

# When It Does Hurt to Ask

**L**eaky roof? Stolen bike? Broken gutter? You may want to think twice before even calling your insurance company.

Many home insurers count inquiry calls—calls in which homeowners simply ask informally whether their policy will cover certain damages and are told that it won't—as unpaid losses.

Most insurance companies file loss information, paid or unpaid, into a centralized database called the Comprehensive Loss Underwriting Exchange, better known as Clue.

Even if a policyholder just makes a phone call and doesn't report any damage, there's still a possibility the call will get logged into the Clue report as an unpaid loss. The information stays on the record for five years, and can mar homeowners' chances of getting a standard policy next time they apply for insurance.

When a homeowner applies for a new policy, the insurance company usually orders a copy of his or her Clue report. Two or more reported losses, depending on severity, can cause an applicant to be charged a double or triple premium or to be denied coverage altogether.

## Dropped Policy

That's what happened to 77-year-old Frances Alessi of Tucson, Ariz., when she bought a new home in March. Ms. Alessi, a long-time Allstate Corp. customer, applied for homeowners' insurance at State Farm Mutual. An agent signed her up for an attractive \$298-a-year policy, even adding a discount on her auto policy, says her daughter, Diane Arnold. But a week later, State Farm sent a letter saying it was canceling her new policy due to two unpaid water "losses" in the past few years on her previous home. A State Farm spokesman confirms that the company dropped Ms. Alessi's policy.

Ms. Arnold said the reported losses were inquiry calls by her mother, asking whether two small water leaks—one in the kitchen sink and another in a bathroom shower—were covered. In both instances, the insurance company



said the damage was not covered. These were "innocent phone calls that...you should be able to make to your insurer," Ms. Arnold says.

Innocent or not, many companies still report inquiry calls as losses—sometimes even when it's just policyholders calling with basic questions about their coverage. And in California, it's required by law that all inquiries get reported.

Many insurance companies say they report all loss information and inquiries because multiple calls and losses can point out problematic homeowners.

"Some insurers do that because they look for a pattern that you're not maintaining your house," says Jeanne Salvatore, vice president of consumer affairs for the Insurance Information Institute. "They do have a right to assess risk differently."

## Closing the Gap

It's the inconsistencies in how insurers use the information, however, that can be frustrating to consumers. So many homeowners have encountered problems with information on their Clue reports that the National Association of Re-

altors set up a task force to examine how the Clue database could be improved.

"We don't believe that inquiries should be counted in any insurance or credit-scoring model," says Marcia Salkin, NAR's senior policy representative.

Even ChoicePoint Inc., the company that operates Clue, sent a memo to insurance companies in June, asking them to report only calls in which an actual loss is revealed—not simple inquiries.

"Each carrier has its own set of rules," says James E. Lee, ChoicePoint's chief marketing officer. "Some companies log every call."

While lawmakers in several states are trying to rein in insurers over this issue, there's not much consumers can do to fight back. But homeowners can take basic steps to protect their Clue reports:

■ **1. Know the specifics of your insurance policy and the deductible.** Refrain from calling your insurance company to ask basic coverage questions that can be answered elsewhere.

■ **2. Avoid preliminary calls.** It's not necessary to get in touch with the insurance company unless you

plan to file a claim and know the damage will be covered.

■ **3. If you do need to call the insurance company, don't mention actual damage unless filing a claim.** Any mention of damage will likely be recorded as a loss, regardless of whether it's covered.

■ **4. When in doubt, call a professional repairman first to get an estimate.** Insurance companies often will send out a repairman to estimate damages before committing to coverage anyway.

■ **5. Report only major damage.** Reporting small damages can put an abundance of unnecessary claims on your report.

■ **6. Check your Clue report.** All consumers affected by their reports can ask for a free copy. ChoicePoint sells reports for \$9 by mail, \$12.95 for Web delivery. Residents in several states can get a free or discounted copy annually. Anything in the report can be disputed, and ChoicePoint has 30 days to settle it.

"Getting Going" columnist Jonathan Clements is on vacation and will return next week. Write to Kelly Spors at: [kelly.spors@wsj.com](mailto:kelly.spors@wsj.com)

## Get a Clue

Here's a list of states that offer free or discounted Comprehensive Loss Underwriting Exchange reports to their residents. Reports can be ordered by mail by printing out a form off [www.choicepoint.com](http://www.choicepoint.com). Without a discount, the cost is \$9.00. An online version is available for \$12.95 through the Web site.

California:	\$8.00
Colorado:	One free report each year
Connecticut:	\$5.00 for the first report in 12 months
Georgia:	Two free reports every 12 months
Louisiana:	\$8.00
Maine:	\$3.00 for one report every 12 months
Maryland:	One free report every 12 months
Massachusetts:	One free report every 12 months
Minnesota:	\$3.00 for one report every year
Montana:	\$8.50
New Jersey:	One free report every 12 months
Vermont:	One free report every 12 months