

## **Insurance Companies: Not Price Fixing, But Just As Bad**

**by Rev. Joe Dirt - Wednesday, June 26, 2013**

<http://www.curmudgeon-alley.com/insurance-companies-not-price-fixing-but-just-as-bad/>

Name a product you must have if you own a home. If you said homeowner's insurance give yourself a pat on the back. Even as a renter it is a wise idea to have renter's insurance to protect losses from burglary, fire, etc.



Now name the one thing you should not do with these policies. If you said make a claim give yourself another pat on the back.

I live with my girlfriend who owns her house outright. She has been with the same insurance company for many, many years. I will not name names as I have come to learn these companies are vindictive. Just as an aside my girlfriend is financially stable, has been employed steadily for the last 25 years as a teacher, and has a good credit rating.

Several years ago due reasons beyond her control there a sewage backup that ruined practically everything on the first floor and the basement of her house. The company graciously took care of everything.

Time rocked on, and it is several years later. There had been a bad storm through the area. There are roofers in the area. One asked if he could inspect her roof, and she was agreeable. He told her there was storm damage there and she should contact her insurance company. She did, and they sent an adjustor out. He agreed that there was storm damage on the roof, and a couple of other places on the house that was probably related to the storm. He started the process, the claims were approved and a new roof put on the house.

I'm not quite sure why she asked the question. It was probably related to all the earthquakes that had been in the news that some folks attribute to fracking. She asked if her insurance policy covered earthquake damage.

It was shortly after this that she received a notice that the company was cancelling her home owner's insurance for too many claims and they returned her check for the current monthly payment. Needless to say this put my girlfriend in a panic mode. The correspondence from the insurance company listed the claim for the roof, the claim for the other minor damage (which the adjustor wrote separately for some

reason), AND the question about earthquake coverage.

She uses an independent agency that sells insurance for several companies. She called up the broker and apparently it is a no-no to ask the insurance company about what is covered. They chided her a bit for asking the company directly rather than them. It causing red flags to simply ask a question about a product you have purchased floored me. I would think it would be a common and simply courtesy for a company to answer such questions.

Now here is where the tale becomes really sad. She went to the insurance agency that I use for my vehicles. It turns out they would not cover her because the other company had cancelled her home owner's insurance.

Her broker suggested another agency that specialized in finding coverage for folks in her situation. He thought he had found a company, and all the paperwork was completed. At the last minute he came back and informed her that this company would not take her as her policy had been cancelled by the other company. He searched some more and for the longest while could not find a company that would work. He did finally come back with a national company would take her, but there was a catch. The premium was going to be almost triple what she had been paying and would have a higher deductible. Additionally she had to insure her vehicle with them at twice the rate she was paying now. Needless to say my girlfriend was really out of sorts at this point. This broker told her that if she were to allow coverage to lapse it would be even harder to find insurance. Since it was the last day of the first company's coverage and feeling like she had not other options, she took this exploitative offer and wrote checks for the first two months of home owner's insurance and the first quarter of auto insurance.

At this point she got back on the phone with her broker from the first insurance company. Since she had been with them 20 some odd years, she rightly felt she had the right to have a heart to heart with the owner of this agency. Apparently she was on the phone for a good 30 minutes doing so.

A few days later she gets a phone call from this individual. She can go back to the original company at the same premium rate, but she will have to raise her deductible from \$1000 to \$5000. She did this as it was so much cheaper the rip-off rate the other company was charging her. At this point she is still trying to cancel and have her payments refunded to her from the second company.

I understand that there are folks out there that will game and scam the system at every opportunity. I understand that insurance companies need to protect their selves from such abuse, but there is something else going on here. The idea of insurance is a pooling of individuals to share risk. Hopefully, it is something you do not have to use, but if you do you are glad it is there. That is why you put money into the pool. What we have now days are huge corporations more interested in protecting profits and huge executive salaries versus actually paying claims or taking risk.

My girlfriend's experience with not being able to find another company except a robbery rates leads me to believe that there is some sort of explicit or implicit collusion between insurance companies to keep folks from making claims. They would probably say it is just an industry standard. Whatever the reason it is not right.

Unfortunately, these companies are only going to be as good as they are forced to be. This brings me to

my next point, why are the watchdog regulatory agencies and our politicians allowing them to do this? The obvious answer is the financial advantage these companies have over the legislative process. This is so wrong on so many levels that I run out of words to describe it. We have it so wrong in this country. We are letting the corporate tail wag the dog rather than citizen dog wag the corporate tail. We absolutely must get back to a country, a system where it is about people and not about corporations or a few very wealthy individuals. I said it before, and I will say it again, why does greed always win?

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