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## **SURVEY SHOWS INADEQUATE ATTENTION PAID TO HOMEOWNERS INSURANCE -- COULD PROVE DEVASTATING IN THE EVENT OF A DISASTER**

*Affluent homeowners shown to be not as knowledgeable - or as protected - as they thought*

**NOVATO, Calif., Dec. 15, 2004** — A survey commissioned by Fireman's Fund Insurance Company and conducted by Harris Interactive® revealed a troubling knowledge gap among a majority of affluent homeowners<sup>1</sup> of their insurance coverage.

The survey found that only 37 percent of respondents correctly answered six of 12 questions about basic coverage on their homeowner and auto policies, such as the maximum amount of stolen cash that would be reimbursed if a home were burglarized or what the most frequent cause of an insurance claim is for a loss in the home.

“The survey findings show a critical need for homeowners to communicate with their insurance agents and learn what their policies actually cover and when they should be updated, to ensure they are fully protected in the event of a disaster,” said Scott Garfield, vice president of Fireman's Fund. “Homeowners also need to know that all policies are not created equal, and to understand the array of insurance options available in comparison to their current coverage before they are faced with a costly disaster.”

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<sup>1</sup> Affluent homeowners defined as U.S. adults (aged 18 and over) who own a home worth at least \$300,000, have homeowners insurance, are at least somewhat involved in choosing household insurance, and have an annual income of at least \$100,000.



## **Gap Between Perceived and Actual Coverage**

The survey, based on responses from more than 1,000 affluent homeowners nationwide, uncovered a consistent gap between what homeowners think is included in their coverage, and what actually is. Of those polled, 88 percent said they know what their homeowner's policy does and does not cover, yet further questioning revealed that many respondents also believed that their homeowner's policy covered more property than would actually be covered in the event of a disaster.

"We found that two-thirds of those surveyed believed that their policy would provide home replacement of like kind and quality in the event of a major loss,' said Garfield. "Yet we know, that the most common homeowners policies sold in America (the generic HO3 policy) do not automatically cover extra construction costs caused by code changes and other unexpected costs - which are often times significant -- when a home is completely destroyed."

Fireman's Fund is one of a select few insurers who offer high-limit homeowners policies that protect full home cost replacement coverage in most states with umbrella personal liability protection policies in the \$1 million to \$50 million range.

"Most standard homeowners insurance policies do not automatically provide complete replacement cost coverage," said Garfield. "Unfortunately, many homeowners assume they are completely covered only to find out that they are underinsured after a dramatic loss has occurred. That lesson was dramatically driven home following the 2003 wildfires in Southern California."

Because of its constant emphasis among customers on insuring to value, Fireman's Fund received no complaints of underinsurance on the Southern California wildfire claims. Fireman's Fund recommends that homeowners regularly ask their independent insurance agent to use a



home replacement cost estimating tool (such as E2Value or Marshall-Swift) to determine their current rebuilding costs.

### **Homeowners Spend Too Little Time Managing Insurance**

The survey showed that most affluent homeowners spend far more time managing their investment portfolios (an average of seven hours a month) than they do staying on top of the insurance coverage for their homes. The survey found that respondents spend an average of 4.7 hours per year -- fraction of the time spent on their investment portfolios -- managing their insurance coverage on their physical assets including their home. This is true despite the fact that for nearly half (47%) of respondents, the value of their non-financial assets exceeds the value of their investment portfolio.

“Frankly, we believe most respondents polled nationwide probably spend more time updating their home computer virus software or even planning their vacations than they do protecting their largest personal asset: their home,” said Garfield. “This surprising lack of attention to homeowners insurance can be financially devastating, especially for those who fell victim to the recent weather catastrophes.”

### **Nationwide Home Values Increasing, But Not The Coverage**

Given the inflation in home prices across the country, more people in the last five years are suddenly in the position of having their home become an even more valuable asset. According to the latest quarterly survey by the National Association of Realtors®, home values across the nation are continuing to rise, with the national median existing-home price 6.6 percent higher than a year ago. In some states such as California, a strong real estate market saw home values jump more than 20 percent in some areas from the previous year.



In addition to the rise of property values, home reconstruction and replacement costs are also climbing at a steady rate. With a healthy rise in new construction, recent hurricanes and ongoing trade disputes, the cost for lumber, plywood and other building materials is continuing to rise. According to the lumber industry publication *Random Lengths*, framing materials alone, such as 2-by-4s, are up nearly 40 percent over last year. Without the right insurance coverage, homeowners may see these extra costs coming straight out of their own pockets.

According to the Harris Interactive survey, while 94 percent of the respondents nationwide stated that the value of their home increased during the past five years, more than a quarter (27%) said they had not increased their insurance coverage. Some of the most common reasons cited were lack of time to look into the need to increase coverage, and simply not knowing that they needed to change the policy's limits to reflect a home's change in value.

The overall lack of insurance policy knowledge by today's homeowners will continue to prove costly until the issue of homeowners insurance is realized as one of today's most critical financial investments.

A summary of the complete survey is available online at:  
<http://www.firemansfund.com/dcmsSites/about/pdf/FiremansFundToplinerev2.pdf>

### **Methodology**

Harris Interactive conducted the online survey within the United States between June 24 and 28, 2004 among a nationwide cross section of 1,154 adults (aged 18 and over) who own a home worth at least \$300,000, have homeowners insurance, are at least somewhat involved in choosing household insurance, and have an annual income of at least \$100,000. Figures for age, sex, race, education and income were weighted where necessary to bring them into line with their actual



proportions in the population. Propensity score weighting was also used to adjust for respondents' propensity to be online.

In theory, with probability samples of this size, one could say with 95 percent certainty that the results have a statistical precision of plus or minus 3 percentage points. This online sample was not a probability sample.

### **About Fireman's Fund Insurance Company**

Headquartered in Novato, Calif., Fireman's Fund is a premiere national property casualty insurer that has pioneered many innovative insurance programs during its 141-year history. Rated "A" by the independent A.M. Best Company, Fireman's Fund last year had gross premiums written of \$4.4 billion. The company provides personal, commercial, marine, excess and surplus lines and agribusiness insurance products nationwide. Fireman's Fund is also the leading insurer in Hollywood, having underwritten movies from the early silent classics to today's most popular Oscar-winning films. Fireman's Fund is a member of the Allianz Group, one of the world's largest providers of property and casualty insurance and other financial services

### **About Harris Interactive<sup>®</sup>**

Harris Interactive Inc. ([www.harrisinteractive.com](http://www.harrisinteractive.com)), the 15<sup>th</sup> largest and fastest-growing market research firm in the world, is a Rochester, N.Y.-based global research company that blends premier strategic consulting with innovative and efficient methods of investigation, analysis and application. Known for *The Harris Poll*<sup>®</sup> and for pioneering Internet-based research methods, Harris Interactive conducts proprietary and public research to help its clients achieve clear, material and enduring results.

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