: November 24, 2024

Massachusetts: 2 percent

For this study, Insurance Quotes calculated rates for six large insurance companies based on a single-family home insured for \$144,000 with the initial claim of up to \$30,000. [Click here to view all states.](#)

Why such a disparity?

The Insurance Quotes report said differences between states were due to variations in state law and the occurrence of natural disasters. Insurance is regulated at the state level and the laws vary from state to state. In Texas, companies are not allowed to boost the homeowner's premiums based on a single claim. Also, insurers know their risk is higher in places with more natural disasters, so their policies are priced higher in states that experience more losses from hurricanes, tornadoes, floods and earthquakes. The Insurance Information Institute said the price spike in Minnesota is largely due to the "frequency and severity" of unexpected natural disasters there in recent years. The number of tornadoes has been well above historical norms.

"To get dinged on one claim is inappropriate," said Robert Hunter, director of insurance at the Consumer Federation of America and former Texas Insurance Commissioner. "If something is clearly your fault, and it happens more than once, they should be allowed to boost your rates. But it should never happen with a weather-related claim."

Is this really the way it's supposed to work?

We need to look at insurance differently than we did in the past because the marketplace has changed.

"It's always a good idea to weigh how bad the damage is to your property before filing a claim," said Michael Barry at the Insurance Information Institute. "Is this loss of such a magnitude that filing a claim is the prudent financial decision? If the loss is only one or two thousand dollars above your deductible, you may be better off paying for the repairs out of pocket."

"It's completely ridiculous and totally unfair," said Amy Bach, executive director of United Policyholders, a non-profit group based in San Francisco. "I think it's outrageous that you can use your insurance and have your premium jacked up."

But that's the reality. That's why consumer advocates recommend you consider homeowner's insurance protection against a financial loss you could not afford to handle by yourself, based on your savings and income.

"Take the largest deductible you can stomach," said Kevin Brasler, executive editor at Checkbook.org.

"With a high deductible your rates will be lower and you're less likely to make a small claim that can be more costly than what you get out of it."

My two cents

Here's what bothers me. There is no way for you to know if a claim you might file will result in a higher

premium. A claim that's a couple of thousand dollars above the deductible might not be a problem for some families and a big deal for others.

The insurance companies don't provide any guidelines about this, so you just have to assume your action will spark a costly reaction. That's not fair. You buy insurance to protect you against a loss, and then when you have a legitimate claim, you're afraid to use that insurance for fear of being penalized with a higher price.

You can ask your insurance agent or broker whether a claim might result in a rate hike. But chances are they can't tell you for sure. By making that call, you run the risk of having your question treated as a claim. That's right. Insurance companies sometimes treat inquiries about potential claims as if a claim had actually been filed. And these "phantom claims" can result in higher premiums. As bizarre as that sounds, it happens.

It seems to me that Texas has the right idea. Homeowner's rates should not be raised after just one claim. That's a simple rule everyone can understand.