

Date: April 2, 2008, 6:51 p.m. EDT

Article Source: Newsday, By Tom Incantalupo, www.newsday.com

Home, auto insurance too high, consumer groups say

Retired Grummanite Phil Blum of Levittown says the homeowner's insurance premium on his improved cape went up only a little this year -- from \$844 last year to \$907. But there was a catch: his deductible for hurricane damage was raised. And, he is not happy. "I think that if they're in the business of risk, they should be taking the risk," Blum, 62, said of the industry.

Then there's 65-year-old Dennis Sheridan of Hauppauge, a retired computer equipment set-up supervisor from Hauppauge who wants to reduce his homeowner's premium by reducing his coverage: from enough to replace the entire house to just enough to cover the \$125,000 outstanding mortgage balance. But his company told him his premium would drop by only \$80 a year -- from the \$1,158 it will cost this year. "They just wouldn't budge," he said. Both men, and other New Yorkers, are paying too much for homeowner and car insurance, according to some consumer groups. Now, state officials are predicting that New York's auto rates, the third highest in the country after New Jersey and Washington, D.C., will rise this year after four years of relative stability.

About the only "good" insurance news is that state regulators estimate homeowner premiums will be stable this year -- after rising for many local homeowners on what is said to be the statistically increased chances that Long Island is due to be hit by a major hurricane. But the Consumer Federation of America says New Yorkers are paying too much for car and home insurance and the group's insurance director, J. Robert Hunter, documents the argument in a report with Consumers Union and the New York Public Interest Research Group. On average, the study said, the typical American family overpaid a total of \$870 for both types of insurance during the past four years as insurance companies collected between \$100 billion and \$200 billion in what the report calls "unwarranted" premium money. The amount of the overpayment is higher in New York where premiums tend to be higher, Hunter said.

At the same time, he estimated, the industry earned \$67 billion in profits last year. Statewide, New Yorkers paid an average of about \$1,100 in 2005 to insure each car -- the most recent figure available and one that might seem low because it is pulled downward by lower rates upstate, according to the National Association of Insurance Commissioners. The group said the average New York homeowner paid \$850 a year to insure their houses in 2005 but that was before Hurricanes Katrina and Rita, which led to significant premium increases in other coastal regions. Nationally, the average premium was \$767 that year.

But in a March 31 letter to Hunter, Gerald Scattaglia, assistant bureau chief of the state insurance department's property bureau, wrote, "The Department continually monitors profitability, and through its extensive rate review process helps to ensure that insurance companies do not accrue excess profits over the long term." The insurers, on the other hand, say profit rates are low compared with other industries, when viewed over a long period of time rather in a high point in the industry's cycles. "The industry is well well well behind other industries," said Ellen Melchionni, a vice president of the New York Insurance Association, a trade group based in Albany.

Auto rates have been flat to down since 2003 as insurers and law enforcers cut down on fraud, including staged accidents and phony or padded medical and damage claims and false theft reports. Fraud costs the insurance industry an estimated \$30 billion a year. Now state officials said losses are on the rise again, partly because fraud seems to be rising again -- not uncommon when the economy goes sour and more people are strapped for cash. The insurance department's frauds bureau reports an increase over the past year in false reports of stolen cars by owners who first damaged or destroyed them to ensure they would be declared total losses or simply handed the keys over to a thief. Insurers need state permission to raise auto rates.

Mike Moriarty, deputy superintendent for property, said rate requests coming into the department so far this year suggest higher car insurance costs for consumers. "We're seeing bigger numbers," he said. "We haven't completed a review of many of the pending rate filings and there could be changes to what companies requested but I think it's safe to say that the trend is looking upward."