

Consumer alert: Allstate seeks premium hike

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If you're a Pennsylvania resident with Allstate Property & Casualty homeowners insurance, you may face an unpleasant surprise this fall: a sizable boost in your insurance premium.

You can just suck it up – as Allstate undoubtedly expects most policyholders to do – or you can use it as a goad to do something you may find nearly as unpleasant: shop around for alternatives. It shouldn't have to be, as I'll explain. But first, a look at what's happening with Allstate.

Citing what a spokeswoman calls “an unprecedented year with weather in Pennsylvania,” Allstate has asked state officials to approve a plan that would raise premiums an average of 20 percent for the company's 195,000 policyholders – more than twice as steep an increase as sought by any other large insurer during the last six months, according to filings published in the Pennsylvania Bulletin.

The new plan was submitted Aug. 20, well before Hurricane Irene, but the spokeswoman, Julia Reusch, says that recent storms have only added to an already tough year. “With the hail, lightning, and all the winter storms, and all the tornado activity in April, it's just been unprecedented,” Reusch says.

Because of the complexity of insurance pricing and the various changes it is proposing in rating factors and discounts, Allstate says the effect would vary widely from homeowner to homeowner. “Since everyone's policy is different, everyone will be affected differently,” says Reusch, who advises customers to wait for premium notices and then speak to their agent about any concerns.

According to Allstate's 97-page filing, some policyholders will be offered reduced premiums while others will face increases topping 50 percent. Allstate says the individual impact ranges from a 9 percent decrease, for a policyholder whose annual premium would drop from \$449 to \$411, to a 56 percent increase, for a policyholder whose premium would rise from \$1,351 a year to \$2,112.

Reusch declined to answer questions about the filing while it is under review by state insurance officials, a process that typically takes about 60 to 90 days. “We do believe it's actuarially sound,” she told me.

But in a letter to the Insurance Department, Philadelphia's director of consumer affairs, Lance Haver, raised questions both about the Allstate proposal and about the state's process for reviewing insurance rates, which Haver compares unfavorably to the adversarial process for reviewing rates proposed by the state's regulated utilities.

“It makes no sense that insurance consumers are not offered the same protection that phone consumers are,” he says.

Haver is urging the Insurance Department to closely scrutinize Allstate’s data justifying the rate increase, which he says will fall disproportionately on owners of older homes in city neighborhoods.

Since the proposal is under review, department officials will say only that they are required to ensure that homeowners rates are “not inadequate, excessive, or unfairly discriminatory.” Spokeswoman Melissa Fox adds that Allstate customers should not assume the worst. “What they ask for isn’t always what they receive,” she says.

Despite Haver’s legitimate concerns, it’s worth recalling why insurance and utility regulation have evolved so differently.

Only one company, Peco Energy, delivers electricity to homeowners in Southeastern Pennsylvania, even if they can now buy power from alternative suppliers. Only one company delivers natural gas – Peco in the suburbs, or Philadelphia Gas Works in the city.

By contrast, officials say about 150 insurers are writing new homeowners policies in Pennsylvania.

How do you find a new one? Until several years ago, the Insurance Department published a guide that compared leading companies’ rates for a sample homeowner and property. Fox says that the comparison, prepared by actuarial interns, fell victim to budget cutbacks but that the state still offers a wealth of shopping advice on its website. For links to its consumer guides, go to www.ins.state.pa.us, and click on “Types of Coverage.”)

Another resource is United Policyholders, a California-based nonprofit organization that says it speaks for insurance customers. Its website, www.uphelp.org, offers advice on shopping for insurance, making sure you’re covered for the risks that concern you, and dealing with claims.

Amy Bach, United Policyholders’ executive director, says that careful shopping is the key but that consumers should be careful not to buy simply on price.

“There are huge variations, but very often it’s because you’re not comparing apples to apples on coverage,” Bach says.

Bach advises consumers to pay close attention not only to total coverage but also to what are known as “internal limits” and “exclusions” – details you won’t find on the declarations page that lists overall limits for your dwelling and its contents.

“You want to ask what exclusions there are for mold and water damage,” common sources of claims in this region, Bach says. And watch out for internal limits that cap what a policy will pay for items such as computer equipment, valuables, or collections.

Bach suggests working with an independent agent or broker to compare various companies’ prices and

terms.

Although she acknowledges the value of having an agent who will go to bat for you in the event of a claim, she says, “Brand loyalty on insurance just doesn’t make sense since it’s a crapshoot what adjuster you’ll get when you have a claim. It’s much more important to have the coverage you need at a fair price.”