

Bed Bugs, Though Lurking Under Your Covers, Are Not Covered

Bed-bug infestations in the United States have increased at an alarming rate the past few years.

One thousand pest exterminators were recently surveyed, and 95% of them said they have dealt with a bed-bug infestation in the past year. That was up from 25% of firms in surveys conducted before 2000. The National Pest Management Association and the University of Kentucky conducted the surveys together and described the trend as a pandemic.

Bed bugs are harder to get rid of than cockroaches, ants and termites, so it can cost thousands of dollars to clean them up.

Big companies like Time Warner Inc., have been hit with infestations.

Abercrombie & Fitch Co. had to close its Hollister store in Manhattan early July to clean up bed bugs, according to New York magazine. A moving company sent in 100 workers to take all the clothes away and fumigate them, while another company was hired to treat the store.

The costs associated with such episodes have caught the insurance industry's attention. The Insurance Information Institute recently wrote about bed bugs on its blog and stressed that insurers won't cover such claims.

The cost of getting rid of bedbugs is considered part of the maintenance associated with owning a home and generally is not covered by standard homeowners' and renters' insurance policies. Most standard commercial property insurance policies also have such exclusions for infestation.

The insurance industry watches for emerging trends that may lead to more claims. If trends are spotted soon enough, insurers can increase prices or update terms and conditions to reflect potential new risks.

An August report by the Insurance Information Institute (III) said dog bites accounted for more than a third of all homeowners' insurance liability claims last year, up from 6.4% in 2008. Dog bites cost the industry \$412 million in 2009, at an average of \$24,840 per claim. That's up almost 30% since 2003, according to III.

Insurers are now attempting to limit their exposure. Some companies require dog owners to sign liability waivers for dog bites, and others charge more for owners of aggressive breeds such as pit bulls and Rottweilers. Other insurers won't sell insurance to dog owners, III said.

Bed bugs don't pose as big a financial threat to insurers as dogs do. The cost of cleaning bed bugs up will not be covered because of exclusions in typical homeowners' and commercial-insurance policies.

If you were claiming that it will cost several thousand dollars to have your house sprayed for bed bugs and were asking your insurer to pay for it, they will say that it is a maintenance problem

and the exclusion applies.

However, insurers may end up paying in other ways.

New York legislators recently introduced a bill that would ask property and casualty insurers to include bed bug coverage as an option for policy-holders. If this legislation passes, other states may pass similar laws.

Providing coverage for business interruption caused by bed bug infestations may be invaluable for periods of closure or a resulting loss of business.

Liability policies may offer coverage for bed-bug related claims or lawsuits brought against policy-holders.

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