

## Insurers Dodge and Weave as Feds Circle

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Remember the old joke about the husband caught cheating on his wife?

His wife walks in on him while he's with another woman. He jumps out of bed and denies the other woman is even present. The husband actually gets mad at his wife for not believing him and angrily asks his wife, "Who are you going to believe Me or your lying eyes?"

Insurers took notice of that old joke and perfected "the switch" — diverting the blame to the victim instead of themselves.

Last May the FTC (Federal Trade Commission) ordered nine large insurance companies to produce information about how they calculate property insurance rates in order that the FTC could better study how credit scoring impacts availability and cost of insurance.

A credit score is similar to a credit rating.

The insurance companies have been dodging the production of such specific information for years but these scores have allowed insurance companies to charge higher premiums to those deemed high risk.

According to insurance industry spokespeople in their testimony defending their use of credit scoring, if a policyholder has a low credit score, they are more likely to file a claim.

Taking a page out of the cheating husband handbook, the American Insurance Association



(AIA) claims the FTC's data request may put the personal information of policyholders in jeopardy. Ironically, the AIA spokesman says the insurers are only concerned about protecting their policyholders.

Those insurers taking the biggest stand against the FTC's compulsory process are State Farm, Nationwide, Allstate, Travelers Cos Inc., Fire Insurance Exchange ("Farmers"), Chubb Corp., United Services Automobile Association, American Family and Liberty Mutual. Eight of the nine insurers listed place "protecting the policyholder" as the last priority when a claim is filed, according to a Policyholders of America rating.

## Stealth Insurance Bailout Began Long Ago Without Public Notice

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Most Americans strongly oppose bail-out failing institutions with taxpayer money. But, what most people have not realized, a secret bailout has been underway for the last eight years. More shocking than that, the bailout directed tens of billions of taxpayer dollars to otherwise healthy institutions.

### An Infrastructure Enabling Thievery

Almost all property insurers (such as Allstate, State Farm, Nationwide, Farmers, USAA, etc...) are authorized to sell and

service flood policies underwritten by FEMA as well as the property and casualty policies they underwrite for themselves. The private carriers are paid approximately 33% of the flood policy premium because they sell and adjust flood claims if and when a flood claim is made. FEMA has no adjusters and rely solely on the private carriers to determine payouts when a flood claim is made.

### The Scam

Now, let's assume a storm hits and a home, insured by Allstate, and sustains *both wind and rising rain water damage*.

Allstate's homeowners policy specifically covers wind damage and the flood policy specifically covers rising surface water (rain, storm surge, etc...). The adjuster or adjusters sent out by Allstate are paid by Allstate and have allegiance to Allstate. During the last eight or so years, adjusters have

dumped much of their company's financial responsibilities onto the taxpayer.

Specifically, let's say the home's roof blew off and driving rain entered the home through the damaged roof — damage costing \$200,000 to repair. Additionally, a half an inch of rain water swept through the first floor of the home because of local flooding — costing \$30,000 to repair.

The Allstate policy should pay \$200,000 and FEMA should pay \$30,000. But, the Allstate-paid adjuster dumps the entire \$230,000 onto FEMA and Allstate skates away scot-free at a time when it's rolling in the dough.

When Congress questioned the director of the National Flood Program about this practice, he admitted it happens. And, experts estimate it's cost the taxpayer more than \$25 billion just since 2004.

POA is hopeful the Obama administration will elect to put an end to this stealth bailout practice. The taxpayer must finance enough *known* bailouts; we don't need to be unwitting participants in secret bailouts.