

Canceling your insurance? You may not get all your money back.

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INSURANCE *Tips*

Free help with your insurance questions or complaints

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In this tough economy, a growing number of consumers aren't waiting for their insurance policy renewal date to shop for better prices. They are canceling mid-term and moving to lower premiums.

However, some learn too late that they won't get back all the premium they paid for the coverage they canceled. That's because some policies contain "short rate" cancellation provisions. Designed to cover insurance company costs of issuing a policy, these cancellation provisions amount to a penalty for early cancellation.

The Department of Consumer and Business Services insurance advocates field a lot of questions about this, especially from car owners who typically must purchase a policy for at least six months. Homeowner policies may also carry these penalties.



Motorcycle buyer is short-rated

Here's an example of what can happen. Consumer Advocacy received a call one day from a consumer who had purchased a motorcycle on a Saturday. The man's insurance agent quickly lined up insurance for \$2,500 a year. The consumer drove the motorcycle home. However, after talking with friends that weekend, he researched and found cheaper insurance online. First thing Monday morning, he called his agent to cancel. All was well until the company sent a bill for more than \$250. Sure enough, his policy included a short-rate cancellation clause. In his case, the penalty amounted to 10 percent of the yearly premium, even though he only received coverage for a few days.

The 10 percent penalty is typical. However, in Oregon, companies may set their own short-rate schedules. Your policy contract outlines how cancellations are handled.

Bottom line: If you are thinking about switching insurance companies mid-term, ask whether your policy has a **short-rate cancellation provision**. If so, how much will you pay?

**If you have questions about short-rating or other insurance issues,
call our consumer insurance advocates!**

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