

Vanishing Act: Your Home Insurance Coverage is Disappearing

Fox Business

There's a disturbing nationwide trend of insurance companies chipping away at coverage for homeowners, says Amy Bach, executive director of the nonprofit United Policyholders consumer group. She says she's disturbed by what she sees as policies becoming less adequate.

"We have been working on a number of fronts to try to reverse this tide, while alerting consumers so they have a chance to protect themselves," Bach says. "We have been going to regulators from all over the country and telling them it is getting very messy out there in the homeowners' market. Instead of blanket protection, it is more like Swiss cheese and there really are a lot of holes."

"In much of the country, the basic home policy is just for fire and theft," Bach asserts. "For everything else you have to have extra coverage."

Exclusions creeping in

Public claims adjuster Steven Venook in Florida points out that mold used to be covered under standard home insurance policies; now it's listed as an exclusion.

Were you unfortunate enough to have two simultaneous disasters hit your house, one of which is not covered? Expect your whole claim to be tossed out.

"The worst is the anti-concurrent causation clause," says Robert Hunter, director of insurance for the Consumer Federation of America. "If you have two events happen and one is insured and one is not — for example if you have flood and wind — they now say they will no longer pay for either event. Courts have upheld it."

Just ask Hurricane Katrina victims.

Passing the buck

Have you checked your home insurance deductible recently? It's the amount deducted from what your insurer is going to pay on a claim. There are a lot of ways the buck is being passed to you.

*Insurers are expanding use of "percentage deductibles" on home insurance policies. Instead of a specified amount, your deductible becomes a percentage of the insured value of the home. For example,

if your home is insured for \$200,000 and you have a 2 percent deductible for windstorm damage, you will have to pick up the first \$4,000 in repairs – that’s a lot more than a flat-dollar deductible like \$1,000.

*Bach points out that certain perils, such as wind damage, now may require a separate deductible. Here again, you’re probably looking at a percentage deductible of 2 percent or higher.

Prove it

Industry insiders say insurers are questioning claims more.

“There are numerous conditions under a policy that say that you, the policyholder, must prove your claimed damages,” Venook says.

In cases of water damage, for example, home insurance companies “are going out of their way to try to determine that the consumer was somehow at fault and negligent,” Venook adds. “Insurance companies are showing up with forensic engineers on day one.”

Vernook says that Florida is a state especially hit hard by exclusions and separate deductibles, and that insurance companies are too focused on making profits and denying home insurance claims.

Home insurance companies have no choice

Home insurance companies have no choice but to seek reasonable protections against rising costs and risks, particularly in regions where violent storms are common and damage to homes can be widespread, such as the Gulf Coast states, explains Loretta Worters, spokesperson for the Insurance Information Institute.

“In 1992, Hurricane Andrew caused about \$15.5 billion in insured losses,” Worters says. “It was considered the most expensive storm ever for insurers. It soon became apparent that there were more people who were building in high-risk areas, that there were more frequent and more severe storms.” Some of the largest insurers found it hard to buy reinsurance, which is insurance for insurance companies. According to Worters, they were forced to begin switching over to percentage deductibles, so that homeowners could take on a larger share of the financial burden. “There is only so much money in the coffers,” she says.

Claims adjuster Robert F. D’Amore, vice president of New York Public Adjusters Association, also views the changes as companies protecting their interests and keeping prices within the reach of consumers. “Underwriters are statisticians,” D’Amore says. “Their job is to compute the likelihood of what the loss will be. It is all scientific. Tornadoes are usually limited in scope, but a hurricane could take out many miles of coastline. The windstorm deductible is part of how they make their rates. It is the only way they can keep insurance affordable.”

Consumer advocates say that with the changing home insurance landscape, it’s essential that you understand your home insurance policy’s limitations.

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The original article can be found at Insure.com: Vanishing act: Your home Insurance Coverage is Disappearing

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Source: <https://uphelp.org/vanishing-act-your-home-insurance-coverage-is-disappearing/> Date: November 25, 2024