United Policyholders
Empowering the Insured

[Look for loopholes in insurance policies before bad luck strikes]

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Hurricane season is starting slowly, and weather forecasters predict that El Niño may help spare us this year. But as Hurricane Sandy reminded our region, you never can predict when you'll be in bad luck's bull's-eye. So it's a good time to consider how to avoid another kind of harm: from a Swiss-cheese insurance policy.
Some Sandy victims found, for instance, that if losses were caused by both wind and water, a term with a whale of a name – an "anti-concurrent-causation clause" – could help an insurer sidestep or lowball a claim.
Others suffered from an easily avoidable mistake: having too little coverage to rebuild their homes and replace their belongings, because of policies that understated their overall worth or that covered "actual cash value" rather than full replacement costs.

Insurance is the worst kind of consumer product. It's no fun to buy, hard to understand, and you hope fervently it never pays off in claims. Yet it's essential if you have assets to protect.
How do insurers compare? That's easier to ask than answer. Substantial claims are – thankfully – so rare that few people ever gain firsthand knowledge, let alone a basis for comparative judgments.
Consumer Reports rates insurers based on subscribers' experiences, but its latest sample size – 9,905 people who filed claims between January 2010 and June 2013 – limits the value of its ratings of 14 insurance groups. Still, the groups at the top – Amica, USAA, Auto-Owners, and Erie – are probably better bets than those at the bottom, such as Allstate, Farmers, and American Family.
Of course, there are people who get lots of chances to compare: brokers and agents who are not tied to an insurance group.
"One of the best things we can recommend is to find a good agent or broker – someone who works with a number of different companies and really has a commitment to genuine service," says Amy Bach, executive director of United Policyholders, a California advocacy group.
Does insurance need to be so opaque? Not according to experts such as Rutgers University law professor

Jay M. Feinman and the University of Minnesota's Daniel Schwarcz, both of whom criticize insurers for hiding what they sell.
"This is the only product where you don't know what you're buying till you've bought it," Feinman says. "Most companies will not give you a copy of the policy until you've agreed to buy it and send in a premium."
Several states have pushed the envelope recently by posting policies online. And both Schwarcz and Bach praise Texas' approach: an online tool – you can try it at http://bit.ly/1jp5NGC – that allows consumers to compare differences in key terms.
It has limited value elsewhere, since policies can vary from state to state, or even within a single brand. But it helps you see where holes can show up, such as in protection against water damage.
Bach's top three tips:
Understand deductibles. Some policies have familiar, flat-dollar deductibles, but many have gotten tricky. Watch out for percentage deductibles, sometimes for certain risks. If a policy on a $300,000 house has a 3 percent deductible for wind damage, you'd pay the first $9,000 for repairs.
Consider replacement costs. A policy may pay "actual cash value," which is likely far less useful than replacement cost. Or it might cover replacement costs for a dwelling but cash value for belongings. Some possessions – electronics, jewelry, heirlooms – might need extra coverage.
Look for exclusions and limitations. These may be trickiest of all, since even an "all risks" policy, generally better than a "named perils" one, can have them. Bach says a policy that sets a $5,000 limit on mold damage, for example, might be woefully inadequate for repair costs that can easily top $10,000.
To compare policies, Bach suggests asking how each would handle a complex loss, such as if flooding rains also cause a tree to topple onto your house.
Bach highly recommends federal flood insurance, even in low-risk areas. But for everything else, you'll be at your insurer's mercy. So pay heed beforehand. Afterward, it will be too late.