

Bed bugs may bite insurers, but won't dog industry

<http://www.marketwatch.com/story/bed-bugs-may-bite-insurers-but-wont-dog-industr...>

When dogs bite people, insurers often pay. But what happens when bed bugs bite?

Bed-bug infestations in the United States have multiplied at an alarming rate in recent years.

A recent survey of almost 1,000 pest exterminators found that 95% of the firms had dealt with a bed-bug infestation in the past year. That was up from 25% of firms in surveys conducted before 2000. The National Pest Management Association, which did the surveys with the University of Kentucky, described the trend as a pandemic.

Bed bugs are more difficult to get rid of than cockroaches, ants and termites, so it can cost thousands of dollars to clean them up.

Big companies, including Time Warner Inc. TWX 33.17, +0.21, +0.64%) , have been hit with infestations. Read about the problem at the media conglomerate's headquarters.

Abercrombie & Fitch Co. ANF 55.36, +0.01, +0.02%) had to shut its Hollister store in Manhattan's Soho district around the Fourth of July weekend to clean up bed bugs, according to New York magazine. A moving company sent in 100 workers to take all the clothes off-site and fumigate them, while another firm was hired to treat the store.

The costs associated with such episodes have caught the insurance industry's attention. On Tuesday, the Insurance Information Institute wrote on its blog about bed bugs and stressed that insurers won't cover such critter-related claims.

"This is a good time to mention that from insurers' perspective the cost of getting rid of bedbugs, like other vermin, is considered part of the maintenance associated with owning a home and generally is not covered by standard homeowners' and renters insurance policies," Claire Wilkinson, vice president for global issues at the Insurance Information Institute, wrote. Read the post on III.org.

"Most standard commercial-property insurance policies also have vermin exclusions for infestation," she added.

The insurance industry watches closely for emerging trends that may lead to more claims. If trends are

spotted early enough, insurers can increase prices or update terms and conditions to reflect potential new risks.

In an August report, the Insurance Information Institute said dog bites accounted for more than a third of all homeowners'-insurance liability claims last year, up from 6.4% in 2008. Canine nips and chomps cost the industry \$412 million in 2009, at an average of \$24,840 per claim. That's up almost 30% since 2003, according to III.

Insurers are now trying to limit their exposure. Some companies require dog owners to sign liability waivers for dog bites, while others charge more for owners of "biting breeds" such as pit bulls and Rottweilers. Other insurers won't sell insurance to dog owners at all, III said.

Bed bugs don't pose as big a financial threat to insurers. The cost of cleaning them up won't be covered because of exclusions in typical homeowners' and commercial-insurance policies.

"The vermin exclusion — animal or pest — would be a problem if you were claiming that it will cost \$10,000 to have your house sprayed for bed bugs and were asking your insurer to pay for that," said Amy Bach, executive director of United Policyholders, which educates consumers about insurance issues. "They will say that it's a maintenance problem and the exclusion applies."

But insurers may end up paying in other ways.

New York legislators recently introduced a bill that would ask property and casualty insurers to include bed-bug coverage as an option for policy-holders, according to Missy Henriksen, a spokeswoman at the National Pest Management Association.

"New York is a watershed state for the industry. If this legislation does pass, other states may pass similar laws," she said.

If existing commercial-insurance policies provide coverage for business interruption, that "may be invaluable for periods of closure or a resulting loss of business," said Kirk Pasich, a partner at law firm Dickstein Shapiro who specializes in insurance-coverage issues.

"Liability policies may provide coverage for bed-bug related claims or lawsuits brought against policy-holders," he added.

Bach of United Policyholders took a look at a 2008 "Next Generation" homeowners'-insurance policy from Farmers Insurance Group, a unit of Swiss giant Zurich Financial Services CH:ZURN 247.20, +1.40, +0.57%) .

In the first section of the 50-page document, which covers property claims, there's an exclusion that applies to animals and pests that includes "bats, rats, mice and other rodents, bees, termites and moths, vermin, birds, fish, reptiles, insects and spiders."

In the second section, which covers liability, Bach couldn't find this exclusion.

“So if a guest claims they were bitten by bed bugs in your house and sues, you would have coverage for that,” she commented.

Bach did find other interesting exclusions in the liability part of the policy, including transmission of a communicable sickness or disease, fungus, noxious substances, nuclear substances and pathogens.

“But bed bugs aren’t any of these,” she said.