

[Evacuated from the fires? Read this before you file an insurance claim](#)

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The California Department of Insurance has been urging residents who were under mandatory evacuation during the Kincade and Southern California wildfires to see if they can file a claim for additional living expenses under their homeowners or renters policies.

Most policies in California cover expenses such as hotels, gas and meals that exceed your deductible if a civil authority forces you to evacuate your home during a fire. People who left their homes because PG&E shut off their power would not qualify for this coverage, said Amy Bach, executive director of consumer group United Policyholders.

But even if you do qualify, Bach and other consumer advocates say you should think twice about filing a claim for a relatively small amount because it will go on your record. With a few exceptions, insurance companies in California can and sometimes do raise your premiums or decline to renew a policy if you file too many or certain types of claims. Critics call the practice “use it and lose it.”

“Our general rule of thumb: If it’s a loss you can absorb, you are better off just absorbing it than potentially putting yourself in higher-risk rating category that can cause you to pay more for years,” Bach said.

Robert Hunter, director of insurance with the Consumer Federation of America, agreed. He recommends taking “as big a deductible as you can afford,” which lowers your premium, and paying for small losses out of pocket.

Companies can consider your claims history in rate and renewal decisions, as long it’s covered in their underwriting rules and doesn’t violate restrictions related to “adverse underwriting actions,” said Rex Frazier, president of the Personal Insurance Federation of California, an industry group.

These underwriting rules can be thousands of pages of insurance jargon, so it’s not obvious how a specific claim could impact your premiums or renewal.

Frazier said he would be shocked if a company penalized a customer for filing a claim that resulted from a mandatory evacuation. “What can result in an adverse underwriting decision are things that relate to

your conduct. I can't imagine a situation where a mandatory evacuation" would result in an adverse underwriting decision, because "it is out of your control."

Michael Soller, a spokesman for the state Insurance Department, said "it is unlikely that a single claim for additional living expenses) would be grounds for nonrenewal." He added: "While no state laws limit the number of claims that can be filed, a pattern of claims may result in nonrenewal according to a company's underwriting guidelines."

In California, if a company issues a nonrenewal notice, it must provide a reason. If it raises premiums, a policyholder can ask for a reason.

Consumers who want to know beforehand how a claim for additional living expenses could impact them should contact their insurance company or agent. Ask if it could "affect any claims-free discount, result in a claims surcharge that would increase the premium, or if there is risk of being non-renewed, particularly if they have a prior claims history," Soller said. Consumers not satisfied with the answer can call the Insurance Department at 800-927-4357.

Most companies file data about customer claims into a national database that other insurance companies can access when you ask for a quote or apply for insurance. So when you're shopping for a new policy, old claims could haunt you.

The Comprehensive Loss Underwriting Exchange or CLUE database contains claims information for up to seven years. Consumers have a right to get their CLUE report and correct any errors. To get a copy, call LexisNexis at 866-312-8076 or visit <https://personalreports.lexisnexis.com>.

Sometimes, when customers ask their agent if a specific loss would be covered, it could be entered into the database as a claim, even if the customer didn't end up making a claim, according to the Connecticut Insurance Department's website.

In 2003, California passed a law that prevents insurance companies and agents from basing an "adverse underwriting decision ... on the fact that an individual had previously inquired and received information about the scope or nature of coverage, if the information is received from an insurance-support organization whose primary source of information is insurance institutions i.e. the CLUE database) and the inquiry did not result in the filing of a claim."

The law doesn't say whether an insurer could treat an inquiry as a claim if it came from the customer, not the database. The Insurance Department says it could not. "We still interpret the law that an insurer cannot do this no matter where the info came from," Soller said.

Frazier also said he doesn't know of any companies that would count an inquiry as a claim.

Some states have passed laws that limit the use of prior losses in insurance pricing or underwriting decisions.

In 2003, former Insurance Commissioner John Garamendi issued a regulation limiting its use, but the insurance industry filed a lawsuit to overturn it. The trial court ruled that Garamendi didn't have authority to adopt the regulation. Garamendi appealed to the state Court of Appeal, which upheld the lower court's decision.

Bach says consumers should at least have better information about how a claim might affect them. "It seems completely unpredictable," she said. "Insurers are in the business of pricing risk. The problem for us is, it's completely opaque."

Bach said she wrote to the insurance commissioner earlier this year asking if he could "order by regulation that insurance companies disclose what their rules are. Is there a dollar threshold? Is it one claim in one year? Two in three years?" If a consumer could see that a certain company will drop you for one dog-bite claim, "at least that would put market pressure on insurers to be more fair."

Bach said she's still waiting for an answer.