

Your Insurance May Not Cover It



[Editor's Note: This is a guest post from Dr. Cory S. Fawcett, the author of [The Doctor's Guide to Starting Your Practice Right](#) and the brand new [The Doctor's Guide to Eliminating Debt](#). He describes himself as "author, speaker, entrepreneur, personal coach, and semi-retired general surgeon." He blogs at [Prescription for Financial Success](#). We have no financial relationship. In this post he discusses what your insurance may or may not cover.]

Insurance companies make their profits from collecting premiums, not paying claims. I found out the hard way about this little factor on two separate occasions. It is very important that you understand fully what is and is not covered by your insurance policy or you may be left holding the bag.

Burglary and Valuable Jewelry



Dr. Cory S. Fawcett

My first learning experience was after a burglar hit my home. We lost all of my wife's jewelry, a laptop computer and a bicycle. The burglar also damaged the house as he broke a window to gain access. I had been buying my wife nice pieces of jewelry over the years for special occasions. Since we save all important receipts, I had a detailed list to give to my homeowner's insurance company for the claim. Our total loss was about \$15,000. I had good insurance and expected a quick replacement of our losses.

The agent very politely pointed out that I would not be getting the full amount. How could I not be covered for the full amount? I had homeowners insurance and it covers theft. I had been paying premiums for many years without a single loss. But none of that mattered. The only thing that counted was what the fine print on the policy stated. I was about to find out why the policy was dozens of pages long.

It seemed I was only covered for jewelry up to a total loss of \$1,000. Jewelry is an excluded item. If I wanted the jewelry covered completely, I needed an individual rider, also known as an endorsement, for each separate piece of jewelry. Each of the endorsements would be a small extra premium charge on the policy. About \$12,000 of our loss was my wife's jewelry. Years of birthday, anniversary, Christmas, and Mother's Day presents were now worth \$1,000. They also paid a prorated value for the laptop, replaced the bike and covered the repairs to the

window. In total we were paid around \$2,500 for our loss.

It turns out, we lost the wrong stuff. If the burglar had stolen our couch, we would have been fully covered. In reality, insurance companies don't cover anything a burglar would actually steal. If they did, that would result in claims being paid. I don't buy fine jewelry anymore, as the imitation stuff looks just as nice and if someone steals it, I won't mind so much.

Excluded Water Damage



The second time I got burned by the fine print was with a loss at one of my investment properties. My maintenance man informed me I needed to contact my insurance company because a late night bit of water damage was going to get expensive. Seems a tenant in an upstairs apartment made a big deposit into her toilet and decided to give it a flush while still seated. She didn't realize the toilet bowl was plugged and now filled to the brim with water and other stuff. When she gave it a second flush, it gushed over.

This elderly lady was caught by surprise by the code brown and didn't know what to do. The over-flowing water filled her small bathroom, went out into the hall carpet, and leaked through the floor to the apartment below where it did similar damage. Because this was a "black water" spill, the wet carpet

in the hall and both bedrooms off the hall were immediately discarded on both floors and fans were set up to dry everything. The total damage was in the neighborhood of \$16,000 to dry everything and replace the damaged carpets and drywall. The downstairs tenant was a bit upset to have a sagging ceiling with brown fluid dripping from her light fixture.

My insurance company was right on top of it and arrived the next day to assess the damage. The agent took beautiful pictures and agreed with everything being done for the cleanup. He then informed me I was not covered for this particular type of water damage. If the tank on the back of the toilet had broken, spilling water into both apartments, I would have been covered. But overflowing toilet bowls were excluded from coverage unless I had a separate endorsement. More fine print. When I inquired what this endorsement would cost, I learned it was only about \$15 a year. For lack of a \$15 endorsement, I lost \$16,000.

Those two events cost me just short of \$30,000. The small print in the middle of page 67 excluded the insurance company from having to pay for the losses. There is a reason insurance policies are so long. Be sure you know exactly what is and is not covered in each of your policies. I know that is a tall order, since you will need to read a lot of pages with a lot of exclusions and it will be hard to keep it all straight. But read it carefully and if there is anything you think you need extra coverage for, get it.

Over the years, as I've been helping doctors with their personal finances, I've noticed they often own things of high value that are likely to get stolen such as jewelry, art, Turkish rugs, furs, antiques, musical instruments, coins, and camera equipment. All these things will likely have some limit on coverage, unless you buy a specific endorsement. Be a

smarter consumer than I was and don't get caught with your endorsements down.

What do you think? Have you been burned by the fine print? Is this another reason to only insure against financial catastrophe? What extra riders have you paid extra for with your property insurance? Comment below!