



# POA Considers Creation of Insurance Company for Homeowner, Auto and Other Lines of Insurance

According to Melinda Ballard, founder of the non-profit association Policyholders of America (POA), which has been a thorn in the side of the insurance industry in Texas since its creation in early 2002, that organization is in the process of creating its own insurance company. Yes, an organization admittedly founded on a disenchantment with and scorn of insurance companies may soon operate as one itself.

According to Ballard, POA now has nearly 1 million members and has been approached by several Wall Street firms to create an insurance company to sell various commercial lines, including homeowners and auto insurance. Ballard would not reveal the names of the firms, but did state that the individuals who approached her have created several reinsurance companies and came out of investment banking firms she used to represent, such as Goldman Sachs, Bear Stearns, JP Morgan and Citigroup, before she became a spokesperson on behalf of policyholders.

"It is accurate to say that POA is at the second phase of creating an insurance company," Ballard said. "Apart from our regular members, we have about 6,000 major developers in our membership and we have seen a tremendous demand from this segment too," she continued.

Survey

**INTERESTED IN AN INSURANCE COMPANY THAT REALLY DOES CARES ABOUT YOU?**

**If AARP can do it, POA can too.**

Policyholders of America is seriously considering forming its own insurance company.

AARP did it and now it may be the time for POA to do it.

But, before we embark on this venture, we want to share with you our approach and get your reaction to some issues that would help us better structure this insurance product.

**MISSION STATEMENT OF POA'S INSURANCE PRODUCT**

1. POA would offer pricing that would reflect coverage. We would not price gouge;
2. POA would NOT use credit scoring;
3. POA would NOT report claims to CLUE, A PLUS or any other database;
4. POA would NOT have adjusters; we'd have customer advocates; and
5. POA would offer homeowners and auto policies.

In order to offer a better insurance product for a lower price, we want to find out a few things from you:

1. Would you be willing to install a leak detection system in your home that would automatically shut-off water if and when a leak is detected if:
  - a. The entire system costs you a one-time charge of \$500 but saves you an average of \$300 per year on insurance rates?  Yes
  - b. The system could be paid for over a six month period?  Yes  No
2. Would you be willing to pay an inspector \$200 per year to inspect your roof for leaks in order that any damage be detected if it saved you \$100 per year on your rate?  Yes  No
3. Assuming POA would meet all necessary financial and regulatory requirements, would you be willing to switch insurance companies for:
  - a. Auto?  Yes  No
  - b. Home?  Yes  No
4. Do you care if POA's insurance company is a mutual company (owned by its policyholders)?  Yes  No
5. email Address

vey on its Internet site designed to investigate the willingness of POA members to maintain and protect their homes. The survey was posted May 22 at 3:30 p.m. CST, and by 7:30 a.m. the next day, Ballard claims to have received 81,423 responses.

Of those responses, Ballard said that most indicated they would be willing to switch auto (92%) and homeowners (95%) insurance carriers, with three-quarters stating they would not care if the new insurance company were owned by its policyholders.

Ballard also said that 72 percent indicated they would be willing to pay an inspector \$200 per year to inspect the roof for leaks and 95 percent indicated a willingness to pay \$500 to install a leak detection system in their homes.

Ballard said that the board of POA would serve as watchdog to ensure that the new insurance company adheres to the association's mission and is consistent with its views

"We hope to prove that you can operate a legitimate insurance company without cheating policyholders," Ballard asserted.

Previously, the main challenge to the creation of the new insurance company was the fear that as an affinity group, POA would attract primarily "bad risks" as clients, Ballard said. To alleviate that concern, POA posted a sur-

POA has developed a relationship with the manufacturer of a home leak detection system that Ballard says they have tested "over and over again." The company is FloLogic, Inc., located in Raleigh, N.C. Their product is called the FloLogic® System 2000, an automatic water shutoff valve billed as "the circuit breaker for your home plumbing system." According to Ballard, her organization is working on an agreement that would allow POA members to pay approximately half the cost for a new system, and is also working with FloLogic to create a similar system for commercial properties.

