

## Phoenix insurance consumers have few ways to minimize skyrocketing premiums

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Most American auto and homeowners insurance consumers have noticed the recent spike in premiums. Disasters and other incidents, the corporate push for profits and the use of technology are combining to have consumers see jaw-dropping overnight increases for many Valley residents, across the U.S, and in other countries.

There are a few things consumers can do to minimize their costs. While Arizona has only been affected by eight extreme weather events with losses exceeding \$1 billion each since late 2020, according to the National Oceanic and Atmospheric Administration, some coastal states have suffered far greater losses.

The multinational insurance company WTW said comprehensive car insurance premiums in the United Kingdom went up 58% in 2023. The Marsh Global Insurance Market Index shows leading up to the a second-quarter flattening this year, global commercial insurance rates had increased every quarter since Q3 of 2017.

James McGuffin is the Arizona Department of Insurance and Financial Institutions' assistant director of the communications division. First, McGuffin said, Arizona doesn't have specific statutory regulations or parameters or agency guidance or approvals for insurance rate increases. While other industries, such as utilities, must go through a regulatory body, insurance companies must only follow tax and general business laws and can increase rates without any approvals.

McGuffin said instead, DIFI does its best to educate consumers about laws and regulations, or lack thereof, and what types of consumer moves or choices are open in their circumstances.

McGuffin said DIFI looks into consumer complaints about "excessive" rates or insurance changes using

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three criteria:

- Is there too little competition? McGuffin said there are times when there are only one or two companies offering a particular type of insurance to Arizonans. In such cases, a company sometimes can't justify premium increases or changes to a policy.

"If there aren't other choices, it's not like the consumer can go get a better rate," he said.

- Is the coverage adequate? McGuffin said policies must be written to compensate claimants enough to replace their lost or damaged vehicle or home.
- Are the rates discriminatory? McGuffin said two people whose personal details, such as age and address, match, they should get the same rate.

While companies certainly can rate a home built on the edge of a heavily wooded area as a different fire risk than a new condo in a downtown area, two adults the same age, living on the same block, should pay similar rates for homeowners insurance from the same provider.

Consumer advocacy groups don't always have much of an inroad in fighting insurance companies. Krystyna Hook, a spokesperson for the Better Business Bureau Serving the Pacific Southwest, referred Independent Newsmedia to DIFI, saying it has the best resources and lists of tips, though it has a few of its own.

Here are a few tips McGuffin mentioned for consumers trying to mitigate their insurance costs:

- Shop around. While McGuffin said the oldest, best-known companies haven't left or expanded in Arizona recently, there are many smaller companies that come and go from the state all the time.
- Try to eliminate the "smaller" coverage and keep the truly catastrophic expensive stuff.
- Work on your credit score and your "insurance score."

Amy Bach is the executive director and co-founder of United Policyholders, a nonprofit with the mission of being a trustworthy and useful information resource and voice for consumers of all types of insurance in

the U.S. She said technology is taking over the insurance business in ways that aren't benefiting consumers' prices.

The trouble is, Bach said, insurance companies have used artificial intelligence in several ways to find risk factors and other data to justify higher rates, while consumer-available AI doesn't yet give consumers many known ways to get lower rates out of a carrier.

"AI is killing consumers right now," Bach said. "It's having a big effect on the market. Everything from driving records to credit and other things that jack up risk scores are getting easier and easier to see — and harder to refute. AI sucks all that data together, and regulators are caught between this and inflation."

Bach said things are unlikely to change until either companies can't find customers or the market shifts in ways that return some power to consumers.

"We've got to get back to where insurers are incentivized to support and reward good behavior," Bach said.

Bach echoed a few of McGuffin's tips and added more:

- Shop around. "Don't just spend 15 minutes on something where you're going to spend a lot of your money," Bach said. "A lot of the older, more experienced ages have retired, but find an agent and don't get too hung up on brand names, i.e. established, older well-known insurance companies."
- Reduce non-essential amounts or types of coverage.
- Bundle home and vehicle coverage whenever possible.
- For homeowner's insurance, reduce "contents coverage" where it's practical.
- Customize, customize. "Most companies are making this easier and easier," Bach said.