

POA Agenda 2005

Unless you are one of the millions of Americans who've been rate gouged for no apparent reason or were forced to file a substantial claim, you wouldn't know just how out-of-control the insurance industry has become.

For the unlucky ones, however, POA has developed a legislative agenda. It's not radical. Our agenda is a commonsense solution to a flawed system.

Federal regulation of the insurance industry is now under consideration so we need to act quickly if we want our voices heard. You can help.

Here are some of our positions:

NO CHERRY PICKING: Insurers who face short term losses because of catastrophic losses often bail from a geographic region. POA believes every state needs to enact an "ANTI-CHERRY PICKING" statute that prohibits a carrier from pulling out of one segment (auto or homeowners) while continuing to sell other, more profitable lines. If they pull out of one, they pull out of ALL.

Why is this important? Because insurers tend to threaten to leave a state or area unless regulators grant their wish list. Our

"Anti-Cherry Picking" statute would take the wind out of their sails because no insurer would be willing to forego more profitable business segments.



MITIGATION OF DAMAGE: Language contained in the policy disallows a policyholder from making anything beyond temporary repairs while waiting for the insurer to determine coverage and develop an appropriate scope of repairs. If a policyholder elects to mitigate damage, they jeopardize coverage. Insurers are required to BEGIN an investigation shortly after a claim is filed but there is no time limit on how long that investigation can take. All the while, damage increases because the policyholder cannot mitigate damage without risking coverage.

In the case of water damage, a policyholder can tarp a roof or fix a busted pipe but they cannot, by contract, tear out wet building materials until the insurer has completed their investigation which could take months, even years.

Time is not on the side of the policyholder because, in the case of water damage, subsequent damage is likely. Termites, mold and structural damage can occur, turning a minor claim into an expensive nightmare.

We believe that policyholders should be allowed to remove all wet building materials and save such materials for investigation purposes. The cost of removal should be borne by the carrier but payment for removal does not necessarily bind the insurer to the liability for the overall claim.

PREFERRED VENDORS: Insurers rely on their "preferred vendors" to determine repair payments. Usually, these vendors are paid for their estimates and attained "preferred" status simply because they lowball estimates. It is commonplace to find these vendors

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Don't be fooled. The benefactors of any liability caps are insurance companies.

If you support liability caps, demand from your legislators that premiums must go down by a proportional 35–55%. Otherwise, you are horse trading your constitutional rights for a big goose egg.

Insurers are now admitting that their rates probably won't go down if tort reform is passed.

Demand more from your legislator. Don't let him/her sell your constitutional rights down the river.

Have a story you want us to cover? Email your story idea or article to info@policyholdersofamerica.org. We will do our best to accommodate you.

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actually refusing to do the work for amount contained in their estimate. Nonetheless, policyholders are paid based on the bogus estimates and are left unable to make repairs for anywhere near the amounts tendered.

POA believes that if an insurer pays based on a preferred contractor's estimate, the estimate must be binding and the contractor is required to do the work for the amount tendered.

GET A CLUE: Insurers submit data and use a secret database of claims called "CLUE" to set rates and determine insurability. CLUE is used to determine if a person or property is a good risk based on claims tracked on CLUE. However, insurers have abused CLUE. One example is if a policyholder simply calls the insurer to inquire if a loss is covered or not. For example, little Johnny shoves a rubber ducky down the toilet and the toilet overflows. The homeowner calls the carrier to inquire if it is cov-

ered under the policy. It is not yet the inquiry is noted on CLUE and that information will haunt both the property and the homeowner for years to come.

POA believes that ONLY



covered and resolved claims, where payment in full is actually made to the insured, should be reported to CLUE.

USE IT & LOSE IT: Time after time, POA sees carriers non-renew a policy while a claim is pending. A policyholder with an ongoing claim is more likely to get hit by light-

ning than get other insurance if a claim is unresolved.

POA believes that an insurer should be prohibited from canceling or non-renewing a policy until a claim is completely resolved.

FREE DISPUTE RESOLUTION: Everyone resents having to pay someone to force another to honor a contract. POA has long advocated for each state insurance commission to create a panel composed of consumer complaint staffers and citizens who would hear and rule on coverage disputes in claims under \$30,000. A policyholder with a \$30,000 dispute is hard pressed to find an attorney or public adjuster to advocate on their behalf and insurers know it. The panel would be financed by an ever-so-small assessment on carriers operating in the state and would be free to all policyholders who have small disputes.

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TORT REFORM MUST HAVE A PUBLIC BENEFIT:

The primary benefactors of any statutory limit on liability are insurance companies. If liability is reduced, there should be a **MANDATORY** and commensurate reduction in premiums.

If a \$250,000 cap were to be passed, the risk to insurers would be slashed by 35—55%. POA's commissioned analysis shows medical mal rates should be reduced by 40%, homeowners rates should be slashed by 55%, and auto premiums should decrease by 35% — all using 2003 premium levels.

POA sees no reason why legislators should reward an industry with liability caps if there is no public benefit. Hence, any tort reform or liability cap should be accompanied by mandatory and commensurate premium reductions. Consumers should not give up their constitutional rights without enjoying benefits in return. Any attempt to have the public give up



rights without a benefit is simply bad medicine and should prove to you who your legislators are **REALLY** working for.

These agenda items make sense. They aren't radical but you can bet that legislators who are lapdogs to the industry will not embrace them unless **YOU** demand these changes.

Your help is needed. If you want your voice heard, please sign our petition and it will be automatically sent to your Federal officials. Go to:

[http://www.policyholder
sofamerica.org/petition
page.htm](http://www.policyholdersofamerica.org/petitionpage.htm)