

◆ InsureIntelligence ◆

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Insurance Education Seminars

To Claim . . . Or Not To Claim . . . That Is The Question.

How many times have you heard someone say, "I've been paying auto insurance premiums all of my life, and now I'm being cancelled because I had a few small claims that totaled less than \$1,000. What good is insurance?" Have you ever heard a friend say, "Our home was severely damaged by a tornado; the insurance company paid over \$100,000 to rebuild it, and they did not cancel my policy."

The two statements above demonstrate the insurance industry's philosophy that insurance was designed to protect from the severe losses that we could not afford to pay. The first statement shows how the insurance industry feels about "frequent" losses. Underwriters believe that several small losses may be an indication that a large loss is on the way. They believe this because they have studied thousands of "loss history profiles" which show that patterns of small losses do in fact in many cases lead to large losses.

When underwriters review driving records, they find the same pattern. Several speeding tickets seem to lead to a large costly collision claim or liability suit. To avoid the large loss, underwriters will non-renew a policy which has a pattern of small losses or a combination of small losses and moving traffic violations.

Now you know how underwriters think. Combining this knowledge with the fact that "insurance is not a maintenance policy, but is designed to protect you from large losses that you can not afford to pay" you can avoid being non-

The newspaper article headline read,

"One Disaster too many Insurer cancels policy after 3rd claim"

The photo showed the homeowner with his non-renewal notice while standing in front of his home. He had been insured for four years by the company, and now they were terminating his coverage because of three (3) claims. First a thunderstorm damaged some electronics. Next, "a feisty cat" bit someone on the wrist. Finally, "an indomitable blizzard" destroyed a shed and fence resulting in claims of \$14,000.

Even with the power of the press, the insurance company stood their ground and non-renewed the policy. In many States companies can refuse to renew a policy if a homeowner has more than two claims in three years.

What is the best solution?

- 1. Select a deductible that will eliminate maintenance claims.***
- 2. Be choosy about the claims you file. Even if it is over your deductible you may want to pay the loss yourself.***
- 3. Build a long-term-relationship with your agent and your insurance company.***

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