

[Home insurance? Use it and you may lose it](#)

CBS News

Millions of homeowners battered by hurricanes, tossed about by tornadoes or scorched by statewide wildfires this disaster-filled record year have filed insurance claims for the damage done. And it could wind up totaling \$150 billion or more. But now there's a dire warning from a consumer group: These homeowner's policies may not be renewed next year and they may not be able to find other affordable home insurance.

The "Use It or Lose It" joint study by United Policyholders and the Rutgers University Center for Risk and Responsibility found that this is now a "huge problem" for homeowners. "Insurance companies collect information on consumer inquiries and claims and share the information with each other through national databases," according to the report. "If a policyholder is dropped by one insurance company, it can be hard to find comparable coverage at an affordable price."

The report not only points out collusion between insurers, but also suggests intimidation. "As homeowners become aware of the practice, they are deterred from filing claims even if the losses would be covered under their policies," it said. Worse yet, an insurer may drop a homeowner or raise their premium just for making an inquiry about a possible claim.

Insurance companies use a national database called C.L.U.E. (Comprehensive Loss Underwriting Exchange), run by LexisNexis, to determine who are the good and bad risks for all types of insurance, particularly auto and home coverage. The study doesn't say that insurers can't or shouldn't do this. "But insurers should not be able to punish policyholders just for asking a simple question or for getting the coverage their insurance companies promise," said Law Professor Jay Feinman of Rutgers, who authored the study. Both Delaware and New Jersey prohibit an insurer from using a customer inquiry "for any purpose."

The report measures how well states protect consumers from "Use It and Lose It." Every state regulates homeowners' insurance companies, but some are more proactive in preventing insurers from canceling policies - or raising premiums - for no reason other than filing a claim within three years, submitting one for weather or natural disaster, or for a claim resulting in non-payment by the insurer.

Insurers say that homeowner complaints about their coverage being cancelled are relatively few. "It is

very rare for a consumer to contest an action taken against them by an insurer,” said Vice President Michael Barry of the Insurance Information Institute, which represents property-casualty insurers. He pointed out that the C.L.U.E. database used by insurers also benefits realtors and prospective homeowners in finding out if there were any recent claims against a house. “If there are, it’s definitely a red flag that should alert the buyer to the fact that something’s wrong.”

Rhode Island and Texas received perfect “5 Star” rankings in the study. States with four stars had at least taken a “broad look at the problem,” Feinman said. Some, like Louisiana and Oklahoma, were states which frequently experience natural disasters. Those at the bottom – Washington, West Virginia and Wisconsin – offered consumers little protection from state regulators.

J. Robert Hunter, director of insurance for the Consumer Federation of America, said property-casualty insurers were so flush with cash right now that he doubted they would be in a hurry to drop customers even after the recent storms and fires. The industry has \$700 billion in surplus capital.

“The risk of losing coverage for filing a claim is now very low,” Hunter said. “But the risk of a price increase after a claim is high. I don’t mind it being done if the homeowner is at fault, but I do mind if the insurer does it after a storm, which many states ban.”

Added Rutgers’ Feinman: “Frankly, states wouldn’t be legislating against these practices unless something needed fixing. Look at the car industry. We see all these commercials advertising ‘accident forgiveness.’ But forgiveness presumably comes with a higher premium.”

United Policyholders Executive Director Amy Bach said that Washington state had already responded to the study and was trying to find ways to improve.