

After the disaster: Uninsured homeowners have little to fall back on

The images of the tornadoes, floods, earthquakes, hurricanes and wildfires of 2011 remain seared in our memories. You might live in one of the areas battered by weather tragedies. Or you might have frantically checked on friends and relatives who were affected by natural disasters.

As Americans sorted through what was left of their homes in disaster-ravaged areas, many people filed insurance claims and undertook the rebuilding process. For some homeowners and renters, though, a lack of insurance added to the devastation.

In Bastrop County, Texas, for example, about 100 of the 1,600 homes damaged or destroyed in a September 2011 wildfire weren't insured. What's billed as the worst wildfire in Texas history caused insured losses of at least \$325 million.

"It's important to be able to have insurance) to fall back on when a catastrophe strikes," says Mark Hanna, a spokesman for the Insurance Council of Texas, a trade group.

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The mortgage factor

Homeowners normally are required to purchase insurance as part of the mortgage process. But some homeowners and renters don't have the most basic coverage for what may be their biggest asset - shelter. An estimated 97 percent of homeowners have home insurance, but only 29 percent of renters have renter's insurance, according to 2011 data from the Insurance Information Institute.

There's a lot of awareness about home and renter's insurance, but an "it won't happen to me" mind-set still exists, says Tim Bowen, director of the homeowner operational team in MetLife Auto & Home's claims department.

As home insurance premiums rise, with an increase of up to 5 percent predicted in 2012 by the Insurance Information Institute, more folks may end up opting out of coverage, if they have that choice. The average home insurance premium in 2011 was \$956, compared with \$536 in 2001, according to the Insurance Information Institute and National Association of Insurance Commissioners. Texas, Florida,

Louisiana, Mississippi and Oklahoma are the states with the highest home insurance premiums — states that have been hit hard in recent years by hurricanes, tornadoes or wildfires.

“We’re going to see more people uninsured,” says Amy Bach, executive director of United Policyholders, a nonprofit group that helps insurance consumers. “The prices are getting so high. People are used to paying under \$1,000 a year for their homeowner’s insurance. I believe that is going to be thing of the past, if it isn’t already in many areas.”

‘Something’s gotta give’

For a variety of reasons, some people choose not to purchase insurance. The main reason: cost. Folks either want to avoid the premiums or simply can’t afford them. People who own their homes outright usually understand they’re taking chances by being uninsured, but they think the savings are worthwhile and the risk of a disaster is small.

Bill Sims, who’s in his late 80s, owns his home outright in Boca Raton, Fla. He decided not to renew his home insurance and flood insurance several years ago when the costs tripled to \$3,000 and the number of items covered decreased.

He told TV station WPTV in 2011: “It was just one more item. You keep having additional expenses until, finally, something’s gotta give.”

Older homeowners may lack coverage

Not being able to afford insurance is becoming more common, Bach says. Why? She says it’s because insurance companies think the risks of covering homeowners are greater than in the past, stemming partly from major disasters and resulting in higher rates, especially in hurricane-prone coastal areas. Some people can afford insurance, but if they own their homes and no lender is requiring coverage, they sometimes don’t buy it. Generally speaking, the homeowners in those cases are older and have lived in their homes for years, Bach says. Or recent buyers may have paid all cash for their properties, avoiding any mandated insurance.

“It is pretty rare that you don’t have insurance and you have a mortgage, and nobody got in touch with you to remind you that you were supposed to have it,” she says.

Other situations can involve people who inherited a home that has been paid off. In less common cases, the policy may have lapsed and the homeowner isn’t aware of it. When disaster strikes, they discover that the coverage isn’t there.

It’s best to review your property insurance policy annually with your insurance agent or company to make sure everything is in place and that you don’t need to change the amount of protection, especially if you’ve expanded or remodeled your home, according to the Property Casualty Insurers Association of America.

Coverage for renters

More landlords are requiring renters to buy insurance, although a MetLife Auto & Home study found that less than half of U.S. renters still don't have coverage. A 2010 survey by MetLife uncovered two main reasons:

- 33 percent said the insurance was too expensive.
- 23 percent said they thought they were covered by their landlord's insurance.

"They take for granted that they're in a building or a structure and their contents will be protected. That's not so," Bowen says.

A policy held by a landlord typically will cover the structure, exterior and finishes of the home, not a renter's possessions. A typical renter's insurance policy costs \$200 a year or less, according to MetLife. "It's more, I think, an oversight than it is just trying to avoid getting it," Bowen says.

Bouncing back from a disaster

A standard home insurance policy will cover property lost or damaged in most natural disasters, according to the Property Casualty Insurers Association of America. Floods are the big exception; flood damage is covered under separate insurance. Having coverage also means homeowners will be reimbursed for the cost of temporary housing and food if authorities order them to evacuate. The same benefits generally apply to renters who have insurance.

Without insurance, homeowners and renters must rely on friends and family, government agencies and nonprofit groups to meet their needs after a disaster. "They've got to start all over again," MetLife's Bowen says.

Another source of disaster relief is faith-based charitable organizations. In the aftermath of the Texas wildfires, groups such as the Bastrop Christian Ministerial Alliance donated money to renters who didn't have insurance.

Other uninsured homeowners use their savings or inheritances to recover. Another option is to sell the damaged home as a distressed lot or property - unlikely to recoup much money - or to let the bank foreclose on a damaged home, which can hurt your credit. "All things considered, the best thing is to buy insurance," Bach says.