

## Why Insurance Companies Don't Renew Policies

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FOR the better part of a week last year, Nancy Wergeles searched her home in Weston, Conn., for the engagement ring her husband had given her 53 years before. They had had a string of health care aides in their home and were also putting their house on the market, so real estate agents had been coming through, too. "I just felt really bad about this," said Ms. Wergeles, 73. "The ring could have been stolen. Was it my fault?" They called Travelers Insurance, which had covered their home, cars, personal property and them for liability since at least 1999, and were pleased with how quickly the insurer responded. Within three weeks, Ms. Wergeles had a check for \$19,000 to replace the ring, as well as tips from Travelers on how to protect other pieces of jewelry. But this spring, Travelers said it wouldn't renew the Wergeleses' personal property policy. "I felt like I was duped by this insurance company," she said. "I thought, maybe it's elderly prejudice. Then, when I started telling people the story, they said, 'I'm afraid to make a claim because they drop you.'" What happened to Ms. Wergeles is exactly what many people fear. And it's why people say they don't file legitimate claims or wait until the claim is so large that they can't pay it on their own. But was her experience an anomaly? Not really. Industry executives said insurance companies drop clients all the time. But why people are dropped is often more complicated than just filing a big claim. "Everyone uses the term 'cancel,' but that's usually not the case," said Janet Ruiz, the California representative for the Insurance Information Institute. "Cancellation usually only happens if you don't pay the premium or commit fraud or make a serious misrepresentation on your application." Nonrenewal, which is what happened to Ms. Wergeles, occurs at the end of a policy's term. (And customers, of course, are free not to renew their policies themselves.) Ms. Ruiz said nonrenewals occur for different reasons. Repeated water damage in a home, say from burst pipes, is a top reason that a company will drop a homeowner's policy. "It starts to show that you're not maintaining your property," she said. "That's when it becomes a concern to insurance companies. Oftentimes, they'll send you notices saying you need to make these changes to your property to keep the policy." (According to the National Association of Insurance Commissioners, the number of homeowners policies that were not

renewed was generally less than 1 percent in the states that reported these numbers in 2015. Florida had the highest rate, at 3.38 percent. Connecticut and New York were among the states that did not report their numbers.) Ms. Wergeles said Travelers' representatives advised her to put any valuable jewelry she wasn't wearing in a safe deposit box at the bank, which she did. But she said she heard nothing more from the insurer until her agent contacted her to say the policy was not being renewed. She said she wrote to the company's chief executive, Alan Schnitzer, to ask that her coverage be reinstated. Soon after, she received a call from Katie O'Brien, who identified herself as a customer advocate. "I thought she was calling to reinstate me," Ms. Wergeles said. She wasn't. "She said they reviewed my case because we are such longtime customers, but they are still declining to insure me because I am high risk," Ms. Wergeles said. "She said I had another claim in 2013 for an earring. I forgot that one. It fell out of my ear." The claim for the earring was for \$1,500. Ms. O'Brien did not return a phone message, and Matt Bordonaro, a spokesman for Travelers, declined to comment. Kevin M. Lynch, an assistant professor of insurance at the American College of Financial Services and a former owner of an insurance agency, said insurance companies weigh two factors in determining whether someone's policy will be dropped: the size of a claim and the frequency of claims. "What's happened in this lady's case is she had two substantial losses within a relatively short period, which is the frequency issue," he said. "The insurance company said she represents a risk outside of the acceptable parameters, so they chose not to renew her." In Ms. Wergeles's view, she paid Travelers thousands of dollars in premiums over several decades, and paying a claim, even a large one, is what insurers are supposed to do. She said her agent calculated that she and her husband, Don, had paid over \$72,000 in premiums since 2002, and, she said, they are now paying over \$6,000 a year for the coverage they still have. But the total amount is probably much larger, she said, because the records don't go back to when the Wergeleses were first covered by Travelers. Mr. Lynch said adding up years of premiums to defend continued coverage is "an absolutely human response." But all those premium dollars were meant to protect the entire group of people for that year, not to accumulate for one individual, he said. "This year, one home out of 1,200 will suffer a fire loss," he said. "You hope you're not that one out of the 1,200, but if you are, you're compensated. If you're all those other people, would you want one person making so many claims that you're endangering the others?" He said that when he owned an agency, people would complain that they hadn't filed a claim in years and now their rate was going up for one claim. "I'd say, 'Would it make you feel better if I ran into your car or started a small fire in your house?'" he said. "People buy insurance because they'd rather have the known cost of a \$500 deductible than the unknown cost of paying for a \$300,000 house that burned down." And to add to the confusion, Travelers has continued to insure the Wergeleses despite larger claims on their homeowner's and auto policies.

Since 2002, Ms. Wergeles said, the insurer has paid them nearly \$22,000 on their homeowner's policy, largely for storm-related damage, including Hurricane Sandy in 2012, that wasn't their fault. But it also paid \$57,000 in auto claims, the bulk of which covered two cars that Mr. Wergeles wrecked before he stopped driving eight years ago. (He has Parkinson's disease.) While insurers give people discounts for both the number of policies and the number of years they have with the company, they look at the risk of each policy separately. The premiums for personal property policies are comparatively low compared with homeowners' policies, and that is factored into the number of claims companies can pay out. In insurance company thinking, Travelers could not charge a high enough premium to offset the risk of another \$19,000 ring loss, Mr. Lynch said. As for claims, insurers are quick to point out that they pay many of them and pay them quickly. Keith Daly, the chief claims officer for Farmers Insurance, which runs quirky ads about odd claims it has paid, said the company pays three million claims a year on 19 million policies held by 10 million households. "More often than not, there would be a benefit to get your insurance company involved to help protect you," Mr. Daly said. "It comes down to, am I at fault or am I not? If you're at fault, you should get your insurance company involved immediately. You could go down a path where you have injuries pop up later." Mr. Lynch said an insurer usually stops counting claims against someone after three years. But those claims live on in something officially known as Comprehensive Loss Underwriting Exchange, or C.L.U.E., reports, which track auto and property losses for seven years. That means switching to another insurer will not restart that clock faster. For the Wergeleses, who are moving to California after 44 years in the same house, the news is bittersweet. Ms. Wergeles said she thought the company had discarded a relationship that stretched back decades. And now, without jewelry insurance, she has decided that she will install a wall safe in her new home.