united policyholders
AN INSURANCE CONSUMER ORGANIZATION

What's UP

A Newsletter for Insurance Policyholders
Winter '98

In This Issue

Exec. Director's Report:

"Exclude the exclusions!!!":

Why is it every time there's a disaster, (which is the main thing people buy insurance to protect themselves against), we learn that our insurance is not what we thought we bought? Do we need to lower our expectations, or do insurers need to meet them? I say the latter. We're certainly paying enough money for the protection we think we're buying!

Friends in other states are horrified to hear we're paying over $3,400 a year, (including EQ). Okay, so we have a lot of disasters here in the Golden State, but when you consider the gaping holes in policies; widening every year through "amendments", revised wording, and court decisions, it's hard to swallow. Insurance Commissioner **Quackenbush** has the power to fix this problem. Will he do it? The magic 8 ball says...

Cont'd on Page 2, Col.1

UP HOLDS WORKSHOP FOR STORM VICTIMS

United Policyholders recently sponsored a well-attended workshop for Peninsula residents whose homes suffered El Nino damage. The **Palo Alto City Council** shared their chambers, and local resident **Dorothy Bender** volunteered her time and energy to make the event a success. Panelists included representatives from **FEMA, SBA, Mick McDonald of the Palo Alto Fire Department,** underwriter **Portia Huie,** home inspector **Neil MacNale,** and general contractor **Bill Harrington.** Representatives of **Allstate's** National Catastrophe Team also attended. Our warmest thanks to the panelists and particularly to Dorothy the dynamo.

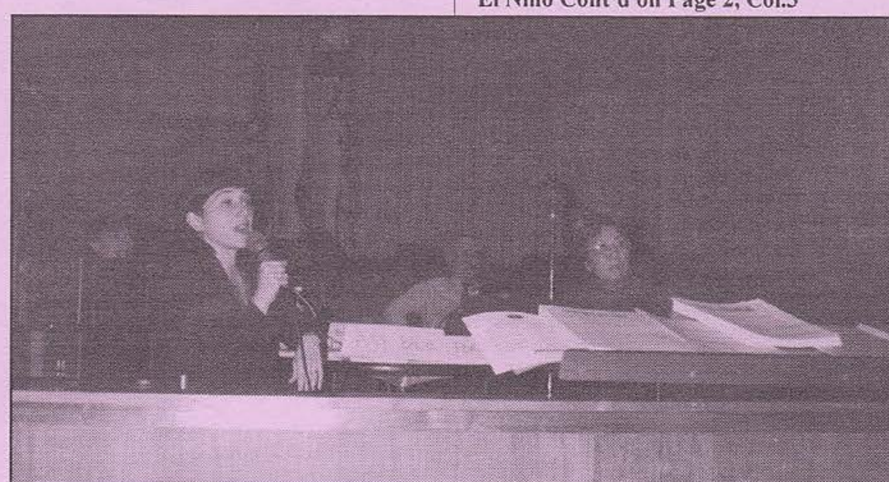
The concerns of those in attendance focused on the confusing language in their homeowners policies, misinformation provided by untrained insurance company adjusters, health problems related to raw sewage, and the fact thay they had not been sufficiently warned of impending danger by local officials. Many of these concerns are *deja vu* for survivors of the East Bay and Mount Vision firestorms.

As a result of the workshop, UP is preparing new educational materials on flood insurance, researching the availability of coverage for earth movement/landslides, and calling upon the Dept. of Insurance to take action to broaden consumers' options for securing protection.

LESSONS FROM EL NINO

By now most of us wish the words "El Nino" simply meant what they meant in our first month of Spanish class. This natural phenomenon has caused an amazing amount of damage. Coverage for flooding, earth movement and landslides are excluded in most homeowners insurance policies, yet they are the factors that devastated thousands of Bay Area residents this winter.

El Nino Cont'd on Page 2, Col.3



UP's Workshop for Peninsula El Niño victims. Pictured are Ex. Dir. Amy Bach, underwriter Portia Huie, organizer Dorothy Bender and Neil McNale.

Exec. Dir. Cont. from p. 1, p. 1.

"Outlook hazy". Quackenbush's "solution" to the industry's 1995-6 tantrum over earthquake insurance was to cave in to them at consumer's expense. The results of the survey in our last newsletter showed that many have dropped their earthquake coverage in justifiable disgust over the CEA's inflated prices and skimpy coverage. It's frightening to think about what this will mean after the next quake.

The Commissioner can and should be leading the charge to find a solution for the gaping holes in coverage for mud, water and earth movement damage that have left so many storm victims devastated. That solution should not be another CEA-type boondoggle.

I recently met and was impressed with **Assem. Diane Martinez** (D-East L.A.), a democrat who is challenging "Quack" in his re-election bid. She is a sharp contrast to Quackenbush, whose '94 election was financed by insurers. His conflicts of interest remain a problem for consumers, and are the subject of a pending FPPC complaint. Martinez has pledged not to accept insurer contributions.

The Insurance Commissioner has broad powers to solve serious problems by serving, not sacrificing consumers' interests. The industry can take care of itself.

The fall '98 election is an important one for consumers. I encourage all who follow insurance issues to get involved in both the Commissioner and the Governor's race.

Amy Bach, Executive Director

UNDERINSURED POST "GRC" ?

Policyholder **Helen Class** contacted UP with a good question: "If my company has discontinued selling Guaranteed Replacement Cost homeowners coverage, how can I be sure my home is properly insured without becoming an expert on construction costs in my area?"

Before the Oakland Firestorm, many insurers were selling policies that provided, for an extra premium, "Guaranteed Replacement Cost Coverage" (GRC). Policyholders who bought GRC could rest assured that they would recover the full cost of rebuilding their home, even if that cost were to exceed the stated limits on their "Declaration Page." After the firestorm, insurers stopped selling GRC en masse. It is almost impossible to buy now.

The simple answer to Helen's question is: Communicate your concern, in writing, to both your agent/broker <u>and</u> insurance company, and <u>tell them you are relying on their expertise to set your limits properly.</u> **CAUTION**: *Be prepared to pay higher premiums, because if your company or agent responds by suggesting higher limits and you refuse them, you will have no remedy if you are underinsured.*

☞ Websites of Interest ☜

Irate Allstate policyholders:
www.aunt.com/Screamnet/INDXCORP.HTML

Insurance company financial ratings:
http://www.ambest.com

Life insurance:
http://www.lifenet.com

Help us add to our website database by sharing any other insurance sites you find.

UP READERS RESPOND

By including a survey in our last newsletter, we wanted to gauge readers' responses to the "CEA" and find out how many people have dropped their earthquake coverage. 30% of those responding had dropped EQ coverage entirely; 35% of those who still carry EQ have a CEA policy but 1/3 of them are actively seeking better coverage. The most common reasons people gave for dropping EQ coverage were: "Exorbitant premiums", "limited coverage", and "high deductibles". You can find the names of companies selling non-CEA EQ policies in this and back issues of **What's UP.**

El Nino Cont'd from page 1, Col.3

UP cautioned readers about El Nino and coverage exclusions in our last newsletter, but in reality, most people had no reason to suspect their homes would be affected and were caught off guard. Even if you were prudent and bought a flood policy, or the newly available Lloyds of London landslide policy, the coverage even they provide is minimal and full of exclusions. The coverages in standard flood policies are shockingly minimal.

In a recent letter, UP urged **Insurance Commissioner Quackenbush** to hold an investigatory hearing on storm damage to determine whether insurers are justified in excluding coverage for earth movement and landslides. Please support our request by writing to the Comm'r at: **45 Fremont St. , S.F., CA. 94105**

OUR FRIEND, BARBARA LEE, IS EN ROUTE TO D.C.

In the recent special election, policyholders gained a friend in Congress but lost an ally in the CA. State Senate. Congratulations Barbara and thanks for your help!

TAILORING COVERAGE: DIFFERENCES BETWEEN HOMEOWNER POLICIES

By Randolph Goodman, SPPA, The Greenspan Company. (Adjusters for the Insured)

Most individuals mistakenly believe that the coverages in all homeowners policies are similar, if not exactly the same, regardless of which company you buy from. Due to this belief, most individuals shop only for the lowest premiums when buying or renewing their homeowners insurance. It is only when a loss occurs and the homeowner calls upon their insurer do they realize that the coverage they need may be excluded by language in their policy.

Following a covered loss such as a fire, windstorm, etc., a homeowner can usually expect to have the insurer respond on three areas of coverage: Dwelling, (Real Property), Contents, (Personal Property), and Loss of Use, (Additional Living Expenses due to loss). Though differences in the wording of policies sold by competing insurers may seem small, they can dramatically impact your recovery. The following is a brief discussion of a few of the differences to look for when selecting a homeowners policy:

Replacement Cost Coverage - The majority of insureds, having never experienced a loss, believe that if their policy has a "replacement cost" endorsement, (rider), the insurer will pay full replacement cost immediately after a loss. This generally is not true. Under most replacement cost policies, the insurer's obligation is to pay the "**Actual Cash Value**", ("**ACV**"), of a loss until repair or replacement is actually completed. The necessity to provide receipts and invoices for each item repaired or replaced becomes a paperwork nightmare that prolongs the adjustment process.

Example: *A fire causes $200,000 in damage to your home and $100,000 in damage to your personal property, (furniture, clothing, etc.). The insurer applies a 20% depreciation factor to factor to your personal property. You are entitled to a payment of $160,000 on your home repairs, and $70,000 on your personal property. Any future payments are dependent on your ability to produce documentation to the insurer that you have spent more than those amounts.*

A few select companies will pay replacement benefits without requiring you to actually spend more than "ACV" replacing your possessions.

TIP: Shop around to locate one of these select companies.

Guaranteed Replacement Cost Coverage: This endorsement allows a homeowner to recover the full cost of replacing their home even if that costs exceed the dollar limit of dwelling coverage stated on their policy. Insurers used to sell this coverage without a cap as unlimited guaranteed replacement coverage. After several major disasters in the 1990s, virtually all companies have switched to a cap of 125%-150% above your stated limits. If your stated limits have been properly set, and adjusted for inflation, (which is often <u>not</u> the case),you theoretically would not need more than your stated limits.

TIP: To be on the safe side, shop around and buy generous guaranteed or extended replacement coverage.

Personal Property / Contents Coverage - Generally, your personal property limits are set according to the limits on your dwelling, (typically 70%). This percentage can vary from company to company. If your policy has "Guaranteed Replacement Cost" coverage, and it turns out repairs will exceed your stated limits, some insurers will increase your personal property limits accordingly. Other insurers will not.

TIP: Shop around for a company that allows personal property limits to increase if extended replacement cost coverage is triggered.

Loss of Use: Loss of use generally covers the cost of securing temporary living quarters, increased commuting and food costs, etc., or, in the case of property you own and rent to others, your lost rental income. This coverage may also be called "Additional Living Expenses", or "ALE". Policy language regarding your entitlement to recover for the loss of use of your home differs from company to company. Some companies offer "actual loss sustained" coverage, without a cap, for up to 12 months after a loss. Other companies offer this coverage for 24 months after a loss. Other companies offer loss of use coverage up to a stated maximum dollar amount, or a percentage of the stated limit for your dwelling, (generally 20%). Experience suggests that twelve months may not be enough for many insureds to replace a total loss or repair a severe one.

TIP: Shop around for a policy that provides at least 12 months coverage for loss of use with a high or no cap.

Other coverages: There are many other differences than can effect your recovery after a loss. These include but are not limited to the inclusion or exclusion of Building Code/Ordinance Coverage, differential in "special limits of liability" (pertaining to theft of items such as silverware, jewelry, furs, etc.) and perils which the insurer must cover by law, (ask your agent if the policy is an "All-Risk" or "Named Peril" policy.

TIP: Buy Building Code/Ordinance Coverage and explain your specific coverage needs to the agent/broker.

I strongly recommend discussing the above with your agent or broker and asking for a comparison between companies. Generally, by paying a few extra dollars in premiums, you will buy more valuable coverage.

Article by Randolph Goodman

TIPS by United Policyholders

HOPE FOR MANAGED HEALTH CARE REFORM

For those of us with firsthand experience in contending with anti-consumer, anti-common sense HMO practices, help may be on the way. When the theater audience loudly cheered Helen Hunt's anti-HMO diatribe in "As Good As It Gets," we sensed a groundswell building for reform.

On February 2, 1998, Assembly Member Liz Figueroa, (D-Fremont), introduced a legislative package that is backed by Democratic leadership titled; "**The Family Health Care Rights Act**".

The bill, **AB 1726** is aimed at establishing five rights for consumers.

Those five rights are:

1) The right to treatment,
2) The right to choose your doctor,
3) The right to information,
4) The right to emergency care, and
5) The right to medical confidentiality.

The key to the success of the package rests with Gov. Wilson. Wilson has habitually vetoed pro-consumer legislation in the past, including the **Homeowners Bill of Rights** and legislation that would have prevented a managed care executive from overruling a doctor's decision unless that executive was an equally qualified physician.

Spread the word and communicate your support for **AB 1726** by writing to Assem. Liz Figueroa, State Capitol, Room 448 Sacramento, CA. 95814.

MORE NON-CEA OPTIONS

Since publication of our last newsletter, we have learned of several more carriers who may be selling non-CEA earthquake policies. **Pacific Select, CIGNA, Bankers Standard, Geo-Vera (related to UFS&G), Fidelity and Deposit Company of Maryland, Indemnity Insurance of North America and Danielson National**. If your broker or agent is unable to contact then on your behalf, seek out another broker or agent with broader contacts. **CAUTION: United Policyholders has not researched any of these carriers and makes no representations as to their reputation or quality of their products.**

HOW TO REACH UNITED POLICYHOLDERS

Correspondence to United Policyholders should be sent to 110 Pacific Ave., #262, San Francisco, CA, 94111. Messages can be left at (510) 763-9740.

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