

Contacts:

Tom Alger, Communications Director,
Iowa Insurance Division 515-242-5179, tom.alger@iuid.state.ia.us

Scott Holeman, Communications Director, NAIC, 816-783-8909, news@naic.org

WHAT ISN'T COVERED BY YOUR HOMEOWNERS INSURANCE?
NAIC Survey Shows Lack of Awareness Among Consumers When it Comes to Their Homeowners Policies

DES MOINES, June 19, 2007 — A large percentage of U.S. homeowners mistakenly believe that standard homeowners insurance protects them from a wide array of perils, according to new research by the National Association of Insurance Commissioners (NAIC), of which **Iowa Insurance Division** is a member. In fact, typical property and liability policies don't cover home damage from floods, earthquakes, water line breaks, termites, mold and several other perils, large and small.

The survey found that 33 percent of U.S. heads of household, who own a home and have homeowners insurance, incorrectly believe flood damages would be covered by a standard homeowners or property and liability policy, despite extensive media coverage on Hurricane Katrina victims whose claims were denied because they lacked flood insurance.

“Many homeowners learned the hard way that their insurance policies did not provide flood protection,” said Susan E. Voss, Iowa Insurance Commissioner. “As we enter the 2007 hurricane season, we strongly encourage consumers in flood-prone areas to check whether they are properly covered.”

According to the NAIC, flood insurance policies are available from the federal government's National Flood Insurance Program (NFIP) and are often sold by agents that sell homeowners policies.

“There are some limitations in flood insurance policies that differ from standard homeowners policies,” Commissioner Voss said. “Excess flood insurance is often available from private insurers when people seek to insure high-value homes that exceed the limits offered by the NFIP.”

The NAIC survey also revealed other homeowner misunderstandings when it comes to common loss situations — none of which are covered by standard homeowners insurance policies — such as:

- 68 percent think vehicles such as cars, boats and motorcycles stolen from or damaged on their property are covered.
- 51 percent think damages from a break in the water line on their property supplying water to their home are covered.
- 37 percent think damages due to a break in the sewer line on their property that connects to their municipal sewer system are covered.

- 35 percent think damages from earthquakes are covered.
- 34 percent think damages from mold are covered.
- 31 percent think damages from termites or other infestation are covered.
- 22 percent think pets stolen from or injured on their property are covered.

“Many homeowners could be seriously harmed financially by misunderstandings about their insurance,” Voss said. “It’s critical that consumers look closely at their policies and ask their insurance agents detailed questions to become fully aware of what is, and what is not, covered.”

The NAIC survey revealed another type of potential consumer misunderstanding. Twenty-four percent of respondents indicated their policies insured their homes for the actual cash value, while 64 percent said their policies covered the replacement cost. Another 12 percent said they did not know which type of coverage — actual cash value or replacement cost — they purchased.

Actual cash value is the amount it would take to repair or replace damage to a home and its contents after depreciation. **Replacement cost** is the amount it would take to replace or rebuild a home or repair damages with materials of similar kind and quality, without deducting for depreciation.

“It’s important that consumers understand this distinction,” Voss said. “In the event of a covered loss, an actual cash value payout could be thousands of dollars lower than a benefit calculated at the replacement cost.”

The NAIC survey also uncovered a growing concern among homeowners about being sued. Twenty-eight percent of respondents reported they were more concerned today than they were five years ago about being the target of a lawsuit.

“Consumers can better protect themselves from lawsuits by adding umbrella liability coverage to their homeowners policy,” Voss said. According to the NAIC survey, a majority of homeowners — 63 percent — lack this umbrella coverage.

The NAIC provides extensive information, tips and considerations regarding homeowners insurance on its consumer education Web site (Insure U) www.iid.state.ia.us. The entire Insure U site is also available in Spanish.

Insurance Tips for Homeowners from the NAIC’s Insure U Web Site

- Add insurance coverage as you enhance the value of your home and acquire expensive possessions, such as furniture, computers, stereos and televisions.
- Alert your insurance company when making any major home improvements — usually anything more than \$5,000. Also, update your homeowners insurance policy to reflect the new enhancements and prevent being underinsured.
- In maintaining your residence, realize that you are liable for things that happen on your premises. Keep in mind that in many states you could be held legally

responsible for the actions of anyone who drinks in your home and then has an accident in your house or after leaving it. Your policy should protect you against lawsuits due to these types of liability issues.

- Backyard items, such as a trampoline or pool, may require you to increase your liability coverage through an umbrella policy that protects you in the event that someone is injured while on your property.
- As you acquire more valuables — jewelry, family heirlooms, antiques, art — consider purchasing an additional “floater” or “rider” to your policy to cover these special items. They’re typically not covered by a basic homeowners or renters policy.
- It’s a good idea to make an inventory of all of your personal property, along with a photograph or video of each room. Also, save your receipts for major items and keep them in a safe place away from your house or apartment. That will make it easier if you ever need to file a claim.

“Consumers also should protect themselves from being scammed by fake insurance companies selling bogus insurance policies,” said Commissioner Voss. “All they need to do is take a few minutes to stop, call Iowa’s insurance department, and confirm that a company is legitimate and authorized to sell insurance in Iowa before purchasing insurance.”

Consumers who want to check on an insurance company before purchasing a policy or who have other questions about insurance should contact the Iowa Insurance Division at 887-955-1212.

About the Iowa Insurance Division

The Iowa Insurance Division (IID) has general control, supervision and direction over all insurance and securities business transacted in the state, and enforces the Iowa’s laws and regulations. The IID investigates consumer complaints and prosecutes companies, agents and brokers engaging in unfair trade practices. Consumers with insurance or securities-related questions or complaints may contact the IID toll free at 877-955-1212 or visit the division on the web at www.iid.state.ia.us.

ABOUT THE NAIC

Headquartered in Kansas City, Missouri, the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and the five U.S. territories. The NAIC’s overriding objective is to assist state insurance regulators in protecting consumers and helping maintain the financial stability of the insurance industry by offering financial, actuarial, legal, computer, research, market conduct and economic expertise. Formed in 1871, the NAIC is the oldest association of state officials. For more than 135 years, state-based insurance supervision has served the needs of consumers, industry and the business of insurance at-large by ensuring hands-on, frontline protection for consumers, while providing insurers the uniform platforms and coordinated systems they need to compete effectively in an ever-changing marketplace. For more information, visit NAIC on the Web at: http://www.naic.org/press_home.htm

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