

Are You Covered?

Common Coverage Gaps in Homeowner Policies

Most people give little thought to what their homeowner (HO) insurance policy covers until a loss occurs. Then they call their agent and hope for the best.

We deal on a daily basis with troublesome insurance claims. So, we see some situations that reoccur regularly. Situations in which a loss occurs, the insurance company denies coverage, and the insured is baffled. How could that not be covered? What am I paying for?

No policy covers every loss, but here are some common areas where insureds run into trouble.

Water Damage

HO insurance policies cover fire and windstorm losses in much the same way. Water losses, however, are another story. There is little uniformity to how insurance companies cover water losses. Water losses consist of:

- Sewer backup
- Sump pump overflow
- Leaky roofs
- Ice build-up that forces water into the house
- Leaky pipes concealed within wall spaces
- Flood

No standard HO policies cover flood damage, so if that little creek in your backyard overflows from a torrential downpour and water from the overflow enters your house, you are probably not covered. The only way to get coverage for flood damage is to buy a flood policy from FEMA.

Sewer backup can cause significant damage, but many HO policies either exclude sewer backup losses from coverage or provide a separate (and much lower) sub-limit of coverage for these losses. A finished basement can be expensive to repair. Make sure the sub-limit is high enough

to cover all possible repairs needed to the dwelling (furnaces, carpeting, built-in appliances, drywall) as well as replacement of all of the contents (TVs, pool table, stand-alone appliances, furniture, toys, stored items).

The same holds true for sump pump overflow. Sump pumps can fail at any time, but a severe storm can knock out power to a house just when the sump pump is needed the most.

Home Offices

Most HO policies have a lower sub-limit for business property located in a home. Today, many people work out of their homes and maintain full offices that contain a great deal of business property such as computer, printers, scanners, office furniture, and even sales merchandise.

State Farm's HO policy contains a \$1,500 sub-limit for business property, and another \$10,000 sub-limit for electronic data processing equipment for use in a business.

Money

State Farm's policy also contains a sub-limit of \$200 for money, coins, and gold. If you keep a mattress stuffed with money and your house burns down, you'll get paid \$200 regardless of how much you lost. This sub-limit also applies to coin collections.

Jewelry

Same situation, State Farm's policy (not to pick on it, they're all similar) contains a \$1,000 sub-limit for loss by theft of jewelry, watches, furs, and precious stones. To get a higher limit, items need to be insured on a schedule that lists each item along with its appraised value.

Roof and Siding Damage

A relatively recent development has been the inclusion in HO policies of a provision that limits the coverage for damage done to roofs and siding so as to exclude "matching" losses. For example, if hail (the usual culprit) damages only a small section of your roof or siding the insurance company will only pay to replace the section that is actually damaged, even if this

means that the “patch” does not match the rest of the roof. We think that these provisions run afoul of Ohio law, which requires an insurer to replace as much of a damaged component as necessary so as to result in a “reasonably comparable appearance.”

This situation arises not just with roofs, but with flooring, paint, ceramic tile, cabinets, and a whole variety of other housing components. You can expect your insurance company to have a very different idea than you of what constitutes a “reasonably comparable appearance.”

Earthquake or Earth Movement

Your HO policy does not cover either. Most people in Ohio do not worry about earthquakes, but, of course, the people in Oklahoma did not worry about them either until the advent of large-scale fracking.