ConsumerWatch: Is Water Pipeline Insurance Worth It?

http://sanfrancisco.cbslocal.com/2011/02/01/consumerwatch-is-water-pipeline-insu…

LOS ALTOS CBS 5) — Vivian Barry never thought much about the water pipes under her Los Altos home, until she started getting official-looking letters from a company called Home Emergency Insurance Solutions. They were trying to sell her insurance for the underground water pipes on her property.
"They're all rather alarmist," Barry said. "I look at it and I think 'do I really need this insurance?'"

Home Emergency Insurance Solutions was pitching coverage for $5 a month for $12,000 worth of repairs, if those water lines should leak or break.
Barry's water provider, California Water Service Company or Cal Water, appears to think it's a good idea. There is a message from the utility included in the sales pitch. Cal Water even handles the billing.
"That carries a lot of weight to people. They think 'Okay, my water company is telling me I need this, I really do need it,'" said Amy Bach of United Policyholders, a consumer advocacy group.
Bach also said so-called "bite-sized insurance companies" have drawbacks. "They very often have more exclusions than coverage," she said.
For example, the flyer from Home Insurance Emergency Solutions said it doesn't cover "Acts of God," such as earthquakes, floods, sinkholes and landslides, "thawing or frozen pipes" or "emergency breakdowns due to a pre-existing condition." Bach said these are many of the common reasons underground water lines tend to fail.
And what about the $12,000 in repair coverage? The fine print reveals that is annual coverage good for four separate repairs up to $3,000 each.
Bach said another consideration for homeowners is that they may already have underground pipeline coverage in their general homeowner's policy. "Call your insurance company and ask point blank — what would happen if the pipe that connects my water to the city's line were to spring a leak? Would that be covered?"
Home Emergency Insurance Solutions said it is upfront about the exclusions so customers know exactly what they're getting. The company also said they have a 30-day money back guarantee for customers

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who have second thoughts.
As for Cal Water, the utility said it’s just letting customers know about the optional service. A utility spokesperson told CBS 5 Consumerwatch, Cal Water does collect a fee for handling the billing.

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