

Karen Telleen-Lawton » Serendipity: Sustainable Risk Management

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Taking the time to review your homeowner or renter's insurance will pay off

By Karen Telleen-Lawton, Noozhawk Columnist | Published on 07.18.2009

When I took a “career interests” test in high school, I snickered at insurance agent (boring) and mortician (scary). Decades later, I’ve encountered both types of professionals in my daily course of life. Morticians can be a source of comfort, and insurance agents may be either comforting or scary.



Facing my first major safety and financial challenge with the Jesusita Fire, I now find risk management and insurance issues to be a source of fascination as well as frustration. At a recent [Mission Canyon Association](#) meeting for [Fair Plan](#)-insured fire victims, we all learned plenty of things we wished we had understood better beforehand. Especially for those who think it will never happen to them, it could save them tens of thousands of dollars sometime in their lives.

Actually, it boils down to two tips. The first is to minimize and control your risks in every way consistent with your life values. Second, for the risk burdens you can't control, eliminate or retain, don't underinsure.

Underinsurance was rampant at the meeting. Several people had sustained total losses while holding insurance policies for less than \$200,000 in dwelling coverage. After debris removal and incidental expenses, the money might buy them a yurt with an attached bathroom.

Another burned-out resident lamented that his agent had insured him for \$200 per square foot, but his building contractor now warns it could cost closer to \$400 per square foot to replicate his house. That is the dollar figure I've heard bantered about for ballpark planning to build in Santa Barbara, even in a recession.

It made me wonder. Before I could raise my hand, a guy in the back of the room posed the puzzle. If insurance agents work on commission, why aren't they calling each client annually, suggesting an insurance increase? He said a study commissioned by [Lt. Gov. John Garamendi](#) in 2004 found that 60 percent of homeowners were underinsured. That must represent a lot of commissions for agents who are doing their jobs.

The Fair Plan doesn't have agents but simply provides policies at the request of standard insurance companies. Their representatives had a ready response: "If your agent doesn't call you every year to go over your insurance, you should fire him."

Perhaps agents who take the time for annual calls find that most people are satisfied with their level of insurance. A second possibility is that despite being willing or obligated to buy insurance, homeowners hedge their hedges by retaining some of the risk through high deductibles or low limits.

Another possibility is that insurance companies' risk tables show that when homeowners choose lower premiums with lower coverage, they retain more customers and thus more profit. The representatives at the meeting insisted that wasn't true — they would much prefer everyone be fully covered. When I witness the amount of money being paid out for these fires and the good and bad will created by well-insured and underinsured homeowners, my hunch is that this is true.



Concrete pilings are strewn about after the Jesusita Fire. (Karen Telleen-Lawton / Noozhawk photo)

The bottom line is, in these frugal days, while we're remembering to set aside emergency funds and paying into retirement and children's education accounts before vacation and "eating out" ones, it's time to examine our homeowner or renter's insurance. We need to ask, "If I lost everything in a (Santa Barbarans, pick your peril: flood, earthquake, landslide, fire), how much would this policy cover? Am I willing and able to self-insure for the rest?"

If you get to the end of your life and find that your family has needed to call upon your insurance, you will be grateful. If you find you haven't received your money's worth out of your insurance, you will be grateful as well, for your good fortune.

» State [Insurance Commissioner Steve Poizner](#) will hold a hearing in Santa Barbara on Aug. 25 to discuss any concerns local homeowners and fire victims have with the availability of private homeowners insurance and the Fair Plan. The location has not yet been determined.

» Contact these folks before you file your first insurance claim: [CARE](#) (Community Assisting Recovery — survivors helping survivors) at www.carehelp.org/index.htm, and [United Policy Holders](#) at www.uphelp.org.

— *Karen Telleen-Lawton's column is a mélange of observations supporting sustainability. Graze her writing and excerpts from Canyon Voices: The Nature of Rattlesnake Canyon at www.CanyonVoices.com.*