

A large, stylized blue silhouette of a house with a chimney on the right side, serving as a background for the text.

HOME SWEET HOME

A Comprehensive Guide to
Homeowners Insurance

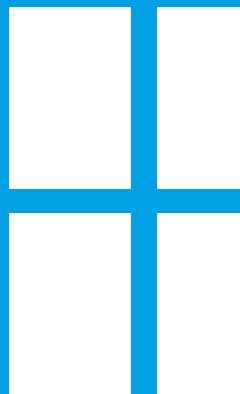


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WHAT WOULD YOU DO...

> IF YOUR HOME WAS DESTROYED IN A FIRE TODAY?

Would you have the means to build a new home?

> IF SOMEONE CAME TO YOUR HOME AND SLIPPED AND BROKE THEIR LEG DUE TO A LOOSE PLANK IN YOUR STAIRS?

Would you have the means to pay for their medical bills?

> IF A THIEF CAME AND STOLE YOUR TELEVISION AND OTHER APPLIANCES WHILE YOU WERE SLEEPING?

Would you have the means to purchase new appliances?

» If you were unable to affirmatively answer all of these questions, then you need to consider purchasing homeowners insurance.

Your home is likely the biggest investment you will ever make. So, it is important to do all that you can to protect that investment from fire, theft or other perils. Homeowners insurance is designed to provide for the repair or replacement of your home and your possessions due to physical damage or loss.

But, homeowners insurance is not only for homeowners. Whether you live in a single family home, condominium, apartment, or mobile home, there is an insurance policy available to meet your needs.

This guide is designed to educate you about homeowners insurance and to help you determine what type of insurance will best protect your home and your possessions.

GLOSSARY OF TERMS

Additional Living Expense <Loss of Use>	Coverage that pays for above normal costs incurred while the policyholder's home is being repaired. These extra costs will include expenses such as food and lodging. This coverage generally does not apply to the costs of children living away from home.
Adjuster	A Department of Insurance licensed professional who helps determine the amount the insurance the company will pay by evaluating the amount of loss.
Agent	A Department of Insurance licensed professional who solicits and services insurance policies.
All-Risk Policy <Special Form>	Covers damage or loss of property costs that result from any peril, except those that are specifically excluded in the contract.
Cancellation	Termination of an insurance policy, prior to the actual expiration date, by the insurance company or policyholder.
Claim	A demand to an insurance company for financial reimbursement to recover a loss.
Coverage	Indicates how much protection the insurance policy provides, either in the form of the dollar amount purchased or the type of loss covered.
Deductible	A fixed amount, specified in the policy, that the policyholder agrees to pay towards the total amount of an insured loss.
Depreciation	The decrease in home or property value, because of age or use, since the time it was built or purchased.
Endorsement	An amendment that changes the original terms of an insurance contract.
Exclusion	An event or loss that is not covered by an insurance contract. The term can also be used to describe the provision that removes coverage for the event or loss.
Floater <Rider>	Additional coverage for special items such as antiques or costly jewelry.





GLOSSARY OF TERMS

Insured Loss	A loss that the insurance policy will pay for, either in full or in part.
Insured	The person or persons covered by the insurance policy.
Insurer	The company that is underwriting the insurance contract.
Inventory	List of the insured's possessions and their values.
Liability	Legally enforceable obligations.
Libel	Any false or malicious statement, written or public, that publicly ridicules someone or damages their reputation.
Licensed-Agents and Companies	Agents and companies that are approved and monitored by the Department of Insurance to sell insurance in a particular state.
Limit <Policy Limit>	The maximum amount the insurance company must pay under the contract for a particular loss.
Negligence	Failure to use a reasonable amount of care which can result in an injury or damage to another.
Package Policy	An insurance policy that includes several kinds of coverage.
Peril	The cause of a loss, such as theft or fire.
Premium	The amount paid by the insured to the insurer in return for insurance coverage.
Residence Premises	The one-family dwelling, other structures, and grounds; or that part of any other building where the insured resides.
Risk	The chance of loss.
Slander	Anything spoken about an individual that is false and malicious, ridiculing them or damaging their reputation.



➤ IS HOMEOWNERS INSURANCE LEGALLY REQUIRED?

Although homeowners insurance is not generally required by state law, most lenders require home buyers to purchase such insurance in order to secure their mortgage. But, even those who own their homes, free and clear, often wisely opt to insure both their home and its contents. And they often choose to purchase liability insurance to protect themselves in case of legal responsibility for injury to, or damage to the property of others.

➤ WHAT TYPES OF COVERAGE ARE PROVIDED BY HOMEOWNERS INSURANCE?

Homeowners insurance policies are multi-peril policies. They generally combine three types of coverage:

ONE/ DWELLING COVERAGE

Provides funds to repair or rebuild your home and attached structures in the case of loss due to a covered peril.

TWO/ PERSONAL PROPERTY COVERAGE

Pays for loss or damage to your home, its contents (e.g., furniture, TV, clothes, and jewelry) and detached buildings on your property (e.g., garage or toolshed), caused by a covered peril.

THREE/ LIABILITY COVERAGE

Will cover your legal expenses and compensate others for damages sustained while on your property. It will also pay for accidental damage or injuries caused by you, your family or even your pet.

/RENTERS INSURANCE/

If you rent an apartment or house, you are not responsible for insuring the building. However, it is your responsibility to purchase your own liability and personal property (contents) coverage. Liability coverage protects renters in the same way it does homeowners. A renters policy will insure your possessions against listed perils and may also cover liability and additional living expenses.

/LANDLORDS POLICY/

Some companies offer landlords insurance policies that offer coverage comparable to a homeowners policy. However, such policies generally provide less coverage for any furnishings or personal property that remain in the structure, but higher liability limits to cover the increased possibility of claims by tenants. Many companies also require that the rental facilities be equipped with certain safety features such as fire extinguishers, sprinklers, smoke alarms, and dead bolt locks in every unit.

/CONDOMINIUM OWNERS POLICY/

Condominium owners insurance provides comparable coverage to a standard homeowners policy. The building itself is not covered under this policy because it is typically covered by a condominium association policy. However, there will be some coverage for building items inside your unit such as cabinets, fixtures and custom features.

➤ WHAT ARE THE LEVELS OF COVERAGE AFFORDED BY HOMEOWNERS INSURANCE POLICIES?

Different policies provide different levels of coverage. The types of policies providing different levels of coverage that you need to consider include:

ONE/ NAMED-RISK POLICIES

Named-risk policies cover only those perils that are specifically included in the policy.

TWO/ ALL-RISK POLICIES

All-risk policies cover all perils, except those that are specifically excluded. Since all-risk policies are more inclusive, they are generally more expensive.

THREE/ REPLACEMENT COST COVERAGE POLICIES

Replacement cost coverage pays to replace your damaged home or property at current prices, with no depreciation. Basically, you will get a brand-new item to replace your old lost or damaged one. This type of coverage is not available on items such as valuable art, antiques, photos, and stamp collections. Furthermore, there are also special limits on some items such as guns, furs, jewelry, and computers. However, you can generally purchase additional coverage by paying an added premium. Replacement cost coverage generally must be specifically requested if desired.

FOUR/ ACTUAL CASH VALUE POLICIES

Actual cash value policies pay to replace your home or property minus depreciation due to wear or tear. For example, if your furniture was destroyed in a fire, replacement cost coverage would pay for furniture at current prices, while under an actual cash value policy, you would only receive payment for the value of your furniture prior to the loss or damage, taking into account its condition and age. Actual cash value policies are generally cheaper than replacement cost coverage policies.

Furthermore, you need to be aware of deductibles. Your deductible is a fixed amount, specified in the policy, that you are required to pay out of your own pocket towards the total amount of an insured loss before the insurance company will pay for a claim. For example, if you owned a \$250,000 home and your deductible was 1 percent, in case of damage, you would be required to pay the first \$2,500 before the insurance company would be obliged to pay the rest of the claim.

The greater the deductible, the more you will have to pay out of pocket at the time of loss. Generally the trade off for lower deductibles is paying more in premiums.

> WHAT IS COVERED?

Homeowners insurance policies apply to most dwellings with up to two families, and are slightly modified for condominiums and apartments. Homeowners insurance is designed to cover a broad spectrum of perils associated with owning or renting a home. Covered perils generally include fire, windstorm and theft. The more perils your policy covers, the more it costs.

For people who own their own homes, the following items are generally covered by homeowners insurance policies:

DWELLING

Your house and attached structures as well as materials and supplies for construction or repairs are covered if they are on your premises or adjacent premises. Fixtures in the house such as plumbing, heating, permanently installed air-conditioning systems and electrical wiring are also covered.

The amount of coverage for your dwelling is normally established by the market value, purchase price or other such indicators related to your dwelling. Generally it is wise to carry a minimum coverage of 80 percent of the full replacement cost of your home.





OTHER STRUCTURES

Other structures on your premises that are not rented out or used for business, such as detached garages or tool sheds, are generally covered.

Coverage for other structure is typically limited to 10 percent of the dwelling amount. However, for an additional premium, this limit can normally be extended.

PERSONAL PROPERTY

Possessions owned or used by you or your family members that reside with you are covered. Normally only limited coverage is provided for certain valuable items that are particularly susceptible to loss such as jewelry, silverware, furs, money, firearms, stamp or coin collections and business property. And certain types of property such as motor vehicles, aircraft, pets and animals are excluded from coverage. You may be able to purchase additional or specific insurance to cover these items.

Generally coverage for personal property is for 50 to 75 percent of the dwelling amount. Thus, for example, if your home is insured for \$250,000, then your personal property is covered for up to \$125,000 to \$187,500. The coverage limit for your property that is at an alternative residence, owned or rented by you, is limited to 10 percent of your personal property limit or \$1,000, whichever is greater.

LOSS OF USE

In the event your house is damaged by an insured peril and you must live elsewhere while it is being repaired, the additional cost of living, above and beyond your usual cost, is covered. These costs can include housing, meals and warehouse storage. Loss of rental income for any rented portion of your house that is damaged is also covered.

Loss of use coverage is generally 20 percent of your dwelling coverage. All receipts for additional living expenses must normally be saved and submitted to the insurance company for reimbursement.





PERSONAL LIABILITY

The personal liability portion of your homeowners insurance covers the cost of claims or lawsuits filed against you by others who are injured or have property damage as a result of negligence by you, your family members or your pets.

Typically legal defense costs, as well as damages, are both covered up to \$100,000. However, certain exceptions do apply. For example, there is no coverage for intentional acts. Policy limits can be extended by paying higher premiums. Many insurance professionals recommend a minimum of \$300,000.

MEDICAL PAYMENT TO OTHERS

Medical expenses for non-residents who are accidentally injured on your property are generally covered. In some limited circumstances, the medical payments portion of your homeowners policy may also pay if you are involved in the injury of another person away from your home.

The standard amount of medical payments coverage is \$1,000 to \$5,000. This insurance does not substitute for personal health insurance, in that it does not apply to injuries incurred by you or the other residents of your home. Business activities are also excluded.

This is just a general list. You must read your policy and talk to your agent to know the specifics of what losses your homeowners policy does and does not cover, and to what extent it covers those losses.

/ENDORSEMENTS AND FLOATERS/

You can increase your coverage of personal property that is valued at more than you would receive on a claim under your homeowners policy, by purchasing an endorsement, rider or floater.

AN ENDORSEMENT
(also known as a rider) adds additional coverage to your homeowners policy for a specific peril or property.

A FLOATER *is a separate all-risk coverage policy that provides coverage against anything not specifically excluded. The coverage "floats" with the item wherever it is located.*



/UMBRELLA LIABILITY INSURANCE/

For those with the potential to earn a high salary or substantial assets, purchase of a separate umbrella liability insurance policy may be a wise choice. Such policies provide liability coverage beyond the limits of your auto and homeowners policies. Some umbrella policies also cover you against libel, slander, defamation of character, false arrest, mental anguish, wrongful entry, eviction and malicious prosecution.

slander

wrongful entry

false arrest

defamation
of character

mental
anguish

eviction

malicious prosecution

libel

> WHAT IS NOT COVERED?

Generally earth movement (e.g., earthquakes, landslides or mudslides), sewer back-up, and flood or surface water run-off are not covered by most policies. If you want such coverage, you may need to talk with your agent.

> WHAT ADDITIONAL COVERAGE IS PROVIDED?

In addition to the standard coverage discussed previously, some homeowners insurance policies provide minor additional coverage at no cost. However, this coverage is limited, so you may want to purchase endorsements to extend the limits of your policy.

The following table outlines the various additional coverages provided by homeowners insurance policies:

TYPE	COVERAGE
BUILDING ORDINANCE OR LAW	Coverage to repair structural damage or rebuild your home under stricter building codes and ordinances may be provided by your policy.
DEBRIS REMOVAL	For causes of loss covered by your policy, this coverage pays to remove the debris of covered property. Removal of trees felled by a covered peril that either damage a covered structure, block a driveway or block a dwelling's entryway/exit designed to assist a handicapped person is also covered for generally up to \$500.
FUNGI, WET OR DRY ROT, BACTERIA	The direct physical loss to property covered because of fungi, wet or dry rot, or bacteria is often covered for up to a total of \$5000.
GLASS BREAKAGE	Broken glass or damage caused by broken glass may also be covered.
IDENTITY THEFT, CREDIT CARD, FORGERY, AND COUNTERFEIT MONEY	This insurance generally covers the incidental fees of attempting to correct information on your credit history such as costs to notarize affidavits and other documents to prove the fraud, loan re-application fees due to incorrect credit information, and charges for phone calls regarding identity theft.
INFLATION GUARD	In order to help keep up with inflation, some policies automatically increase coverage. Even if you have this coverage, you should periodically check your policy limits to make sure you are adequately, but not excessively, insured.





TYPE	COVERAGE
LANDLORD'S FURNISHINGS	Your policy may pay a limited amount to cover your furnishings or property in areas of your home that you rent out against certain perils, not including theft.
LANDSCAPING	Trees, plants and shrubs on your residence are covered against damage caused by fire or lightning, explosion, riot or civil commotion, aircraft, vehicles not owned or operated by a resident of the "residence premises," vandalism or malicious mischief or theft. This coverage is normally for up to for up to 5 percent of the insurance on the house, but no more than \$500 per item.
LOCK REPLACEMENT	If your keys are stolen, your policy may cover the cost of replacing, changing or rekeying door locks.
LOSS ASSESSMENTS	If you are a member of a home, condominium or co-op owners association, your portion of losses to common property or personal liability that are caused by a covered peril may be covered.
PROHIBITED USE	If you have to leave your home by order of civil authorities due to direct damage to neighboring areas that was caused by a covered peril, your meals and lodging expenses may be covered.
REFRIGERATED PROPERTY	Refrigerated or perishable items that spoil because of a power failure or mechanical breakdown may be replaced under some policies. Generally the policy limit is \$500 which only applies after the insured pays a \$100 deductible.
REASONABLE REPAIR	Temporary repairs made to protect your home or its contents from further damage after a covered loss may be covered.

➤ WHAT ADDITIONAL COVERAGE AND ENDORSEMENTS CAN I PURCHASE?

Standard homeowners policies do not cover certain perils. However, these perils can usually be covered through the purchase of endorsements or separate policies, which include:

COMPUTER COVERAGE

Only a limited amount of coverage is provided for computers, printers and fax machines under general homeowners policies. You may want to buy an endorsement or rider to provide broader coverage. If you work from home, you may want to consider purchasing a separate business policy.

EARTHQUAKE INSURANCE

Earthquake insurance provides financial protection from the actual shaking and cracking during an earthquake that can destroy buildings and possessions. Damage caused by fires or explosions that can be the result of an earthquake is covered under homeowners policies.

Those in California have the option of buying a policy from the California Earthquake Authority (CEA) through a licensed, authorized provider. Information about earthquake coverage in California is available by phone at 1-800-927-4357 or online at www.insurance.ca.gov.

FLOOD INSURANCE

Flood insurance is required for those who have a federally backed mortgage and live in a high-risk location such as in a flood plain, near a river or on the coast. However, no matter where you live, you should consider purchasing flood insurance since flooding can also be caused by events such as melting snow or heavy rainfall.

Many individuals believe that in the case of flood, the federal government will cover their loss. However, such assistance only takes effect if the president formally declares a disaster. And this relief consists of low-interest loans that must be repaid.

The federal government does however offer insurance for direct flood and flood related damage including mudslide and erosion under the National Flood Insurance Program. Those desiring separate flood policy coverage may contact the National Flood Insurance Program at 1-800-427-4661 or visit www.floodsmart.gov.





GUARANTEED REPLACEMENT COST COVERAGE

This is the most complete coverage available for your home. If the limit stated in your policy is not enough to cover the loss to your dwelling, under this endorsement, the insurance company will pay the difference, subject to a specified maximum.

HOME BUSINESS INSURANCE

Insurance companies will differ as to the type of home business they are willing to cover on a homeowners policy. Some will offer additional liability coverage and coverage for business property for an office or shop on your property. Other insurance companies may only provide additional personal property coverage for business items or for a limited amount of inventory for your business.

WATER BACKUP AND SUMP OVERFLOW

Homeowners insurance policies generally do not cover water backup and sump overflow. This coverage is generally available, upon request, as an endorsement.

WATERCRAFT INSURANCE

Personal liability and medical payments coverage for damage incurred while operating certain watercraft can be obtained through an endorsement. Physical damage coverage is also available through a separate endorsement.

WINDSTORM, HURRICANE AND TORNADO COVERAGE

Most homeowners insurance policies cover damage caused by windstorms, including hurricanes and tornadoes. However, if you live in a high-risk coastal location, because of the higher-than-average risk of damage, you might be required to buy a separate windstorm policy through a state-run insurance “pool.” Storm surge is generally covered through flood insurance.



> HOW MUCH INSURANCE DO I NEED?

The biggest and most common mistake homeowners make is purchasing inadequate coverage. Many homeowners mistakenly believe that they only need insurance up to the market value, or tax value of their home or the amount of their mortgage. However, the true value of your home, for insurance purposes, is the cost of the labor and materials necessary to rebuild it exactly as it is today.

Furthermore, it is easy to continue buying the same amount of insurance year after year despite the fact that the value of your home may be increasing due to inflation and home improvements. Thus, it is important to re-evaluate your coverage on a yearly basis.

In general, you will want enough insurance to cover:

- > **Your Property and Belongings** so that if disaster strikes you will be able to recover as fully as possible.
- > **Self Protection** to protect yourself from lawsuits resulting from your negligence or events that could occur on your property.
- > **Lender Requirements.**
- > **Policy Requirements** to meet any minimums that the insurance company requires.





PROPERTY PROTECTION

There are several steps you can follow to determine the policy limits you need, so that you are not surprised in the case of damage and payout.

1

DETERMINE WHAT IT WOULD COST TO REPLACE YOUR HOME.

To do this you can either get an independent appraisal or rely on the advice of your insurance agent. Independent appraisals can often be very costly. Your insurance agent should have charts and home replacement cost estimation procedures to help you determine how much insurance you need.

2

INVENTORY YOUR AND YOUR FAMILY'S PERSONAL POSSESSIONS AND DETERMINE THEIR WORTH.

Your inventory should include everything except autos, animals and items that are insured under other policies. Consider photographing your possessions for purposes of the inventory. Be sure to store a copy of the inventory, receipts, photographs and a hard copy of important electronic documents in a safe place, other than in your own home.

Creating an inventory will not only help you initially determine the amount of insurance you need to purchase, but it will also help you get a claim settled more quickly and verify losses for your federal income tax return.

You will find a sample inventory worksheet attached as Appendix A.

3

DETERMINE WHICH ITEMS, IF ANY, WILL REQUIRE SPECIFIC INSURANCE.

For high value possessions such as jewelry or collector items, you may want to purchase specific insurance.

4

ACTUAL CASH VALUE VS. REPLACEMENT COST.

You will need to choose between insuring your home and your belongings for actual cash value, which takes into account depreciation, and replacement cost, which allows for actual replacement of your property. Generally the default insurance provided by most policies is actual cash value.



LIABILITY PROTECTION



Liability insurance protects you from having to pay damages to others resulting from your negligence. At a minimum, you will want your coverage to be enough to protect any financial assets that may be vulnerable to a lawsuit, such as your home and savings.

LENDER REQUIREMENTS

Most lenders require that you cover your house for at least the value of the mortgage. The lender generally becomes a payee on the insurance policy with you, in case of loss. The amount of coverage required by lenders should be independently reviewed for overall sufficiency. You may want to purchase insurance in addition to what is required by the lender.

> Private Mortgage Insurance (PMI)

The mortgage company may require the homeowner to purchase PMI in return for lending the money to purchase a home or condominium. PMI protects the mortgage company in the case of homeowner default. Under such policies, the homeowner pays the private mortgage insurance premium. In the case the homeowner defaults on the mortgage, the PMI Company pays the mortgage company under the policy.

> Mortgage Life Insurance

In the event of your death, a mortgage life insurance policy pays off the remainder of your mortgage. There are stringent health requirements that you must meet to purchase this type of insurance. And the purchase price depends on the mortgage amount, payoff time and a special calculation table.

> Title Insurance

Title insurance protects the purchaser in the case of a defect in the title, such as a lien against the property, which was not discovered at the time of sale.

> Forced-Place Insurance

Forced-place insurance generally only protects the lender. A lender may require a person financing the purchase of their property to carry insurance on that property. In the case the homeowner does not purchase the insurance, the lender may place coverage on the property and require reimbursement from the homeowner for any premiums paid.

> HOW DO I PICK AN INSURANCE COMPANY?

The most important step in picking an insurance company:

SHOPPIN'
AROUND!

Companies greatly vary in the types of coverage they provide and the premiums they charge for that coverage. Experts recommend that you get quotes from at least **THREE** different insurance companies before making your determination. When comparing insurance companies, make sure you are comparing prices for identical coverage.

Here are some other steps you should take in picking an insurance company to carry your homeowners policy:

- 1 Decide what types of insurance you want. If you already have insurance, review your current insurance, updating information as necessary. Use this as a baseline for comparison.
- 2 Ask around. Ask family, friends and acquaintances about their experiences with their insurance carriers.
- 3 Call your state's department of insurance or access their website to find out if there have been complaints about the insurers you are considering.
- 4 Check each insurance company's financial strength through consumer ratings. You can also do this by directly contacting ratings agencies.

Attached as Appendix B, you will find a form you can duplicate and use to help you determine which insurance company and policy are best for you.

> WHEN DOES COVERAGE BEGIN?

Once you have decided which insurance company to go with, you must fill out an application to obtain a policy. The application contains information to help the company decide whether to accept or reject the risk of insuring your home.

Upon completion of the application, the agent or insurance company may issue you a binder. A **BINDER** is a statement giving you immediate *temporary* coverage for a specified time, which is generally the time during which time the company decides whether or not to issue you a policy.

If the company accepts your application, you will be issued a policy. If the company decides otherwise, you will only be covered for the time period specified in the binder. If the binder period is about to expire and you have not heard back from the company, you may want to inquire about the status of your application.

> HOW WILL THE INSURANCE COMPANY DECIDE WHETHER OR NOT TO INSURE MY HOME?

Underwriting guidelines are rules insurance companies use to decide whether or not to insure your property. Each company has different underwriting requirements governing the kinds of risks and homes it will insure. Some of the factors considered by insurance companies include:

- > Condition and maintenance of property
- > Age and value of your home
- > Your credit history
- > Previous claims and reasons for those claims
- > Amount of insurance you are willing to carry

> HOW MUCH WILL HOMEOWNERS INSURANCE COST?

When determining the premium you will be paying for homeowners insurance, the first three factors the insurance company will consider are the dollar amount of coverage you are purchasing, any endorsements you are requesting, and the deductible you are willing to pay.

In addition to these factors, the other criterion insurance companies consider in determining the premium to be charged for insuring your home are similar to those used for underwriting. Here are the major factors and how they are measured:

CONSTRUCTION

Your dwelling's ability to withstand or minimize loss due to fire and other perils will affect your insurance premium. To make this determination, homes are put into four construction classes. The two most common are frame or brick veneer. Masonry is rated the same as brick veneer. Unless they are constructed in an earthquake-prone location, homes made of brick and masonry generally cost less to insure because they are fire-resistant.

AGE

The age of your home can impact the premium you will pay for homeowners insurance. Some insurers give discounts for new homes, which translate into lower premiums. Also, certain companies may not insure very old homes or may offer only limited coverage.





LOCATION

The location of your home will affect your premium. Urban areas generally experience higher crime rates while rural areas often have less resources for fire protection. Homes in areas that are more susceptible to specific perils, such as windstorms, earthquakes and mine subsidence will be charged a higher premium. Furthermore, all cities receive a grade for fire protection from 1-10 from the Insurance Services Office. The grade depends on recognized fire rating standards such as the size and the physical characteristics of the municipality or governmental entity; the size of the fire department, its personnel, training and equipment; and the available water supply and pressure. The fire protection grade also impacts your insurance premium.

CREDIT RATING

Most insurers consider credit rating as a factor in setting insurance rates. Generally, people with better credit ratings tend to file less claims, and thus their premium is often set at a lower rate. You may check your credit rating at www.annualcreditreport.com or by calling 1-877-322-8228.

CLAIMS HISTORY

Generally the fewer claims you make as an insured, the lower your insurance premium will be. The best way to keep the number of claims you have to file to a minimum is by maintaining your home. You should, on a regular basis, inspect your home, take preventive action and make needed repairs.

You will find a maintenance checklist attached as Appendix C.

DISCOUNTS

There are several common discounts available on homeowners policies. For example, you may be eligible for a multiple policy discount if you insure your automobile and home with the same company. In addition, if you have certain types of safety equipment, such as fire extinguishers, smoke alarms, deadbolts, central alarm systems, in your home, you may receive a discount on your premium.



> WHAT ABOUT FILING A CLAIM?

In the case of a loss, immediately contact your insurance agency. Your insurance agent should be able to guide you as to the steps necessary for filing a claim under your policy. Alternatively, your policy should outline the process. You should independently review your insurance coverage before filing a claim.

The following tips can help facilitate the process of filing a claim, regardless of whether or not they are required under your policy:

- > If the loss is due to theft or burglary, notify the police immediately.

- > Notify the bank or credit card company regarding lost credit cards or ATM cards.

- > Make any reasonable emergency repairs necessary to prevent further damage to your home and its contents. This may include things like covering broken windows or putting a tarp on your roof. Keep a record, with receipts, of what you spend. However, you should make only temporary repairs. **Do not** make permanent repairs before the claims adjuster has had a chance to inspect the damage. And **do not** throw out damaged personal property.

- > Make a list of the stolen or damaged items. Gather all bills, receipts and related information that would help document possession.

- > Photograph home or property damage.

- > Make a comprehensive list of things you would like to show the claims adjuster.

- > Meet the adjuster to survey the damage. Offer any documentation you have to support your claim.

- > Fill out any paperwork your insurer sends you quickly and completely. Make copies for your records.

- > Document all conversations you have regarding your claim with your insurer, contractors, estimators, etc.

- > If you have to move out of your home due to the damage or a storm warning, take all necessary precautions to protect your property. Secure it. Remove valuable items. Lock windows and doors. Advise your agent or company how and where you can be reached. Keep receipts of your expenses while you are living outside of your home.

> WHAT HAPPENS AFTER I FILE A CLAIM?

1

PROOF OF LOSS

After filing a claim, you may be asked to sign a statement called a “proof of loss.” In this statement, you will generally be required to provide a list of household items you have lost and their actual cash value. The insurance company will use this statement as a starting point for determining the value of your claim. It is important that the statement be comprehensive. Be sure to keep a copy of all documents for your records.

2

ESTIMATE

A claims adjuster will next review the damage to your property, generally by making an in-person visit, and prepare an “estimate of loss” to repair or replace your home and personal items. Insurance companies use this estimate to determine the amount of money they are willing to offer you under the policy.

3

APPRAISAL AND SETTLEMENT

If you and your company cannot reach a mutually satisfactory settlement figure, either party may demand an independent appraisal of the loss. Both you and the insurance company would hire independent appraisers who in turn select a mediator. The two appraisers would each independently evaluate your claim and determine the value. They would first try to reach a decision between the two of them. If they were unable to do so, they would take their sides before the mediator, who would then make a binding decision. Each side would be responsible for their appraiser and both would share the expense of the mediator.

4

DISSATISFACTION

If your claim is not settled to your satisfaction, you have the option of contacting your state’s department of insurance.

> CAN MY INSURANCE POLICY BE TERMINATED?

There are two ways your insurance policy may be terminated: cancellation or nonrenewal. You and your insurance company have the right to terminate coverage; however, both must follow the guidelines listed in your policy or required by state law to do so.

ONE/ CANCELLATION

When your policy is terminated within the policy period, that is called “cancellation.” You generally may cancel your policy at any time by returning the policy to the company or agent or giving the company advanced written notice of the date you wish to cancel the policy.

Insurance companies may cancel your policy for a variety of reasons such as:

- > Non-payment of premium;
- > Material misrepresentation of fact, which would have caused the company not to issue the policy, if previously known by the insurer;
- > Substantial change in the risk assumed, not including changes that the insurer should reasonably have foreseen or contemplated when writing the policy; or
- > Substantial breaches of contractual duties, conditions, or warranties.

You must consult your insurance policy as well as state law to determine the exact reasons and method of cancellation allowed under your policy.

TWO/ NONRENEWAL

Nonrenewal is when your company refuses to renew your policy at the end of the policy period, which is typically one year. Generally, an insurance company may choose to not renew your policy for any reason by letting you know at least 30 days in advance of the renewal date of the policy.

TIPS TO AVOID CANCELLATION OR NONRENEWAL

- > *Make prompt and timely premium payments. Perhaps a failure to do so is the most common reason for cancellation.*
- > *Keep property maintained and in good repair. Avoid accumulating trash. Repair wiring as needed. Keep roofs, siding and brickwork in good condition and freshly painted.*
- > *Avoid a poor credit history. Occasionally order a credit report.*
- > *Wisely pick your pets. Having wild animals or dogs of certain breeds, especially those with a history of attacks, can result in cancellation of your homeowners policy.*
- > *Do not report small claims or make frequent unnecessary claims. Some people attempt to use their homeowners insurance as a “maintenance policy.” This will likely result in cancellation.*
- > *Contact your insurance agent on an annual basis to ensure that your property continues to meet the company’s insuring guidelines.*

REFUNDS

All refunds, due to cancellation of the policy, are calculated on a pro-rata basis.

➤ **WHAT DO I DO IF I AM UNABLE TO SECURE HOMEOWNERS INSURANCE?**

If you have a log home, a bed and breakfast in your home, a home with a unique type of construction, a home constructed over twenty years ago, a home in a remote area or a business in your home, it may be difficult to obtain a homeowners policy. If you are unable to secure a homeowners policy for any reason, there are other alternatives.

MODIFIED COVERAGE FORMS

These policies were specifically developed for insuring older homes where the market value is less than the cost to rebuild. The major difference between modified coverage forms and traditional homeowners policies is the loss settlement provision. There are two common loss settlement provisions that are used. Under the first, all losses are paid on an actual cash value basis. Under the second, the full cost to repair using modern building materials and methods is paid for repairs that are made.

DWELLING POLICIES

These policies may be used to insure homes that do not qualify for homeowners insurance. The dwelling policy provides only property coverage, as opposed to the homeowners policy which offers both property and liability coverage.

STANDARD FIRE POLICIES

These policies insure structures for loss caused by fire. Extended coverage could be added to the Fire Policy to include wind, hail, aircraft, civil commotion, smoke, explosion, and vandalism coverage. Also, a separate endorsement can be added to cover personal property.

EXCESS AND SURPLUS LINES

Excess and surplus insurers are not licensed, but are individually approved to write property insurance when licensed insurers will not provide insurance. Because states do not regulate the rates these companies charge or the forms they use, you, as the insured, must be extra careful when obtaining such policies. You also take a risk because states will not provide protection for claims if a surplus lines company goes bankrupt.

> HOW DO I READ MY POLICY?

There are six main sections in an insurance policy, as follows:

THE DECLARATIONS

Typically the first page of your policy contains general information such as the name of the insured, the address, the dollar amount of coverage provided, a description of the policy and the cost of the policy.

THE DEFINITIONS

This section explains the precise meaning intended for terms used in the policy. This section is key to understanding the extent of coverage your policy provides.

COVERAGES

The extent of property and liability coverage is detailed in this section.

EXCLUSIONS

What is *not* covered by your policy, under both property and liability sections is laid out in the Exclusions section of your policy.

CONDITIONS

Your insurance policy is a contract. The Conditions section explains the obligations of the insured and the insurance company under the policy. This section details your duties in the event of a loss, and includes some information about how the company will settle losses.

ENDORSEMENTS

This section of your policy is particularly important. It includes any amendments to your policy that add, remove or otherwise change the standard coverage you have under your policy. In addition to endorsements you request to meet your special needs, an insurance company can also use an endorsement to limit your coverage.

LOSS PREVENTION TIPS

Even the most comprehensive insurance policy cannot compensate you for the pain, suffering or inconvenience brought about by a loss. Taking adequate steps to prevent and minimize damage to your home and injury to others is perhaps just as important as buying homeowners insurance.

Here are some tips to help you reduce your chance of loss and minimize the amount:

FIRE PREVENTION

- > Install and maintain smoke and heat detectors.
- > Purchase a fire extinguisher, learn how to use it and keep it in a handy place.
- > Properly dispose of or store trash, oily rags and combustible materials. Do not store combustible items in the attic, basement or any place where heat builds up.
- > Check for faulty wiring, especially in lamps, lamp cords and light switches.
- > Teach your family what to do in case of fire. Plan an evacuation route and practice home fire drills.
- > Keep matches and lighters away from children.
- > Never smoke in bed or when you are feeling sleepy.
- > Use fire proof building material whenever possible.
- > If you purchase a wood stove, have a professional install it.

BURGLARY PREVENTION

- > The more difficult it is for the burglar to break-in, the less likely it is that he will try. Install security devices such as electronic security systems, dead bolt locks, grates and window locks.
- > If the exterior of your house is well-lit, the risk of break-in is greatly reduced. So, it is wise to mount motion-sensitive lights on the exterior of your home.
- > Avoid tempting burglars by placing valuables such as expensive electronic devices or artwork where they cannot be seen from the street.
- > Do not provide burglars a convenient hiding place by having overgrown greenery outside your home. Trim trees and shrubs near doors and windows.
- > Do not give burglars the tools or means to break into your home by leaving ladders or tools in the yard or in an unlocked garage or shed.
- > Keep all doors, including the garage door closed and locked at all times. Do not offer burglars any easy access points.
- > Do not let burglars know that you are not home by leaving notes indicating this outside your home.
- > Display your house number conspicuously and have it well illuminated to help police and emergency personnel find your home quickly, if summoned.
- > Engrave your valuables with your name and phone number or driver's license number to deter burglary and to prove ownership if the police recover the stolen article.

LIABILITY PREVENTION

- > To prevent accidental drowning, keep swimming pools fenced and locked.
- > To avoid liability for your pet's behavior, do not keep dangerous animals and obey leash laws.
- > To avoid people from slipping or tripping, keep walkways and steps in good condition and clear of obstructions including ice.
- > To prevent people from falling, keep railings and handrails on decks, porches or landings in good repair.

ROOF MAINTENANCE

- > Periodically check for loose shingles and repair if needed.
- > Clear snow from rooftops to prevent the formation of ice dams or collapse.

INVENTORY WORKSHEET

LIVING ROOM	PURCHASE PRICE	DATE PURCHASED
Furniture		
Paintings, art objects		
Draperies, rugs		
Lighting, ceiling fan		
Electronics		
Other		

DINING ROOM	PURCHASE PRICE	DATE PURCHASED
Furniture		
Paintings, art objects		
Draperies, rugs		
Lighting, ceiling fan		
China, crystal		
Silver, pewter		
Other		

INVENTORY WORKSHEET

KITCHEN/UTILITY ROOM	PURCHASE PRICE	DATE PURCHASED
Furniture		
Curtains, rugs		
Dishes, glassware, silverware		
Lighting, ceiling fan		
Appliances		
Other		

OFFICE	PURCHASE PRICE	DATE PURCHASED
Furniture		
Draperies, rugs		
Lighting, ceiling fan		
Computer equipment		
Books		
Other		

INVENTORY WORKSHEET

MASTER BEDROOM	PURCHASE PRICE	DATE PURCHASED
Furniture		
Paintings, art objects		
Draperies, bedding, rugs		
Lighting, ceiling fan		
Electronics		
Clothing		
Jewelry		
Other		

BEDROOM #2	PURCHASE PRICE	DATE PURCHASED
Furniture		
Draperies, bedding, rugs		
Lighting, ceiling fan		
Electronics		
Clothing		
Other		

INVENTORY WORKSHEET

BEDROOM #3	PURCHASE PRICE	DATE PURCHASED
Furniture		
Draperies, bedding, rugs		
Lighting, ceiling fan		
Electronics		
Clothing		
Other		

BATHROOMS	PURCHASE PRICE	DATE PURCHASED
Towels		
Curtains, rugs		
Electrical appliances		
Other		

LAWN AND GARDEN	PURCHASE PRICE	DATE PURCHASED
Furniture		
Lawn mower		
Edger, blower		
Other		

INVENTORY WORKSHEET

MISCELLANEOUS	PURCHASE PRICE	DATE PURCHASED
Luggage		
Musical instruments		
Cameras, video equipment		
Exercise, sports equipment		
Hunting, fishing equipment		
Bicycles, toys		
Tools		
Other		

YOUR PERSONALIZED HOMEOWNERS INSURANCE PLAN

> NAME _____

> DATE _____

> BASIC FORM 1 HOMEOWNERS POLICY _____

> BASIC FORM 2 HOMEOWNERS POLICY _____

PROPERTY COVERAGE	AMOUNT OF COVERAGE
YOUR DWELLING	\$ _____
OTHER STRUCTURES	\$ _____
PERSONAL PROPERTY	\$ _____
LOSS OF USE	<i>Actual loss incurred within 12 months of the loss</i> _____

LIABILITY COVERAGE	
LIABILITY TO OTHERS	\$ _____
MEDICAL EXPENSE COVERAGE TO OTHERS	\$ _____

OPTIONS & ENDORSEMENTS	COST
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

ANNUAL PREMIUM	
WITH A _____ DEDUCTIBLE, YOUR ANNUAL PREMIUM WOULD BE.....	\$ _____
WITH A _____ DEDUCTIBLE, YOUR ANNUAL PREMIUM WOULD BE.....	\$ _____
WITH A _____ DEDUCTIBLE, YOUR ANNUAL PREMIUM WOULD BE.....	\$ _____

YOUR CHOSEN DEDUCTIBLE \$ _____

YOUR ANNUAL PREMIUM* \$ _____

**this is an estimated premium*

Premiums can be reduced by paying higher deductibles. However, in the event of a claim, a higher deductible will generally require you to make a larger out-of-pocket payment. You should talk to your insurance agent regarding the risks and benefits of a higher deductible.

This is not an insurance application. Insurance will not be issued with this form.

NOTES

HOME MAINTENANCE: CHECKLIST

Properly maintaining your home is probably the best way you can save money on your insurance. Maintenance can be as simple as routinely inspecting features of your home that can fail and cause major damage such as water pipes. Or, to take advantage of insurance discounts, you can go as far as retrofitting your home to better withstand natural disasters such as earthquakes.

Here is a checklist to help remind you of how you can maintain your home.

- On an annual basis, inspect your roof, or pay an inspector or roofing company to do so. Look for cracked or missing shingles, rotted wood or exposed areas, especially near vents, vent pipes or chimneys. Make any repairs as necessary. Use silicone caulk where necessary.
- Gutters should be cleared bi-annually. Deteriorating wood around them should be replaced. When checking gutters it is important to ensure that downspouts are connected properly and carrying water away from the foundation.
- Replace standard hoses with flexible reinforced hoses on your washing machine, dishwasher and icemaker. Hoses should be regularly inspected and may need to be replaced every five years.
- Pour a cup of mild bleach solution down the drain line of your air conditioner at the beginning of each month of use. This will reduce algae and mold. Standing water should also be checked for in the drain pan, on a monthly basis.
- Your water heater should be drained and cleaned per the manufacturer's specifications. It should also be inspected for rust, cracks and leaks on an annual basis.
- Replace caulking around tubs, showers and sinks if it is no longer water proof as indicated by cracks or mold on the caulking. New caulk should only be applied after old caulk is removed, and the area is clean thoroughly and dried.
- Pipes that are susceptible to freezing should be insulated. Gaps around outside pipes and faucets should also be sealed to maintain heating inside your home.
- Sump pump systems need to be tested regularly. Any debris should be cleared. Ideally, choose a system with back-up battery power. Regularly check to make sure that the batteries are working.
- If your toilet runs constantly or takes a long time to fill, check the fill valve or float. Replace if necessary.
- Whenever you travel for an extended period of time, turn off the main water valve.



HOME SWEET HOME.

