

[Insurers rethink homeowners policies in the wake of major disasters](#)

Reuters

Phillip Berger insured his Maryland home through Allstate for 23 years. But a home disaster forced him to take his business elsewhere, he said.

Berger, 58, is not new to property damage or insurer conflict. Years ago, a tornado swept over his home and damaged his chimney. Last year, he benefitted from a successful class action settlement with Allstate.

So when frozen pipes caused his house to flood recently, he expected some flack for his claim.

What he got was a \$6,000 check from Allstate for the damages – and then a house reassessment.

Berger said an Allstate contractor told him to make \$100,000 in repairs to his home. Otherwise he would be dropped from his homeowners' policy.

Berger refused.

In letters to Maryland legislators and Allstate representatives, he pointed out that the insurer had informed some 45,000 North Carolinians last year that it intended to non-renew policies that weren't bundled with auto insurance. Berger did not have a bundled policy. He assumed Allstate used the reassessment as a way to get rid of him.

Allstate media representatives did not respond to requests for comment. But Berger's assumptions about his insurer's actions aren't necessarily beyond reason.

A study released last month from the Consumer Federation of America PDF) said major insurers have responded to recent weather catastrophes by raising rates by "18 percent or more."

And even industry groups admit that insurers have broadly rethought policy strategies in the wake of a bad year.

"2011 was an extraordinary year for natural disasters," said Michael Barry, a media representative of the Insurance Information Institute. "Insurers have taken a step back to assess whether or not they can absorb severe losses."

Barry said insurers generally work on three-year contracts with homeowners. At the end of those

contracts, insurers can often decide not to re-up.

And since the McCarran-Ferguson Act of 1945 exempts insurers from most federal regulation, insurance policies are a state issue. In most states, insurer nonrenewal is legal. But limitations exist.

In New York, for instance, insurers can nonrenew up to four percent of their total policies in any given year. That's a low percentage, Barry said, but there's certainly a possibility one could need to shop for a new policy.

"If you're in an area that you think is at risk, you want to have a conversation with your insurance agent about potential options just in case," Barry said.

But that's where homeowners can find themselves in a bind, said Amy Bach, executive director of consumer advocacy group United Policyholders. She points to Comprehensive Loss Underwriting Exchange databases – so-called CLUE reports – that allow insurers to freely exchange information about personal consumer loss or property claims.

"Insurance companies assign each consumer a score," she said. "That score determines how much an insurer is going to charge you."

So switching insurers often won't bring a better price.

"It seems unfair that if you were insured with Liberty Mutual, for example, and you then switch to State Farm, State Farm gets to see your history," she said. "It feels very anti-competitive."

This is most troublesome, she said, in states where insurance options are decreasing.

In Florida, for example, many private insurers have stopped writing new policies, according to Robin Westcott, Florida's Insurance Consumer Advocate.

As a result, Florida's state-funded program, Citizens Property and Insurance Corporation, insures more than 1.5 million properties in the hurricane-prone state. This is more than double Citizens' closest competitor, according to the Florida Office of Insurance Regulation.

"You simply have major private insurers that are unwilling to write policies in Florida," Westcott said. "If other states want to know what can happen to insurance coverage when many expensive disasters occur, they can look to Florida."

Average annual homeowners insurance rates in Florida are \$1,460, according to a 2010 Insurance Information Institute survey. Those rates are second only to Texas, where homeowners can expect to pay an annual average of \$1,511.

Mike McCartin, a Maryland-based independent insurance agent, said it's important to keep those prices in perspective.

"Florida's off the charts when it comes to pricing," he said. "And it's clear that prices are rising in Maryland and elsewhere because of major disasters all over the country. But, all things considered,

homeowners insurance is still pretty affordable.”

McCartin wouldn't comment specifically on Berger's allegations about Allstate. But he did offer the following, which he said he's learned by insuring more than 5,000 properties.

In insurance, he said, “there are always three sides to every story: Yours mine and the truth.”