



A Consumer's *Quick* Guide



to *Home Insurance*





National Association of Insurance Commissioners

Headquartered in Kansas City, Mo., the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories. The NAIC's overriding objective is to assist state insurance regulators in protecting consumers and helping maintain the financial stability of the insurance industry by offering financial, actuarial, legal, computer, research, market conduct and economic expertise.

Formed in 1871, the NAIC is the oldest association of state officials. For more than 135 years, state-based insurance supervision has served the needs of consumers, industry and the business of insurance at-large by ensuring hands-on, frontline protection for consumers, while providing insurers the uniform platforms and coordinated systems they need to compete effectively in an ever-changing marketplace.

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This guide provides information on how to make decisions when you buy homeowners insurance. You have a choice in coverages and prices will differ between insurance companies.

If you rent, live in a condo, or live in a manufactured (or mobile) home that isn't on a permanent foundation, your insurance choices may be different than those described here.

Why you need insurance

Homeowners insurance is an important purchase for many people. There are two major reasons to buy homeowners insurance.

1. To protect your assets

Homeowners insurance covers both your property and your personal legal responsibility (or liability) for injuries to others or their property while they're on your property.

2. To satisfy your mortgage lender

Most mortgage lenders require you to have insurance as long as you have a mortgage and to list them as the mortgagee on the policy. If you let your insurance lapse, your mortgage lender will likely have your home insured. The premium may be much higher (and the coverage much less) than a policy you would buy on your own. The lender can require you to pay this higher premium until you get your own homeowners insurance again.

What the policy covers

A homeowners policy *usually* covers:

- Your house and other buildings on your property
- Your personal property in your home or on your property
- Your personal liability
- Medical payments for others accidentally hurt on your property
- Additional living expenses if you must rent a place to live while your home is being repaired

If your home is insured on a replacement cost basis, then claims are paid based on the cost to replace your loss, not its market value. The replacement cost is usually greater than the market value. If your policy is based on replacement cost, you must replace your property to be reimbursed; there are limits on the amount you can be reimbursed for your home.

What the policy doesn't cover

A homeowners policy *usually* doesn't cover:

- Flood
- Earthquake, landslide, or mudslide
- Sewer backup
- Identity theft

Your homeowners policy *may not* cover claims related to:

- Dog bites
- Swimming pools or trampolines
- Operating a business from your home

Be sure to ask your agent what your policy doesn't cover (the exclusions). You may be able to buy a separate policy to cover some or all of the events your homeowners policy doesn't cover. For example, you can buy flood insurance backed by the National Flood Insurance Program and often a separate policy to cover earthquake damage.

A homeowners policy *usually limits* coverage for these items:

- Mold
- Jewelry, guns, electronics, collectibles, and antiques
- The costs of meeting updated electrical, fire, plumbing, and building codes

You may be able to pay extra to add coverage to your policy.

Questions you should ask the agent

- Are the agent and the insurance company licensed by my state insurance department? For how long? (Your state insurance department can confirm the answers to these questions.)
- How can I find out the claims history of the home before I buy it?
- If I submit a claim, how will it affect my premium when I renew the policy?
- What discounts are available?
- What does the policy cover? What doesn't it cover? What are the limits to the coverages?
- How much coverage for my personal property do I need?
- Should I buy flood insurance or earthquake coverage?
- How will my credit history affect my premium?

How the premium is determined

Many factors determine the premium you will pay. Different insurance companies charge different premiums for similar coverage. Shop around; getting three or more comparison quotes is worthwhile. Check your state insurance department's website; it may have an online premium comparison guide to help you compare premiums.

Be prepared to give your agent information about the following items that are commonly used to determine your premium:

- The cost to rebuild your home. This is *not* the same as the purchase price (which includes the cost of the land). The agent may help you estimate the replacement cost using information about your home and its contents.
- Whether your home is made of brick or wood
- The distance from your home to a fire hydrant or fire department
- The age of your home
- Whether you also insure your auto with the same insurance company
- Your credit history – the agent may ask you for your Social Security Number
- Whether you currently have homeowners insurance
- Your previous homeowners insurance claims history such as fire, theft, or liability

- The claims history of the home such as water damage or roof damage
- The types of pets you have
- Whether you have a swimming pool or trampoline
- Whether you have protection devices such as smoke detectors, a burglar alarm, or a sprinkler system
- Whether you have a wood furnace or wood stove
- Whether you operate a business from your home

Decisions you make about how much insurance coverage to buy will affect your premium. These decisions include what limits and deductibles you choose.

Action items for homeowners

- Pay the premium on time. Most insurers don't offer a grace period for paying the premium – the due date is the due date.
- Make an inventory.
 - Go through each room; write down and take pictures or videos of everything in the room.
 - Inventory everything, including valuable items such as antiques, electronics, jewelry, collectibles, and guns.
 - Store your inventory in a secure place at another location such as your workplace, a safe deposit box, a relative's house, or online.
 - Annually review and update your inventory, including your pictures/videos. Also update your inventory when you buy new items.
 - Keep receipts with your inventory for all repairs and new items you buy for proof if you file a claim.
- Maintain your home.
 - A homeowners policy isn't a maintenance contract; it insures against things such as fire, wind, and hail. It doesn't pay to repair items that simply wear out, like rotted porch railings. You're responsible for the upkeep of your home such as repairing your roof when it begins to leak or cleaning your chimney flue so it doesn't catch fire.

Making a claim

- 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. For example, you may need to board up your home or use tarps if there was damage to the building, or clean up water from a backed-up drain.
- Don't feel rushed or pushed to agree with something you aren't comfortable with. It might help to have your contractor meet with you and the insurance adjuster.
- You must document your loss; receipts and pictures will help.
- If you and the insurer disagree about the value of the claim, check your policy for an appraisal clause.
- If you have trouble with or questions about claims, contact your state insurance department for help.

For more information

- Visit your state department of insurance website
- The National Association of Insurance Commissioners (NAIC) website for Consumers
www.naic.org/consumer_home.htm
- The National Flood Insurance Program website
www.floodsmart.gov
- To access your free annual credit report go to
www.annualcreditreport.com or call 877-322-8228



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