

## USAA Plans Cuts in Home Insurance Premiums

by Los-Angeles-Times

SACRAMENTO — The state's fifth-largest homeowners' insurer, USAA, said Thursday that it would cut premiums by an average of 22% in the fall and save policyholders \$55 million next year.

The company's 182,000 California customers will see an average annual savings of as much as \$381, according to the San Antonio-based company.

"We all live on a budget, and it's our job to keep expenses down for our members," said John Wehrle, president of USAA's Property and Casualty group. The insurer covers active and retired military personnel and their extended families nationwide.

USAA's announcement comes in stark contrast to four of the company's larger competitors. State Farm Fire & Casualty, Allstate Corp., Farmers Insurance Group and Safeco Corp. are resisting efforts by state Insurance Commissioner John Garamendi to lower their rates.

Representatives of insurance trade groups in Sacramento have dismissed the commissioner's regulatory activities this year, as well as his comments about the companies he oversees, as little more than political grandstanding.

USAA's announcement Thursday drew praise from consumer activists and Garamendi, who is running for lieutenant governor as a Democrat in November.

"It's high time that this happens," said Garamendi, who says that major California property insurers are earning "excessive profits" and pocketing as much as 60 cents of every dollar in premiums paid by consumers.

"We urge the other companies to also step up to the plate and offer fair and reasonable discounts to homeowners," said consumer advocate Steve Blackledge of the California Public Interest Research Group.

"Otherwise, they are making out like bandits."

USAA is the second homeowners insurer in California to announce rate cuts in the last six weeks after the release of an Insurance Department study that said claims were down and profits were up sharply in recent years.

The premium reduction by USAA, the country's sixth-biggest homeowners insurer with 5.6 million policyholders, is part of a yearlong plan to lower auto and homeowners insurance bills by \$450 million, the firm said.

In late June, Garamendi announced that Hartford Insurance, which covers 50,000 homeowners and renters statewide, would lower premiums by 18%.

About the same time, the commissioner ordered State Farm, Allstate, Farmers and Safeco to file data proving that they were not overcharging customers. State Farm, Allstate and Farmers cover about 55% of all residences in California.

Industry representatives cautioned that risks and rates vary from company to company, and USAA's decision to cut rates should not be considered a precedent for others.

"A company must be able to remain competitive and save enough to pay future claims. It's a delicate balance," said Nicole Mahrt of the American Insurance Assn., a Sacramento-based trade group.

In July, the Automobile Club of Southern California, the state's fourth-largest car insurer, broke ranks with the industry by announcing that it would lower rates an average of 7% and abandon its traditional rating system based mainly on where a motorist lives. USAA is considering doing the same, said spokesman Roger Wildermuth.

Industry trade groups, however, are suing the commissioner over the new regulations for setting auto insurance rates. They contend that the new guidelines will raise rates for rural and suburban drivers by 60% and subsidize car owners in cities. An initial hearing on the lawsuit is set for Thursday.

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