

Policyholders of America

2006 Position Statement

Insurance is not a luxury item; if you drive a car or have a mortgage on your home, insurance is required. Because of that, it is Policyholders of America's position that insurance that is required or mandated by law must be *affordable* and *available* to all.

Unfortunately, you cannot separate insurance from politics. The two are intertwined and the political landscape often determines if policyholders are protected or not.

While Policyholders of America is a champion of a free market system, experience proves that the insurance industry spins out of control if left to self-regulate and must be reined-in.

Insurance is regulated on a state-by-state basis and is exempt from anti-trust laws. This sets the stage for serious and detrimental fluctuations in price, availability and claims handling practices.

One of the reasons why insurance prices soar, particularly after catastrophic events, is because Insurance Commissioners (some elected, others are appointed) tend to be soft on insurance regulations. Commissioners tend to approve price hikes and grant other industry wish list items because carriers threaten to abandon a market, leaving hundreds of thousands in their state to fend for themselves.

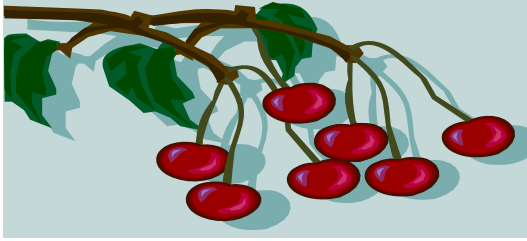
For example, after several hurricanes, insurers in Florida bailed from the state. The remaining carriers jacked up rates. That is a result of demand and supply. Fewer carriers were willing to write policies which meant less supply. Carriers that abandoned the market put policyholders scrambling for coverage which meant more demand. The two situations collided and caused a surge in premiums.

The same set of circumstances has occurred elsewhere.

One simple solution to the affordability and availability of insurance is *an Anti-Cherry Picking statute* that Policyholders of America has been supporting.

Currently, there is nothing to stop insurance companies who leave markets and/or non-renew policies after a natural disaster. Basically, insurers are allowed to abandon one market (let's say, homeowners insurance) while continuing to write auto and life policies. This act is called *Cherry Picking* and it allows insurers to cherry pick the highly profitable lines and dump the less profitable lines.





The statute we support puts an end to that by forcing carriers who abandon one line of coverage (again, let's use homeowners insurance as the example) to also withdraw from the highly profitable auto, life and other lines.

And, we encourage this statute to be instituted on a regional basis so that several states enact the *Anti-Cherry Picking statute* at the same time.

Another issue that Policyholders of America feels passionate about is the fraud and corruption that has cost taxpayers billions of dollars. We want that money returned to the American taxpayer. The National Flood Insurance Program ("NFIP"), FEMA, Homeland Security and the current Bush Administration have been made aware of this but have allowed it to continue.



Policyholders of America has undisputed evidence that hundreds of thousands of hurricane claims were paid by NFIP but per the homeowners policies, were the duty of the private carrier.

Here's how it all works: Let's say you own a home and you live in a flood zone. Your mortgage company will insist that you have both homeowners

insurance as well as flood insurance. Flood insurance is issued by the NFIP (a division of FEMA) and is "sold" by the same insurance agents or companies who sell homeowners insurance. Those insurers or agents authorized to sell flood insurance are called "Write your own" carriers and include State Farm, Allstate, Farmers, Travelers, Nationwide, and the rest of the usual suspects.

Write your own carriers also "service" the flood policies and for that, they receive approximately 30% of the flood insurance premium. The term "service" means servicing a claim if and when one is filed. In other words, the private carriers (Write your own carriers) send in their adjusters when a flood claim is filed; NFIP has no adjusters of their own. The same private carriers also adjust wind, driving rain, downed tree claims as well. In other words, the fox is guarding the hen house.

Kindly note that a flood policy covers rising flood waters. The standard homeowners policy covers wind, driving rain and downed trees.

Let's say a hurricane hits and a house has some minor flooding but also has severe roof and structural damage because of high winds. The company holding the homeowners policy sends out adjusters whose job it is to determine which entity is billed for what: Uncle Sam or the private carrier for which they work.



Almost always, the private carrier dumps onto the NFIP (the American taxpayer) most if not all of the costs to repair. In other words, unbeknownst to the American taxpayer, we are subsidizing multi-billion dollar insurance companies.



Not only do Policyholders of America want to return billions of dollars back to Americans, we want it to become a federal offense (with mandatory prison sentences imposed) for any and all insurance executives and adjusters to perpetrate this crime on the American taxpayer.



Only then would we see more legitimate adjustment of claims.