

Get a C.L.U.E.

Insurance Inquiries Can Count Against You

BY PATEE BARTA, EDITOR



Before you decide to access your insurance by picking up that phone to report that leaky roof, stolen motorbike or broken water pipe, remember that many home insurers count inquiry calls like insomniacs count sheep. These calls, simply meant as informal inquiries as to whether their policy will cover certain damages are counted as “unpaid losses” even though the agent verified the damages were not covered.

Loss information for most insurance companies, paid or unpaid, are filed into a centralized database called the Comprehensive Loss Underwriting Exchange or C.L.U.E database. A simple phone call intended to report any damages could get logged into this database as an “unpaid loss.” This is what can happen:

1. The information is on the record for five years.
2. The information can impede a homeowners’

chances of obtaining a standard policy next time they apply for insurance.

3. The insurance company usually orders a copy of the C.L.U.E report when a homeowner applies for a new policy.

How does being listed on this C.L.U.E Report affect the homeowner:

1. Two or more reported losses, depending on severity, could cause the applicant to be charged a double or triple premium, or
2. The applicant could be denied coverage altogether.

One Woman’s Insurance Nightmare

Frances Alessi, a 77-year-old woman living in Tucson, Arizona, bought a new home and had every reason to believe her insurance purchase would go smoothly. She applied for homeowners’ insurance as a longtime insurance customer of Allstate Corp who applied for this insurance at State Farm Mutual. She was signed up by an agent for a \$298-a-year policy with a

nice discount on her auto policy according to her daughter, Diane Arnold. A week later her new policy was cancelled via a letter referencing two unpaid water “losses” in just a few years on her previous home.

Her daughter, Ms. Arnold, looked into the matter and found that, in fact, a State Farm spokesman confirmed that the company had dropped Ms. Alessi’ policy because of inquiry calls made by her mother regarding two small water leaks in the kitchen sink and in a bathroom shower which were determined as “not covered.” Even though damages for both inquiries

RANKING	SCORE
★★★★ GOOD	776-997
★★★ AVERAGE	626-775
★★ BELOW AVERAGE	501-625
★ LESS DESIRABLE	under 500

were not covered, many companies continue to report these calls as losses even though policyholders are asking basic questions about their coverage. It is required by law in California that all inquires be reported.

How to Close the Gap

How the insurers use the information from a simple inquiry can lead to frustration for the consumer. There have been so many problems with information that should not be on their C.L.U.E reports that the National Association of Realtors (NAR) formed a task force to examine improving the C.L.U.E database. Marcia Salkin, NAR’s senior policy representative said, “We don’t believe that inquiries should be counted in any insurance or credit-scoring model.” Even the company that operates C.L.U.E mailed a memo to insurance companies this past summer urging them to report only calls with actual losses revealed - not mere inquiries.

Consumers can do little to fight the battle even as lawmakers in several states try to encourage insurers to remedy this issue. There are, however, steps to take to protect consumer C.L.U.E reports:

1. Know insurance policy specifics and the deductible.
2. Do not call your insurance company on basic coverage questions answerable elsewhere.
3. Avoid preliminary calls. It is unnecessary to contact your insurance company unless filing a claim that you know damage will be covered on.
4. If you must make a call to your insurance company, never mention actual damage unless you are calling to file a claim. Any mention of damage most likely will be recorded as a loss, whether covered or not.
5. When in doubt, call a professional repairperson initially to get a competitive estimate. Before committing to coverage, most insurance companies will often send a repairperson to estimate damages anyway.
6. Check your C.L.U.E

Report. A free copy is available to all consumers affected by their reports. The following Website allows you to purchase your report: www.choicetrust.com

Before putting your home on the market, whether it be single family home or condominium, make sure to order your “Home Insurance Package including the C.L.U.E. Property Loss History and Home Insurance Score” reports. Previous property losses can impact insurance rates and the ability for homebuyers to insure their new homes. By checking your C.L.U.E. score, homebuyers and realtors know up-front that your home’s insurance history is clean. By learning the factors involved in calculating your rates, you can reduce your current insurance rates and those rates on your next home purchase. The graphic at left shows how scores are rated.

Portions of this article were modified from an article written by Liz Pulliam Weston at Money (MSN). ■