

Consumer News You Can Use

Brought to you by the Pennsylvania Insurance Department



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JOEL ARIO, ACTING INSURANCE COMMISSIONER
OCTOBER 2007

Insurance Department hosts statewide listening sessions on health care reform

When it comes to providing health insurance for employers, many businesses say it's about recruitment, retention and doing the right thing. But sometimes doing the right thing comes with a price, a hefty price – at least that's what we're hearing from small businesses.

In late September, Acting Insurance Commissioner Joel Ario and Susan Anderson, Deputy Director and Chief of Staff from the Governor's Office of Health Care Reform, kicked off a series of six statewide listening sessions. They targeted the concerns and problems of small businesses relating to the rising cost of health insurance, such as the difficulties they face when trying to provide coverage to their employees and families.

"It is critical, if Pennsylvania's businesses are going to be able to provide the health insurance their employees need, that we begin to lower the costs of insurance," said Ario. "With these listening sessions, we are able to hear from business owners and managers, and also address just what can be — and should be — done."

During these sessions, Commissioner Ario is hearing from many businesses – some sole proprietors and others with multiple employees. While each testimony was unique, there was a common element to the testimony that each business shared, and that is the frustration each business feels when the health insurance policy is up for renewal, and the businesses must decide how the increased cost of health care will be paid – will the employer pay more? Will the cost shift to the employee? Will the company cease offering a benefit entirely?

"If we don't act now, costs will undoubtedly continue to rise and more businesses will face either having to pass costs onto their workers or dropping coverage altogether," said Ario. "By acting today to pass the Governor's insurance reforms and Cover All Pennsylvanians, we can control the spiral of health care insurance costs and help expand coverage. That has to be our goal."

On January 17, 2007, the Governor proposed the "Prescription for Pennsylvania," a comprehensive plan to lower the costs and improve the quality of health care and, in turn, expand coverage. This spring, the Governor signed important pieces of the plan into law, including legislation that will reduce the number of preventive medical errors that drive health care costs up. *Consumer News You Can Use* discussed the Governor's Prescription for Pennsylvania plan in our April 2007 issue.

Check out Page 2 for the list of dates and locations for the remaining listening sessions.

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Listening sessions, *continued from page 1*

The listening sessions are open to any businesses that wish to attend. They are designed for small businesses to discuss the problems they have had with providing insurance coverage to their employees. Below is a list of the remaining hearing locations and their times. If you are interested in offering your comments or story, e-mail us at ra-in-consumerliaison@state.pa.us.

Tuesday, October 16, 2007

Noon – 2:00pm
Allegheny County Courthouse
Gold Room
436 Grant Street, Room 119
Pittsburgh, PA 15219

Wednesday, October 24, 2007

11 a.m – 1 p.m.
State College Municipal Building
243 S. Allen Street
State College, PA 16801

Outreach to small business owners

Did you know that small businesses employ nearly half of the workforce in Pennsylvania? Recognizing the contribution of small businesses to the state's economy, the Pennsylvania Insurance Department's Office of Consumer Liaison is speaking to a number of chamber of commerce groups around the state this fall to discuss the importance of having the right commercial insurance in place to protect against accidents that could potentially wipe out a small company.

As part of the discussion, the Office of Consumer Liaison is promoting a free online tutorial offered by the National Association of Insurance Commissioners (NAIC) called *Insure U for Small Business*. The tutorial is located at www.naic.org and it reviews workers' compensation, business property liability, home-based businesses, and much more.

If your chamber is interested in arranging a speaker for your organization on this subject, please contact the Office of Consumer Liaison at 717-787-0636.

Title insurance – is it for you?

Buying a home is a major endeavor for anyone—but for first-time home buyers, it can be especially overwhelming to sift through the various types of insurance that are necessary. Most consumers know about auto, life and homeowners' insurance; title insurance, however, is often overlooked in the rush to close on a home.



Title insurance is defined by the Insurance Information Institute as insurance that covers an owner of real estate in the event his or her clear ownership of property is challenged because of faults in the title. Those faults include outstanding liens on the property (such as unpaid real estate taxes by a prior owner) or anything that might get in the way of the homeowner's right of ownership, like: errors or omissions in deeds, undisclosed errors, fraud, forgery or mistakes in examining records.

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Check out Governor Rendell's online Newsletter*

Property insurance for college students?

Laptops, stereos, television sets, leather jackets, sports equipment, furniture. . . . Students take a lot of expensive things to school these days. And in all the excitement of settling your child into their dorm or apartment this semester, did you think about the possibility of something being stolen or damaged? Parents often overlook property insurance for their college kid's "stuff," and may not realize that the landlord's insurance will not cover any losses due to theft. A little effort on your part will help get the right coverage in place to avoid any headaches down the road.

You generally have two choices when insuring your child's possessions. You can use your existing homeowners' policy, or you can buy a renter's policy. Both approaches have advantages and disadvantages.

Extending your homeowner's insurance is the cheaper and easier option. However, some insurance policies carry a high deductible, say \$1,000 or more, and this may not make filing a small claim worthwhile. And does your homeowner's policy replace items damaged due to negligence? You may find that the laptop damaged from a coffee spill or the mountain bike parked on the street that got run over by the neighbor's car won't be covered under your homeowner's insurance.



Also, be aware that any claims made by your child will be made toward your policy. Repeated claims can raise your rates and can even make it difficult to keep or get another insurance policy. The likelihood of a claim is greater for a child away at college, and if a claim is submitted, it not only goes on your policy but it stays on your record for several years.

As an alternative, you can purchase renter's insurance. It won't be connected to your policy, and it has a much lower deductible. It may cost a little more; a typical

\$5,000 policy has a deductible of \$25 and an annual premium of \$126. A renter's insurance policy may be tailored specifically for your child's situation, such as sharing an apartment with a roommate. You can arrange for coverage of items damaged due to negligence, and also include liability insurance in case someone should get injured on the premises.

When making your decision on choosing the right coverage, the first step is to check your homeowner's policy or contact your insurance producer/agent to see which option is right for your son or daughter. As with all possessions, be sure to keep a list of all items, along with the purchase date and the amount of the purchase, and keep this information in a safe place. If possible, store pictures or a video of the personal items for safekeeping. Besides making it easier to file a claim, this list of items and their costs will help you decide on how much coverage you should have.

Your Turn – a consumer's perspective

The Issue:

I was involved in a car accident and my vehicle was considered a total loss by my auto insurance company. I was very unhappy with the value the company offered to compensate me for my totaled vehicle. I wasn't sure who could help me, so I filed a complaint with the Pennsylvania Insurance Department (PID).

The Answer:

The PID checked with the insurance company and found they averaged the retail value established by the National Automobile Dealers Association (NADA) with the retail value submitted by another authorized vendor. They found the two resulting numbers for the loss evaluation values were very far apart. Because further questioning showed no supporting information for the one value, the PID negotiated with the insurance company and they agreed to recalculate the average using the Red Book values - in place of the questionable vendor value - along with the NADA value. This resulted in the consumer receiving an additional \$596 in replacement value for the vehicle.

Title insurance, *continued from page 3*

These things may not only result in additional costs, but they could go so far as to invalidate a home buyer's right of ownership. That's where title insurance can help by compensating the insured party for any covered losses and legal fees that might arise. An important point to remember is that title insurance usually only guards against losses from events that happen *prior* to the date of the policy, which is the date of closing. That is also the day the one-time premium, which is typically how title insurance is purchased, can be paid.

When shopping around for a title insurer, there are several things a prospective home buyer should keep in mind—the first being that you can, indeed, shop around. Because of unfamiliarity with this kind of insurance, consumers often rely on referrals from lenders or real estate professionals who are part of the home-buying transaction; but this could cause a conflict of interest if those making the decisions have a financial interest in a particular title company.

Consumers are encouraged to consult with a local, reputable real estate attorney who is not involved in the real estate transaction to determine whether it is in your best interest to purchase a policy; then, be sure to ask about all services and fees associated with the premium, as well as any discounts that may be available—this could be the case if the owner and lender both purchase from the same company or if you are refinancing your loan. Always read all title insurance documents, including the fine print, and ask questions if anything is unclear or if the conditions or amounts are not the same as those discussed previously.

Finally, always feel free to contact one of our consumer services regional offices if you believe the title company with whom you are dealing is not following standard business practices.



Acting Insurance Commissioner Joel Ario addresses the crowd of consumers gathered at his "meet and greet" from earlier this month.

Consumer News You Can Use

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Looking for something?

Is there a story or topic you would like us to cover in a future issue of *Consumer News You Can Use*? If so, let us know.

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