

Insight & Advice

## Eight Things Homeowner's Insurance Doesn't Cover

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Sometimes it takes getting hit by a hurricane to realize what your homeowner's insurance actually covers.

Despite all of the press about lawsuits against insurers related to damage wreaked by Hurricane Katrina in 2005, a surprising number of homeowners are still pretty clueless, according to a recent survey by The National Association of Insurance Commissioners.

About two-thirds of homeowners and three-quarters of businesses did not have the additional coverage necessary to cover [flood](#) losses from flooding.

"Flood damage hasn't been part of standard policies since 1968," says Florida Insurance Commissioner Kevin McCarty. "This disaster [in New Orleans] brought to the forefront the importance of having an all-peril policy."

At least it was supposed to.

The NAIC surveyed 673 insured homeowners and found that a large percentage of them mistakenly believe that standard homeowners insurance protects them from a wide array of perils.

Perhaps the most surprising result is that one-third of respondents believed their homeowner's insurance covered them in event of a flood, when in reality it did not.

This ignorance can be dangerous: the annual average damage due to flooding in the U.S. is more than \$2.4 billion, according to the National Flood Insurance Program.

"Consumers and insurers both shoulder some of the responsibility for this problem," says McCarty. "People don't read their policy, because it is a very complex document with endorsements that often contradict the wording in the policy."

McCarty explains that insurers are hesitant to change any wording in their policies because it has stood up to years of heavy litigation, and any change could have legal and financial ramifications for the provider.

Flood coverage is provided exclusively by the National Flood Insurance Program and must be purchased separately from your standard homeowners policy, either through a private insurer or directly from the NFIP, which is run by the Federal Emergency Management Agency, or FEMA. In addition, consumers must purchase separate policies to cover earthquakes or damage from mold.

Likewise, you can purchase an endorsement, or rider (add-on coverage to your standard policy), for water back up to cover losses from breaks in your water line.

The entire U.S. is a flood zone, according to the NFIP. It's just a matter of the level of flood risk you face in your particular area. To find out more about the risk level of your flood zone, you can check the NFIP's [Web page on flood zones](#).

The Florida Office of Insurance Regulation developed a [checklist for consumers](#) to use when purchasing a new policy. This list is now required by Florida law to accompany a new or renewed policy and it must be gone over by the agent with the policyholder. The check list is being reviewed by the NAIC for use nationwide.

Among other findings of the NAIC survey: 68% of respondents mistakenly thought their homeowner's insurance covered theft or damage to their autos or boats; 35% believed that they were insured against earthquake damage and 31% thought they were protected from termites and other insect home-wreckers.

"Many homeowners could be seriously harmed financially by misunderstandings about their insurance," according to Walter Bell, NAIC President and Alabama Insurance Commissioner. "It's critical that consumers look closely at their policies and ask their insurance agents detailed questions to become fully aware of what is, and what is not, covered."

The bottom line is that consumers should develop relationships with their agents who can make sure that their insurance needs are met.

#### My Homeowners Insurance Doesn't Cover What?

Damage Not Covered	% of People Who Think They Are Covered
Flood damage	33%
Cars, boats, and motorcycles stolen or damaged	68%
Break in the water line on your property supplying water to your home	51%
Break in sewer line on your property that connects to the municipal sewer system	37%
Earthquake	35%
Mold	34%
Termites or Other Infestations	31%
Stolen or Injured Pets	22%

Source: Survey "What Isn't Covered By Your Homeowners Insurance?" from The National Association of Insurance Commissioners.

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