

Katrina underscores need to examine insurance

By Walter Higgins

Special to Sentinel-Voice

DALLAS (NNPA) - If Hurricane Katrina had devastated your city, would your current insurance policy cover your home? Most homeowners with insurance would think so. But consumer advocacy groups and insurance agents say check again.

In the wake of Katrina, news reports are emerging of homeowners who learned the hard way that their homes are underinsured and often covered by the wrong types of policies.

While the majority of homeowners own policies, industry watchers say many are not adequately protecting their homes.

According to Marshall & Swift/Boeckh, who provides building cost information to the property and casualty insurance industry, about two out of every three homes in America are underinsured by an average of 27 percent.

Homeowners underinsuring their homes is a problem that becomes painfully exposed when faced with an unexpected loss such as the storm in Louisiana and the Gulf region.

"Hurricane Katrina

should give all homeowners pause," said Alex Winslow, executive director of Texas Watch, "We recommend that Texas homeowners take just a few minutes to make sure their insurance coverage fits their needs."

Texas Watch, a non-profit consumer advocacy group, urges homeowners to check their policies for coverage provided in the event a natural disaster strikes the area.

There is finger-pointing from the industry and consumer advocacy groups on where the problem with home underinsurance lies.

On one hand, the insurance industry blames the surging price of building material costs on new building codes and escalating energy and labor costs. On the other, consumer advocates say the problem lies in the way that homeowners insurance is sold, with many agents making quick sales to close deals to beat competition. Additionally, some groups claim agents who are not properly trained to assess homes, sell policies that don't cover the value.

American General Associate Manager Darrin Weems, said he has never seen an agent underinsure a

home for a quick sale.

"As an agent we want you to review your insurance, and we even want to review your insurance with you ourselves," added Weems, who cited a lack of reviewing insurance policies by homeowners as the bulk of the problem.

"Most people make a mistake because they don't review or check their insurance," he explained. "If you bought a policy today, that policy may not be good 10 years from now. People don't review their policies as their life changes."

Understanding the different types of homeowner insurance could help to ease misconceptions about how homes are covered.

"People need to know the difference between full and partial coverage," added Weems.

A homeowner with an outdated policy may find that the current policy limits only insures a percentage of the homes current replacement value. If the dwelling limits in an insurance policy are 80 percent or more of the replacement cost of the dwelling, it usually means the home is covered for a partial loss.

If a homeowner has full-loss home coverage, and the dwelling limits of the policy are only a portion of the full cost to replace the home, homeowners will only be paid for part of the replacement costs, which could amount to a lot of cost and loss not covered in the end.

The problem is compounded, said Mr. Weems in the African-American community, where he expects less than half of homeowners have coverage.

"You will find houses in [low-income as well as high-income areas in the city] where people don't have insurance," added Mr. Weems, who has been selling insurance for over seven years.

"Many people don't pay insurance as soon as they are done paying for the house, since the mortgage company is not making them pay anymore. For some reason, people don't protect their house — but they will protect their car."

Hurricane Katrina's destruction could cost the insurance industry up to \$25 billion in claims, according to updated reports from risk as-

essment firms.

AIR Worldwide Corp., a risk modeling firm based in Boston, said its revised projection anticipates insured losses in the range of \$17 billion to \$25 billion. Last Monday, the company said its initial assessments suggested property and casualty losses in the range of \$12 billion to \$26 billion.

A similar projection came from Risk Management Solutions of Newark, Calif., which projected insured losses from Katrina at \$10 to \$25 billion.

"The most important thing homeowners can do is make sure their insurance fits their needs, added Mr. Winslow. "Shop the market and visit with your agent to ensure you and your family are protected."

Experts offer these other tips to make sure coastal homeowners' insurance coverage and limits are adequate:

- Check with your agent: Homeowners should visit with their agents or customer service agents to ensure their policy is designed to fit their needs. Homeowners should

be sure that their deductibles are appropriate and their coverage is sufficient.

- Inventory your home: Homeowners should take a comprehensive household inventory so that they have a record of their personal belongings. Homeowners should at least have a paper inventory so that they have a personal record of their belongings.

- Check your policy: Periodically homeowners should review their insurance policy to be sure that they have adequate coverage to protect them.

- Check on flood and windstorm insurance: Homeowners in flood prone areas should purchase federal flood insurance protection through the National Flood Insurance Program. (go to www.floodsmart.gov or call 1-800-427-4661.). Coastal residents who are susceptible to serious windstorms should contact their agent about wind storm protection through their insurer or the Texas Windstorms Insurance Association (www.twia.org).

Walter Higgins writes for the Dallas Weekly.

Kilpatrick

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suburban officials when he encouraged the city's criminals to "hit Eight Mile Road" and leave the city by way of the suburbs. Eight Mile Road is the dividing line between predominantly Black and low-income Detroit and its largely White and affluent northern suburbs.

"Kwame has largely been a very affable person to work with, but once in a while he makes comments like these that really hurt relations," Patterson said. "I'll continue to work with him because he's the leader of Michigan's largest city, but he's not going to be on my Christmas card list."

Even before Patterson's demand for an apology, the mayor released a statement late Thursday saying, "Character issues such as drug abuse are not exclusive to Detroit public schools. My reference to substance abuse, not intended to focus on any particular school district, was simply used to illustrate this position."

Messages seeking further comment from Kilpatrick were not returned Friday.

Patterson said he doesn't understand why Kilpatrick would make such inflammatory comments about two of Oakland County's most prosperous communities, unless he thought it would win him votes.

Pollster Ed Sarpolus of EPIC/MRA in Lansing said that may be the case.

In the August primary, Hendrix out-pollled Kilpatrick 44 percent to 34 percent — making Kilpatrick the first incumbent mayor to finish second in a primary in at least 60 years.

Sarpolus said that while polls show nearly an even split among Black voters between Kilpatrick and Hendrix, both of whom are Black, the vast majority of Whites and other minorities, which account for about 20 percent of the voting population, prefer Hendrix.

As a result, Kilpatrick may be trying to create an "us versus them" mentality and label his opponent as the suburban candidate in an attempt to swing the Black vote in his favor, Sarpolus said.

"Mayor Kilpatrick doesn't care anything about

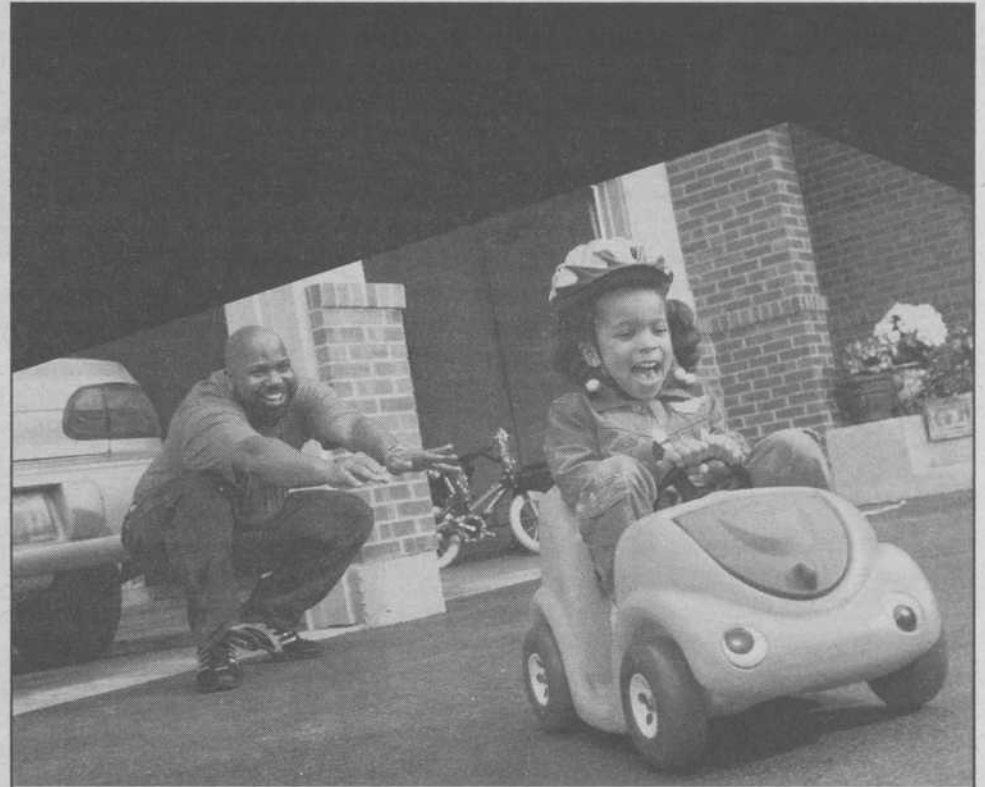
suburban relations right now," Sarpolus said. "He just cares about the election. The problem with comments like this is that they're only made for the moment."

At a news conference Friday afternoon, Hendrix said Kilpatrick's drug comments were "inappropriate" and "immature" but it is up to the mayor to apologize.

The general election, which will be held Nov. 8, comes at a time when Detroit's population is still declining. Detroit has lost about half its population since the 1950s, when the city and the American automotive industry were at their peaks. It is now the country's 11th-largest city with about 900,000 residents.

At the same time, the city continues to struggle with problems of crime, unemployment, urban decay and a \$300 million budget deficit.

The U.S. Census Bureau reported last month that Detroit was the nation's most impoverished major metropolis in 2004, with more than one-third of its residents living at or below the federal poverty level designation.



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