

NEW SURVEY FINDS BAD ECONOMY HAS MANY CONSIDERING CHANGES TO INSURANCE POLICIES

Homeowners Misinformed on Insurance Policies and Pondering Cuts

(Alexandria, VA) —Many Americans are facing financial struggles and considering making changes to their insurance policies, according to a new national survey of homeowners by Trusted Choice® and the Independent Insurance Agents & Brokers of America (the Big “I”). Almost twenty-four percent of those surveyed, representing about 39 million homeowners, say they have made changes to their insurance coverage because of the troubled economy, leaving them vulnerable to serious financial loss.

Although a large percentage of homeowners are considering finding ways to cut insurance costs, they are also unaware of what their homeowner’s policy covers in the event that they rent their home or must leave the home unattended.

For the survey, respondents were asked if they had made or were considering making changes to their auto, home, life or health insurance policies. Sixty percent of households that had either made changes or were considering making changes, blamed the country’s current economic situation. The survey also asked respondents if they believe they would be covered in the event that they temporarily rented their home and sixty-nine percent mistakenly either didn’t think they were covered by their current policies in these situations or simply didn’t know. Homeowners were also asked if they thought their current policy would protect them if the home was vacant and a majority thought they were covered when in fact coverage is very limited.

“It is imperative that homeowners understand their insurance needs and rights, but this survey shows that many don’t,” says Big “I” President & CEO Robert A. Rusbuldt. “We advise they consult with their Trusted Choice® independent insurance agent to discuss their current policies and to ask questions when faced with difficult or temporary housing situations.”

“In tough economic times, people look for ways to trim household expenses, but cutting back on insurance coverage may leave them open to even bigger financial hardship,” says Madelyn Flanagan, Big “I” vice president for education and research. “It is particularly dangerous to make these decisions without the help of an agent, because, as this research shows, many consumers do not fully understand their coverage.”

The Big “I” and Trusted Choice® provides the following tips for insurance consumers.

HOW CAN I SAVE MONEY ON INSURANCE?

The survey found that more than 18% of respondents (more than 30 million Americans) have considered reducing their auto, home, life or health insurance coverage in the last few months. However, Trusted Choice® recommends closely evaluating your policies with your agent before making any changes that could leave you underinsured and cost you money in the long run. Of course, there are some areas where consumers often over-pay or are over-insured, such as credit life insurance, deductibles and computer policies.

- **Credit life insurance:** Trusted Choice® agencies recommend avoiding credit life insurance (for new furniture or credit card debt, for example) under most circumstances. These policies, offered by credit card companies and other lenders, extend for the term of the loan and decrease in value over its life. They are designed to protect a third party if for

some reason the consumer dies before the loan is paid off. However, they provide no protection to beneficiaries—only to the company that offered the credit or loan.

- **Deductibles are too low:** Owners of expensive homes need to consider whether a low deductible makes sense. If someone steals the TV, it isn't going to break the bank. Those same consumers need lots of insurance for a total catastrophe, though, or if they get sued. Therefore, they may want to take a \$1,000 deductible and use the savings, which can be 10 to 20%, and buy a reasonably priced "umbrella liability" policy to give them \$1 million or \$2 million of coverage in case they're sued
- **Specific computer insurance policies:** Though this coverage may seem like a good idea since so many people now have computers at home, a standard homeowners policy will cover most basic personal computer equipment. Here's how it works: If you have a home with the structure insured for \$100,000, you typically have \$50,000 of personal property coverage, including computer equipment not used for business. If used for business, the home insurance policy typically provides \$1,500 or \$2,500 of coverage for computers. Only people with home-based businesses, laptops used for business outside the home or elaborate high-tech equipment need to consider extra coverage but it's usually cheaper to buy an endorsement to the home or home-business policy rather than a *separate* computer policy. (The same concept holds true for cancer insurance or trip-specific life insurance, and other specific policies when in fact broader coverage that is cheaper in the long run might be needed.)

VACANT HOMES

The Trusted Choice® survey found that about 54% of homeowners thought their current policies would cover them if they suddenly had to put their home up for sale during the period of time from which they vacated to when the sale was finalized or simply did not know if they would be covered. This number is alarming, especially given the large number of vacant homes across the country caused by the slumping housing market.

The types of losses that are more likely to occur when homes are unoccupied are typically *excluded* by most homeowners policies. For example, there may be no coverage for vandalism, plumbing leaks, and glass breakage. In addition, eligibility for a homeowners policy usually requires that the named insured(s) own and occupy the home. If the homeowner(s) no longer reside in the home, many policies may no longer cover damage to the home itself and this coverage gap could extend to a mortgage company. This gap could even apply even if a family member or tenant has moved into the home or checks it regularly. Consult with your Trusted Choice® agent prior to vacating a home and ask about the feasibility of purchasing a homeowner policy specifically designed to protect you if your home is vacant.

TEMPORARILY RENTING YOUR HOME

The Trusted Choice® study found that only 30% of homeowners thought their policies covered them if they were to temporarily rent their home. The survey also showed that 53% didn't think they would be covered and 16% admitted they didn't know. The answer is: it depends.

The good news is that, for the most part, you are covered if your tenants are temporary, and it's not necessary to notify your insurer of the rental situation. However there may be some limitations on certain kinds of property losses if premises are rented, but not a wholesale lack of

coverage. For example, there is no coverage for rental of a detached structure on the premises unless it is used as a private garage. Probably most notable, theft coverage is usually suspended for the area occupied by the renter and there may be no coverage for damage to the renter's personal property.

The survey was conducted for Trusted Choice® via telephone by International Communications Research (ICR), an independent research company in Media, Pa. Interviews of a nationally representative sample of 1021 households were conducted in November 2008. For more information about ICR, go to www.icrsurvey.com.

For more information on the survey results or to request an interview with a national spokesperson or local insurance agent in your area, contact Sue Nester, IIABA Broadcast Media Director, at (703) 706-5448 or susan.nester@iiaba.net. Print journalists should contact Margarita Tapia, IIABA Director of Public Affairs, at (703) 706-5473 or margarita.tapia@iiaba.net.

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