

5 lies home insurance agents tell

MSN Money

Sometimes insurance agents tell you what they think you want to hear in order to sell a home insurance policy and secure a commission.

When misfortunes occur, homeowners who count on insurance to carry them through tough times sometimes get an unpleasant surprise: They don't have all of the policy protections they thought they had purchased from their agent.

Mike D'Arelli, executive director of the American Agents Alliance trade group, urges you to keep your wits while shopping for home insurance. The vast majority of agents are honest, but every profession has disreputable practitioners.

"Consumers are always well-served to have their antenna up and look for quality agents," he says. "We are not immune from bad actors by any means."

Be a wary insurance buyer

Sometimes insurance agents tell you what they think you want to hear in order to sell a home insurance policy and secure a commission. If something sounds too good to be true, examine it closely. The time to gain a sound understanding of your benefits is before buying the policy. Post continues after video.

Here are five statements that are warning signs your agent may not be telling you everything:

"Boy, have I got a deal for you." A common scam is for dishonest agents to offer unrealistically low home insurance prices, says Loretta Worters, spokeswoman for the Insurance Information Institute. Policies vary in price, "but not by huge amounts," she warns. If other insurers say they can protect your home for \$800 a year and your agent claims he or she can do it for \$200, "there is a problem," she warns. "Maybe they are not giving you all the coverage you need."

"Don't worry about the paperwork." Don't rely on verbal assurances. Read the policy itself. After a home-related accident, your insurer is entitled to hold you to the letter of your policy. Be sure it says what it's supposed to say.

"You can pay me in cash." Reputable home insurance agents normally don't deal in cash. If your agent asks for cash, there's a very good chance he or she is pocketing the money. Instead of going to the insurance company, the money may be going into the agent's own bank account. That leaves you

without coverage.

“Don’t worry about flood insurance.” Flood insurance is available through the National Flood Insurance Program, but it typically can be purchased from the agent who sells you home insurance. Amy Bach, executive director of the United Policyholders consumer group, says some agents are uninformed or just plain lazy when it comes to helping clients buy flood insurance. They may say you don’t need it just to discourage you from seeking an agent who is better informed.

A reputable home insurance agent will be happy to share his or her credentials. Dave Althausen, spokesman for the California Department of Insurance, says you shouldn’t be embarrassed about asking agents for proper identification. To make sure agents are who they say they are, check them out through your state department of insurance.