

Get a “CLUE”: Don’t Be a Victim of “Use It and Lose It”

The phrase “use it and lose it” describes a bad, relatively recent trend in the insurance world. It means if you use your insurance you will lose your insurance, or... file even one claim and your rates will increase or your policy will be non-renewed. Insurer reps deny that it’s a reality, but state regulators and consumers are painfully aware that it is. UP has received **many** complaints from affected consumers.

There are many aspects to the “use it and lose it” phenomenon. Factors include:

1. Shared claims databases, (e.g. “CLUE”) that all insurers can access;
2. An increase in vendors selling services and tools to insurance companies such as “Risk Meter” that purport to help insurers weed out undesirable risks;
3. The fact that fewer claims translate into higher profits for insurers;
4. Consumers are naturally averse to paying higher premiums and/or being uninsured;
5. The increasing use by insurers of “surcharges” as a way of avoiding regulatory scrutiny of rate increases.

The causes of “use it and lose it” have been discussed in the [Spring 2003](#) and [Fall 2004](#) issues of What’s UP. Policyholder advocates take this issue very seriously because it truly undermines the concept of insurance as a worthwhile product to buy. What’s the point of paying for it if you’ll be unfairly penalized for using it?

The problem has been serious enough to require action by some state regulators and legislators. California passed a law requiring insurers who non-renew policyholders to disclose their reasons and invite a response. CA Insurance Commissioner John Garamendi issued emergency regulations barring insurers from using improper criteria to nonrenew customers. Insurers sued the Commissioner to keep the regulations from taking effect and won, so the Commissioner revised and reissued them and they’re currently pending.

How to resist use it and lose it:

1. Exercise your buying power by asking the right questions before you suffer a loss and patronizing insurers who don't unfairly penalize policyholders who file claims. Call your agent or company right away, ask hypothetical questions about their surcharge and non-renewal rules and compare their rules with competing insurers. Switch if need be.
2. If your insurer tries to non-renew you after you file a claim, work to get them to reverse their decision. Your agent and your state regulator should help.
3. If your insurer tries to surcharge you after you file a claim, shop around with competitors before agreeing to pay the higher rate. Once you've secured coverage elsewhere - tell them why you left.
4. Check your CLUE or A+ report and correct any errors.
<http://www.iso.com/products/2500/prod2562.html>
5. Pay small claims out of pocket and read our "To claim or not to claim" series on smart claim-decision making.
6. File a complaint with your elected officials and state regulator if you're the victim of an unfair rate increase or arbitrary non-renewal.