

Survey Reveals Homeowners Mistakenly Think They Are Covered

According to new research by the National Association of Insurance Commissioners (NAIC), their survey found that 33 percent of U.S. heads of household, who own a home and have homeowners insurance, incorrectly believe flood damages would be covered by a standard homeowners or property and liability policy, despite extensive media coverage on Hurricane Katrina victims whose claims were denied because they lacked flood insurance.

The NAIC survey also revealed other homeowner misunderstandings related to common loss situations – none of which are covered by standard homeowners' insurance policies, such as:

- 68 percent think vehicles such as cars, boats and motorcycles stolen from or damaged on their property are covered.
- 51 percent think damages from a break in the water line on their property supplying water to their home are covered.
- 37 percent think damages due to a break in the sewer line on their property that connects to their municipal sewer system are covered.
- 35 percent think damages due to a break in the sewer line on their property that connects to their municipal sewer system are covered.
- 34 percent think damages from mold are covered.
- 31 percent think damages from termites or other infestation are covered.
- 22 percent think pets stolen from or injured on their property are covered.

The NAIC survey revealed another type of potential consumer misunderstanding. Twenty-four percent of respondents indicated their policies insured their homes for actual cash value, while 64 percent said their policies covered the replacement cost. Another 12 percent said they did not know which type of coverage – actual cash value or replacement cost – they purchased.

The NAIC survey also uncovered a growing concern among homeowners about being sued. Twenty-eight percent of respondents reported they were more concerned today than they were five years ago about being the target of a lawsuit.