

## Home insurance policies don't cover much:

**Earthquakes, floods, termites, mold, water-line, sewer-line breaks excluded**

By Alistair Barr, MarketWatch

**Home insurance policies don't cover much and homeowners should watch out because they could be left with big bills, according to a report released by the National Association of Insurance Commissioners.**

Floods, earthquakes, termites, mold, water-line and sewer-line breaks and several other perils, large and small, aren't covered by a typical homeowners' policy, the NAIC, a group of state insurance regulators, said.

And yet, some home owners still think these risks are covered in their policies, the group added, citing a recent survey it completed.

More than half of homeowners polled think damage from a break in the water line on their property supplying their home is covered. More than a third think sewer-line breaks, earthquakes and mold are covered, the NAIC found. More than 30% reckon damage from termites or other infestation is covered.

In search of more stable earnings, the insurance industry has been trying to avoid underwriting risks that are difficult to predict and price. Record catastrophe losses from Hurricane Katrina and other storms in 2005 sharpened insurers' focus on this goal, as did mold litigation.

While leaving insurance buyers with less comprehensive coverage, the industry still tries to project an image with customers that it's still a risk taker, according to Robert

Hunter, director of insurance at the Consumer Federation of America.

"Insurers really want to be risk-less," Hunter said. "That's a contrast to their image, which is of tough guys willing to take on big risks."

Florida Insurance Commissioner Kevin McCarty says home policies used to provide only fire coverage. But as competition increased, companies began to add more perils to their homeowners' policies.

"Now that's being peeled back again as companies become more aware of increased risks," he said. Floods were dropped in the 1960s, earthquakes more recently, he recalls.

Wind is still a covered peril, but Hunter says that's been whittled away by so-called anti-concurrent causation clauses in policies. These try to limit an insurer's payout when two events, such as wind and water, cause damage. The clauses have sparked controversy in the wake of Katrina, Rita and other hurricanes.

The clauses are become increasingly common in homeowners' policies, and their evolution makes sense in some ways, McCarty said.

"But companies that misuse those provisions are causing the industry problems," he added. "That's a huge public-relations problem for the industry right now."

So what does a typical homeowners' policy cover now?

Fire, still the biggest risk to homes, is included, McCarty said.

Theft, liability, vandalism and smoke damage are also covered, Hunter said.

To avoid expensive surprises,

consumers should ask their insurer and their agent to write them a letter explaining, in simple language, what is and is not covered by their home insurance policy, Hunter said.

Describe specific, theoretical scenarios and ask if the policy pays out in those circumstances, he added.

If an insurer won't do that, go to a competitor, he said.

That approach may only help a little because different insurers usually sell similar policies, he added. If exclusions appear to be pervasive, consumers should complain to their state insurance regulator and politicians, Hunter said.

McCarty said the NAIC has been discussing a "plain-language checklist" with the CFA that would try to explain to consumers what is covered by a homeowners' policy and what isn't.

"The industry is worried that the language in a checklist would supersede the policy," he said. "But if the contract is too complex to put in a checklist, then we have a real problem."

Another proposal McCarty is involved with is an "all perils" homeowners' insurance policy. This would define a standard policy form that includes catastrophes such as earthquakes, floods and wind-storms.

"These perils should be in a primary policy," he said.

For a proposal like that to work though, some sort of national catastrophe fund will have to be set up to provide back-stop coverage to primary insurers, McCarty said.

"The insurance industry won't cover many of these risks. That's why we need to come up with a better system," he said.

## What does your homeowner's insurance cover?

**A new survey shows that many are mistaken about what's covered in their policies.**

Daily Press

Typical property and liability insurance policies don't cover home damage from floods, earthquakes, water line breaks, termites, mold and other perils. But a new survey from the

National Association of Insurance Commissioners found that many homeowners aren't aware of what's covered and what isn't. The survey also revealed:

**63** percent think vehicles such as cars and boats stolen from or damaged on their property are covered.

**51** percent think damages from a break in a water line on their property are covered.

**34** percent think mold damage is covered.