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You Revealed; CLUE reports give insurance companies insight into your claim history

Insuring motorists and homeowners against losses is always a gamble, but insurance companies are improving their odds by studying CLUEs.

CLUEs are financial reports on people and properties generated by a national insurance industry databank called Comprehensive Loss Underwriting Exchange, nicknamed CLUE.

The system contains a five-year history of claims and payments, along with records of inquiries concerning coverage, said Chuck Jones, director of external communications for ChoicePoint Asset Co., the Alpharetta, Ga., data management firm that runs CLUE.

"CLUE speeds decisions at the point of sale, detects and deters fraud and insures a fair rate structure so homeowners with few claims don't pay as much as homeowners with a history of numerous claims," Jones said.

But everybody's paying more these days. Hit by \$7.9 billion losses in 2001 -- which the Insurance Information Institute of New York City attributes to the Sept. 11 terrorist attacks, economic recession and uncommonly heavy catastrophic losses -- insurers responded by increasing premiums. Since 2001, rates have climbed 17% for homeowner policies and 17.4% for auto policies, institute data show.

To better align customer risk with insurance cost, more than 90% of insurers use CLUE's database of 170 million auto loss claims and 40 million homeowner loss claims.

With a CLUE report, insurers can spot the kind of people who policy-hop for personal gain, said Eric Englund, president of Wisconsin Insurance Alliance in Madison. He characterized them as the type who report to five different insurers in five years "that somebody just happened to kick in the back car window and grab a \$2,500 state-of-the-art laptop computer."

Such patterns used to be hard to decipher, said Joseph Annotti, vice president of public affairs for the National Association of Independent Insurers in Des Plaines, Ill. "Before CLUE, a prospective insurance company would have to ask the current insurer, 'What's the loss history on this property?' and then go through public records, a long and somewhat expensive search. Now you can get accurate, immediate information," he said.

Along with a boon to insurers, CLUE is billed as a guide to home inspectors, a consumer benefit for home buyers and a marketing tool for home sellers -- at least, home sellers with a clean claims record. Anybody with property or a driver's license can order his or her own CLUE report, Jones said. The ideal report is very, very brief.

"Sixty-seven percent of insurance customers have no claims on their reports," Jones said. That leaves the other 33%, and those who act on their behalf, wondering how damaging this information may be.

It can be tantamount to a blacklist, according to Doug Heller, senior consumer advocate for the Foundation for Taxpayer and Consumer Rights, a non-profit public-interest group in Santa Monica, Calif.

"ChoicePoint is basically becoming the private version of Big Brother. The information they keep on you is very personal and detailed -- about your credit history, auto claims and accidents, homeowner claims, including thefts, pipes that burst or hurricane damage, any number of things, including liability claims against you," Heller said.

Among the consumer horror stories Heller has collected is that of a homeowner who consulted his insurance agent after his dog bit a neighbor. Although the victim didn't seek damages, and the dog was euthanized, the man's insurance company did not renew his policy, and other insurers rebuffed him.

"And he never even filed a claim!" Heller said.

Nor did Heller and his wife, who recently purchased a home in Los Angeles only to find out the house had a blot on its CLUE record: a theft during the previous owner's tenure.

"We expected to pay about \$650 a year (for insurance). The first and second company we contacted wouldn't insure us, the third quoted a \$1,200 premium. We were two days away from closing, in danger of falling out of escrow, so we finally took what we could get, and it cost about \$900," he said.

ChoicePoint's Jones doesn't buy all of Heller's story. While his firm does gather credit information on people, it doesn't include that information on CLUE reports, he said. Also, CLUE reports are designed for new customers -- "your insurer already has all the information it needs on you" -- so if a customer's policy isn't renewed, it's for other reasons, he said.

Jones challenged the skeptical to check their own CLUE reports, available for \$9 by mail or \$12.95 online -- free to people refused coverage based on CLUE information. Under the federal Fair Credit Reporting Act, consumers may challenge what's reported about them and win corrections or at least an addendum summarizing their challenge, he said.

The system is weighted against consumers, in Heller's view. Even innocuous general inquiries count against them, he charged.

"If you simply inquire about coverage to your insurance company, it may be listed and in fact is quite often listed as a claim," he said.

That's true, Jones acknowledged. CLUE reports don't have a category for general inquiries, so some insurance agents instead report them as claims with no payout.

A bad CLUE report received early in a housing transaction becomes a negotiating point, said Debbi Conrad, legal services director for Wisconsin Realtors Association in Madison. But a bad CLUE report received belatedly can foul a deal, she said.

Adverse information about a house is supposed to be revealed on seller disclosure forms, Conrad said. But even candid sellers can be embarrassed by CLUE revelations since "the report tracks other insurance claims not even related to the home, even auto claims and umbrella liability," she said.

Buyers can be sandbagged by CLUE disclosures as well. Sometimes insurers have pledged coverage, called an insurance binder, at a house closing session only to renege after reviewing the CLUE report, Conrad said.

Because ChoicePoint's Jones said the firm won't sell CLUE reports to anyone who doesn't own or is considering insuring the property, Conrad thinks prospective buyers should request one. "I'd ask for it when I first visited the home," early enough to deal with problems or scrap any notion of an offer to purchase, she said.

Conrad advises homeowners to obtain CLUE reports on themselves before listing their property, noting: "If you know you never called your agent, or had a claim in the last five years, you have nothing to worry about."

TO GET REPORT

To obtain a copy of your CLUE report, go to www.choicetrust.com or call ChoicePoint - (866) 527-2600.