

It's worth boning up on homeowner insurance

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Mention the word insurance, even to people who pay attention to other consumer topics, and you're likely to draw yawns.

Trust me on that – it's just the nature of the beast. After more than a dozen years of writing about everything from airfares to computer zombies, I've learned what stirs reader interest and what makes readers turn away.

One reason is that you're likely to misperceive insurance as something intangible – a generic sense of protection against an awful but unlikely event. What you're really buying is a very specific contract whose value, thankfully, you may never recognize. The trouble is, if you ever do, it will be too late to make a different choice.

That's one reason to consider turning to an independent agent or broker – someone who can help you find the best coverage at a price you can afford.

To help guide you toward potential distinctions among policies, I asked two legal experts to flag key language in my own policy from Allstate. I also got an update on a perennial topic – call it “games insurers play” – from someone whose job is going up against them: Bill Underkoffler, of Bensalem's Metro Public Adjustment.

Mold is a worry facing many homeowners nowadays, and my policy isn't alone in applying new limitations. It not only excludes primary coverage for mold itself. In a separate “policy endorsement” – insurance-speak for a change in terms – Allstate sets a \$5,000 cap for remediation of mold, fungus, and rot, even if caused by an event, such as a burst pipe, that the policy covers.

What other water-related claims might leave me marooned, beyond the catastrophes for which I know I need federal flood insurance? Rutgers University's Jay M. Feinman points me to Allstate's exclusions for damage caused by an overflowing sump pump, a leak in a water-supply line, or a landslide or sinkhole. Since I own an older home, Feinman suggests attention to another section of my policy, on repairs governed by building codes that have changed over the years. My policy says Allstate is willing to pay an extra 10 percent to cover such changes. Feinman warns that might not be enough to cover the increased cost.

Feinman also warned me of a potentially tricky limit Allstate and other insurers impose on replacement-cost coverage – an issue on which the group United Policyholders has weighed in to support consumers in litigation.

Say my roof was so damaged by a storm that it needs replacing, and my policy ostensibly covers the whole cost. The trick is that Allstate will first pay only “actual cash value” – say, half the replacement cost if it’s depreciated for half of its expected life. To get the difference, the policy says I have to finish repairs within 180 days, covering the up-front cost myself.

“For a total loss of a house, this is too short,” Feinman warns.

When consumers or businesses have problems with claims, many turn to a public adjuster such as Underkoffler. So I called him last week to get his take on today’s most worrisome policy trends.

He says the biggest pitfall he’s seen lately is the spread of percentage-based deductibles, often imposed for certain kinds of damage, such as windstorms.

“This is the new industry thing to eliminate small claims,” Underkoffler says. “The trick is that the percentage is not of the loss, it’s of the amount of the coverage on your policy.”

Insurers don’t see tricks in setting a percentage deductible. Nor do those who oversee them.

Mark Lersch, who runs the Property and Casualty Bureau at the Pennsylvania Department of Insurance, says this is an option that can lower premiums and, as such, reflects a healthy market.

“There’s no pitfall in that,” Lersch says. “They’re giving the consumer different choices.”

That may be for fully informed consumers. But Underkoffler says some seem blindsided when they realize they’ve got a 5 percent wind deductible and damage to a roof, siding, walls, and floors.

“Now you’ve got \$50,000 worth of damage on a \$300,000 home, and you’ve got a \$15,000 deductible,” he says. “People are just not banking on this – it’s putting them in real jeopardy.”

That’s just what insurance is supposed to protect you from, of course – which is why it’s so important to pay close attention now. Even when you’d rather not.