

Draft March 10, 2008
Comments should be sent to Joe Bieniek

EDITORIAL NOTE: THIS IS A SHORT FORM – BROCHURE TYPE – VERSION.
A MORE DETAILED LONG FORM WILL BE DEVELOPED

A Consumer's Guide to Homeowners Insurance

Index

- Why you need insurance
- What the policy covers
- Questions you should ask the agent
- How the premium is determined
- What to do before a claim occurs
- What to do regarding claims
- What to do if you can't find insurance

Why you need insurance

- To protect your assets
 - Homeowners insurance provides both property coverage (for your home and personal belongings) and liability coverage (for accidents that happen to other people at your home, for which you're legally responsible).
- To satisfy your mortgage lender
 - Most mortgage loans require that your home be continuously insured for the life of the mortgage. If you fail to maintain homeowners insurance, your mortgage lender will likely have your home insured at a much higher cost (and greatly reduced coverage) and will require you to pay this higher premium until you get your own homeowners insurance again.

Comment [r1]: I recommend we add the following: "The mortgage lending company will also require you to list them as mortgagee on the policy. Make sure that your agent or company properly lists that mortgage lending company."

What the policy covers

A Homeowners policy will cover:

- Your house and other buildings on your property
 - Other buildings could include a shed, detached garage, etc.
- Your personal property inside your home
 - Furniture, clothing, appliances, etc.
- Personal liability coverage and medical payments coverage
 - To pay for injuries to people who are hurt on your property or in your home, for which you are responsible
- Additional living expenses
 - To help pay for costs you might have in the event you must rent a house or motel to live in while your home is being repaired.

If your home is insured on a replacement cost basis

- Most policies say you must replace the property to be eligible for replacement cost coverage
- Typically, extended replacement coverage for the structure limits recovery to 120%-125% of the insured value of the home

Typical things **not** covered by a homeowners policy:

- Flood
- Earthquake
- Sewer Backup
- Identity Theft

Some of these things can be covered by purchasing a separate policy or paying additional money; be sure to ask your agent about things excluded in your policy.

Questions you should ask the agent

- Is the agent licensed by the state insurance department?
- Is the insurance company licensed by the insurance department?
- How long has the insurance company been in business?

- The answers to the above questions can be collaborated by your state insurance department
- What does your policy cover you for, (wind, hail, earthquake, landslide, mudslide, flood, fire, sewer backup, mold, etc.?)
- Are there any limitations or exclusions in the policy?
 - Mold
 - Limited coverage for jewelry, guns, antiques, etc.
 - Exclusions for flood, earthquake, landslide, mudslide, sewer back-up, etc.
 - Limitations for ordinance or law coverage – particularly for older homes
- If you own a dog, will dog bites be covered?
 - Are certain breeds of dogs not covered?
- If you have a swimming pool, do you have to fence it before accidents will be covered?
- Can you operate a business out of your home?
- If you are purchasing a house, how you can obtain the claims history on the house?
- If I submit a claim, how will it affect my renewal premium?

How the premium is determined

Many factors will determine the premium you will pay. The premium you pay depends on the company you pick, be sure to shop around; obtaining three or more comparison quotes might be helpful. Be prepared to provide your agent with information on the following items that are commonly used to determine your premium:

- Whether your home is made of brick or wood
- The distance from your home to a fire hydrant or fire department
- How much you insure your home for and how much liability insurance you purchase
- The deductible
- Your credit history – the agent may ask you for your social security number
- Operating a business from your home
- Operating a day care business from your home
- Whether you presently have insurance
- The age of your house
- Your previous claims history and the claims history of the house
- The type of pet you have. Some insurance companies will not write a policy for you if you have certain types of dogs.
- If you have a swimming pool or trampoline
- Insuring your auto and home in the same insurance company may reduce the premium
- Having protection devices such as smoke detectors, a burglar alarm, sprinkler systems, etc.
 - Having a wood furnace, wood stove, or an outside wood stove

Comment [r2]: This heading does not work well with all of the bullets. For example, the consumer won't be providing information on premium reduction for having home and auto insured with the same company or on the deductible. Others could be worded better. Why for example mention credit history as that will not be provided by the applicant?

What to do before a claim occurs

- **Pay your premium timely and in full**
- **Complete an inventory list:**
 - Go through each room and take pictures or videos of everything in the room.
 - Write down anything that is extraordinary, such as, antiques, high dollar stereo equipment, high dollar jewelry items, guns, etc.
 - Store the inventory data in a secure place at another location such as at your work-place or a safe deposit box or a relative's house
 - Annually review your inventory information and update your pictures/video, especially when new items are purchased
 - Keep receipts for all repairs and new items purchased with your inventory information for "proof" in the event of a claim
- **Maintain your home:**
 - A homeowners policy is not a maintenance contract; it insures against things like fire, wind and hail. It does not pay to repair things that simply wear out, like rotted porch railings. You are responsible to keep your home in good repair by fixing things that wear out, like replacing your roof when it begins to leak or annually cleaning the flue so it doesn't catch fire.

What to do regarding claims

- Call the insurance company and speak to the claims person (adjuster)
 - The adjuster will probably want to meet with you at your house to inspect the damage.
 - Jot down notes and keep track of the dates of any conversations you have with your agent or adjuster
- You are required to protect your home from further damage
 - This might include boarding up your home or using tarps if there was damage to the building, or cleaning up water from a backed up drain.
- Don't feel rushed or pushed into agreeing with something you are not comfortable with
 - It might help to have your contractor meet with you and the insurance adjuster
- You will need to document your loss; having receipts/pictures will help
- Most policies have an appraisal condition that can be used to resolve disputes
- If you have trouble or questions, contact your state insurance department for assistance

What to do if you can't find insurance

- <Insert state specific fair plan information>
- <Insert state department of insurance telephone and/or website information>
- <Insert state specific wind pool or other residual market mechanism information>

Additional reference material

Comment [r3]: I think having NAIC listed under this heading is fine. But the DOI should be under a different heading such as "Where Can I Go For Assistance With My Insurance Problems?" There is nothing in the document which informs consumers that they can get assistance from their State DOI except in the claims section which may lead someone to believe that if they have a problem with premiums, cancellation or something else there is no such assistance.

- <Insert state department of insurance website information for the long version of the consumer's guide>
- <Insert state department of insurance telephone and/or website information>
- <If applicable, insert state department of insurance website information for consumer rights information>
- <If applicable, insert state department of insurance website information for premium comparisons>
- The National Association of Insurance Commissioners (NAIC) website for Consumers http://www.naic.org/consumer_home.htm