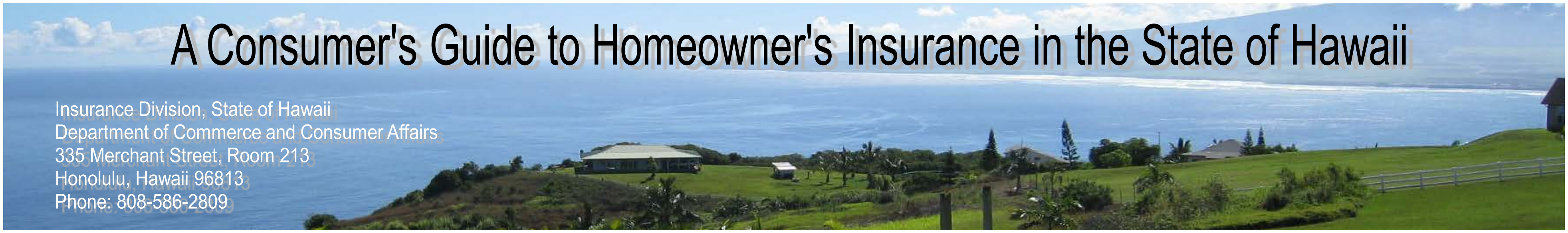

A Consumer's Guide to Homeowner's Insurance in the State of Hawaii

Insurance Division, State of Hawaii
Department of Commerce and Consumer Affairs
335 Merchant Street, Room 213
Honolulu, Hawaii 96813
Phone: 808-586-2809

GENERAL INFORMATION

Homeowner's insurance is not required by law in Hawaii. Your lender, however, may require insurance on your home for the duration of your mortgage. Homeowner's insurance provides protection for your dwelling, personal property, and on-site buildings if damaged or destroyed by a covered peril. Perils are events (i.e. fire and explosion) which cause damage to property. Aside from property coverage for your home and outbuildings, each policy usually contains four additional coverages: personal property, additional living expenses, personal liability, and medical payments.

This guide provides a general overview of homeowner's insurance in Hawaii and is not intended to replace reviewing your policy. Keep in mind, insurers may have varying definitions of policy language and charge different rates for the same coverage. We encourage you to review your policy with your insurance agent to ensure your current provisions best suit your coverage needs.

TYPES OF HOMEOWNER'S INSURANCE POLICY FORMS

While coverage descriptions may vary, most insurers use one or more of the following policy forms. Comprehensive Form (HO-5), not listed, provides the broadest coverage but is uncommon.

HOME OWNER'S POLICY FORMS			RENTER'S POLICY FORM	UNIT-OWNER'S POLICY FORM
BASIC FORM (HO-1)	**BROAD FORM (HO-2)**	**SPECIAL FORM (HO-3)**	**CONTENTS BROAD FORM (HO-4)**	**CONDO OWNERS FORM (HO-6)**
Named peril coverage: fire, lightning, windstorm excluding hurricane, hail, explosion, vandalism or malicious mischief, damage by vehicles, aircraft and riots. Since few homeowners select this limited policy, many insurers no longer offer Form HO-1.	In addition to the Basic Form (HO-1) coverages, this form also insures a home and personal property for collapse or damage from falling trees and other objects, and (under certain conditions) from steam and water damage.	Open peril coverage excluding the following: flood, surface water, sewer backups, tidal waves, earthquakes, landslides, war, nuclear radiation, and hurricane. Personal property only covered for the same perils as the Broad Form (HO-2).	This policy provides renters personal property protection against the same perils as the Broad Form (HO-2) and includes personal liability protection. Unlike the other policy forms, the renter's HO-4 form only incorporates coverages C through F.	This condominium and townhouse unit owners form offers coverage for personal property and interior finishes. The condo association typically purchases a separate policy that covers the building (including common walls and grounds) and associated liability.
>>>>>>>>>>>>> Generally, as coverage increases so does your premium >>>>>>>>>>>>>				

POLICY COVERAGES

Every homeowner's policy (except for HO-4) includes the following six coverages. If your policy's standard coverage is inadequate, endorsements may offer specialized coverage to meet your needs.

Section I	Coverage **A**:	Covers main house damage. The coverage limit is typically set at or near the replacement cost of the home. For Condo Unit-Owners (HO-6), limit usually the declared value by insured.
	Coverage **B**:	Covers damage to other structures on the lot, such as detached garages/carports and storage sheds.
	Coverage **C**:	Covers damage to or loss of personal property.
	Coverage **D**:	Covers additional living expenses (incurred by the insured) to continue the "normal" standard of living when the house cannot be occupied due to a covered loss.
Sec II	Coverage **E**:	Covers personal liability exposures. Protects against a claim/lawsuit resulting from (non-auto & non-business) bodily injury or property damage to others caused by your negligence.
	Coverage **F**:	Regardless of who is at fault, this coverage pays for reasonable medical expenses for persons (other than you or residing family members) accidentally injured on your property.

TYPES OF VALUATION

Replacement cost is the amount necessary to replace, rebuild, or repair your home/property without deducting for depreciation. Depreciation is the decrease in an asset's value due to age, obsolescence, and/or "wear and tear." Many insurers require policyholders to insure their homes for at least 80% of its replacement value.

Actual cash value (ACV) is the cost to replace, rebuild, or repair your home/property after deducting for depreciation. Most homeowner policies cover personal property on an ACV basis.

PREMIUM DEVELOPMENT CONSIDERATIONS (VARIES BY INSURER)

Your premium may be based on, but not limited to, the following factors: type of construction, loss prevention devices, public protection class, deductible level, amount of insurance, and policy form.

BUYING INSURANCE FOR YOUR HOME

The key to insurance comparison shopping is identifying your desired deductible levels, coverage limits and provisions before getting premium quotes. Once your ideal policy parameters are selected, the quotes you receive should be on an "apples to apples" comparative basis. After obtaining multiple premium quotes, your personal preference dictates the importance of the following considerations: premium cost, service and financial stability. Generally, financial ratings from reputable sources (i.e. A.M. Best and Moody's) indicate an insurance company's financial "heath" and ability to pay claims. Note: if your agent only represents one insurance company, you may need to contact an independent agent to obtain competing quotes.

SAMPLE ANNUAL HOMEOWNERS INSURANCE PREMIUMS - OAHU

The Hawaii Insurance Division of the Department of Commerce and Consumer Affairs provides this sample premium comparison of licensed insurance companies transacting Homeowners insurance in Hawaii as part of our continuing effort to assist and educate consumers.

OAHU - SAMPLE HOMEOWNERS PREMIUMS

HO POLICY (HO-3) ASSUMPTIONS

Coverage A: $250,000
B: 10% of Coverage A
C: 50% of Coverage A (ACV)
D: 20% of Coverage A
Section II (Liability): $100,000 Deductible: $500
Rates effective as of December 1, 2013

DWELLING CHARACTERISTICS

Year Built:	1980	2005	1990
Construction:	Wood (**Single-wall**)	Wood (**Double-wall**)	**Masonry** (CMU)
Roof:	Hip, asphalt shingle	Hip, asphalt shingle	Flat, torched membrane
Elevation:	15' above sea-level	15' above sea-level	15' above sea-level
Add'l Factors:	Primary residence No claims in 5 yrs.	Primary residence No claims in 5 yrs.	Primary residence No claims in 5 yrs.

NAIC Co. Code	Insurance Company	Public Protection Class* 3	10	Public Protection Class* 3	10	Public Protection Class* 3	10
10938	First Security Insurance of Hawaii, Inc.	179	256	150	205	179	256
41742	First Insurance Company of Hawaii, Ltd.	203	290	163	232	203	290
12502	Dongbu Insurance Co., Ltd. (U.S. Branch)	207	295	174	248	207	295
11689	Island Premier Insurance Company, Ltd.	251	349	174	242	226	349
10805	American Pacific Insurance Company	261	398	179	286	261	392
41734	First Indemnity Insurance of Hawaii, Inc.	239	342	191	273	239	342
41726	First Fire and Casualty Insurance of Hawaii	239	342	191	273	239	342
37265	DTRIC Insurance Company, Limited	281	311	196	217	281	311
10861	Universal Property & Casualty Insurance Co.	209	298	209	298	188	268
28487	Farmers Insurance Hawaii, Inc.	309	461	216	336	309	455
22853	Tradewind Insurance Company, Limited	333	466	231	323	300	466
41459	Armed Forces Insurance	254	355	239	334	254	355
22845	Island Insurance Company, Limited	392	548	272	380	352	548
15598	Interinsurance Exchange of the Automobile Club	283	346	274	336	283	346
21105	North River Insurance Co.	314	440	289	404	314	440
10759	Universal North America Insurance Company	328	DNW	300	DNW	300	DNW
23035	Liberty Mutual Fire Ins Co	374	472	307	387	323	417
21113	United States Fire Insurance Co	357	501	329	461	357	501
29068	IDS Property Casualty Insurance	360	455	334	423	311	407
25180	Stillwater Insurance Company	352	447	345	438	352	390
12767	Hawaiian Insurance & Guaranty Company Ltd.	391	528	375	504	391	528
19232	Allstate Insurance Company	393	476	393	476	359	453
25941	United Services Automobile Association	425	553	412	536	425	553
25143	State Farm Fire and Casualty Company	440	520	418	494	365	431
10340	Stonington Insurance Company	496	DNW	449	DNW	484	DNW
26298	Metropolitan Property & Casualty Ins. Co.	519	727	467	654	492	690
13056	RLI Insurance Company	551	786	468	668	551	786
25968	USAA Casualty Insurance Company	486	631	471	612	486	631
31348	Crum & Forster Indemnity Co	484	678	484	678	484	678
19615	American Reliable Insurance Company	512	717	486	681	512	717
18600	USAA General Indemnity Company	631	821	612	796	631	821
21873	Fireman's Fund Insurance Company	970	1078	931	1034	970	1078
20281	Federal Insurance Company	1260	2346	1222	2275	1071	1994
20346	Pacific Indemnity Company	1260	2346	1222	2275	1071	1994
25623	The Phoenix Insurance Company	1500	2100	1500	2100	1500	2100
25658	The Travelers Indemnity Company	1500	2100	1500	2100	1500	2100

DNW = Does Not Write

OAHU - SAMPLE HOMEOWNERS HURRICANE PREMIUMS

Hurricane insurance supplements your homeowner's policy by covering property damage due to hurricanes. For information about homeowner's hurricane insurance, please visit www.hawaii.gov/dcca/ins/hurricane-insurance.html

HURRICANE POLICY

Replacement Cost: $250,000
Deductible: DED (below)
Rates effective as of December 1, 2013

DWELLING CHARACTERISTICS (same as HOMEOWNERS)

Construction:	Wood (**Single-wall**)	Wood (**Double-wall**)	**Masonry** (CMU)
Wind R Devices:	None	Hurricane roof clips Foundation anchors	Hurricane roof clips
R = Resistive			

NAIC Co. Code	Insurance Company	DED	Premium ($)	Premium ($)	Premium ($)
10799	GeoVera Insurance Company	2%	1601	368	426
11026	Zephyr Insurance Company	2%	1595	400	462
12767	Hawaiian Insurance & Guaranty Company Ltd.	2%	1215	435	516
12502	Dongbu Insurance Co., Ltd. (U.S. Branch)	2%	1421	464	526
12573	Centauri Specialty Insurance Company	2%	1977	485	509
10861	Universal Property & Casualty Insurance Co.	2%	1495	595	533
25180	Stillwater Insurance Company	1%	683	683	374
25941	United Services Automobile Association	2%	1758	714	1201
37273	Axis Insurance Company	2%	2092	728	852
15598	Interinsurance Exchange of the Automobile Club	2%	1573	745	581
10340	Stonington Insurance Company	2%	1881	814	599
25968	USAA Casualty Insurance Company	2%	2009	816	1372
29068	IDS Property Casualty Insurance	5%	822	822	659
41459	Armed Forces Insurance	2%	937	937	515
19615	American Reliable Insurance Company	2%	939	939	939
25143	State Farm Fire and Casualty Company	2%	1240	995	918
18600	USAA General Indemnity Company	2%	2611	1061	1784
13056	RLI Insurance Company	2%	1469	1302	1269
25623	The Phoenix Insurance Company	2%	2446	2446	2446
25658	The Travelers Indemnity Company	2%	2446	2446	2446

OAHU - SAMPLE HOMEOWNERS WITH HURRICANE COVERAGE INCLUDED

Assumptions and Dwelling Characteristics Same as Above

NAIC Co. Code	Insurance Company	Public Protection Class* 3	10	Public Protection Class* 3	10	Public Protection Class* 3	10	
14432	Family Security Insurance Company, Inc.	1515	1724	621	779	704	884	<<<<<< **These sample premiums INCLUDE Hurricane coverage**
30104	Hartford's Underwriters Insurance Company	1418	1507	670	736	918	1007	<<<<<<
18279	Bankers Standard Insurance Company	1381	1974	1381	1974	1307	1752	<<<<<<

SAMPLE PREMIUM VS. YOUR CURRENT OR PROSPECTIVE HOMEOWNERS PREMIUM

Your Homeowners insurance premium may be affected by, but not limited to, the following considerations: coverage limits, deductible levels, loss preventative devices (i.e. security system) and previous claims. Each insurer may have unique rating factors associated with these risk classifications so your current or quoted premium could vary from these sample indications. Please contact your agent to obtain quotes that account for your home's specific attributes and desired coverage provisions.

*WHAT IS A PUBLIC PROTECTION CLASSIFICATION?

Public Protection Classification (PPC) is a rating criterion that measures a community's fire protection capabilities. PPC community grading is based on Fire Department characteristics, available water supply, and communication system. The majority of Oahu properties are classified as a **PPC 3**. If you live in Tantalus or Waialua, please contact your agent to verify your property's classification. Generally, dwellings located more than 5 road miles from a recognized fire station and 1000 feet from a 4" hydrant are a PPC 10.

SAMPLE ANNUAL HOMEOWNERS INSURANCE PREMIUMS - NEIGHBOR ISLAND

The Hawaii Insurance Division of the Department of Commerce and Consumer Affairs provides this sample premium comparison of licensed insurance companies transacting Homeowners insurance in Hawaii as part of our continuing effort to assist and educate consumers.

NEIGHBOR ISLAND - SAMPLE ANNUAL HOMEOWNERS PREMIUMS

HOMEOWNERS POLICY (HO-3) ASSUMPTIONS

Coverage A: $250,000 B: 10% of Coverage A
C: 50% of Coverage A (ACV)
D: 20% of Coverage A
Section II (Liability): $100,000 Deductible: $500

DWELLING CHARACTERISTIC ASSUMPTIONS

Dwelling 1	Dwelling 2	Dwelling 3
Year Built: 1980 Elevation: 15' above sea-level	Year Built: 2005 Elevation: 15' above sea-level	Year Built: 1990 Elevation: 15' above sea-level
Construction: Wood (**Single-wall**)	Construction: Wood (**Double-wall**)	Contruction: **Masonry** (CMU)
Roof: Hip, asphalt shingle	Roof: Hip, asphalt shingle	Roof: Flat, torched membrane
Add'l: Primary residence, no claims in 5 yrs.	Add'l: Primary residence, no claims in 5 yrs.	Add'l: Primary residence, no claims in 5 yrs.

NAIC Co. Code	Insurance Company	Public Protection Class* (1980, Wood Single-wall)						Public Protection Class* (2005, Wood Double-wall)						Public Protection Class* (1990, Masonry)					
		4	5	6	7	9	10	4	5	6	7	9	10	4	5	6	7	9	10
10938	First Security Insurance of Hawaii, Inc.	181	183	185	201	238	256	150	150	150	161	190	205	181	183	185	186	238	256
41742	First Insurance Company of Hawaii, Ltd.	205	207	210	228	270	290	164	166	168	182	216	232	205	207	210	211	270	290
11689	Island Premier Insurance Company, Ltd.	251	251	251	274	325	349	174	174	174	190	225	242	226	226	226	251	325	349
12502	Dongbu Insurance Co., Ltd. (U.S. Branch)	210	211	213	232	275	295	177	178	179	195	232	248	210	211	213	216	275	295
10805	American Pacific Insurance Company	266	270	274	305	359	398	183	186	189	213	256	286	266	270	274	278	352	392
41734	First Indemnity Insurance of Hawaii, Inc.	241	244	247	268	317	342	193	195	197	215	254	273	241	244	247	248	317	342
41726	First Fire and Casualty Insurance of Hawaii	241	244	247	268	317	342	193	195	197	215	254	273	241	244	247	248	317	342
37265	DTRIC Insurance Company, Limited	281	281	281	311	311	311	196	196	196	217	217	217	281	281	281	311	311	311
10861	Universal Property & Casualty Insurance Co.	211	213	215	217	277	298	211	213	215	217	277	298	190	192	193	195	249	268
28487	Farmers Insurance Hawaii, Inc.	314	318	322	359	418	461	220	223	227	256	302	336	314	318	322	326	411	455
22853	Tradewind Insurance Company, Limited	333	333	333	365	433	466	231	231	231	253	300	323	300	300	300	333	433	466
41459	Armed Forces Insurance	254	254	254	279	330	355	239	239	239	262	310	334	254	254	254	254	330	355
22845	Island Insurance Company, Limited	392	392	392	431	509	548	272	272	272	299	353	380	352	352	352	392	509	548
21105	North River Insurance Co.	314	314	314	346	408	440	289	289	289	318	374	404	314	314	314	314	408	440
10759	Universal North America Insurance Company	328	344	377	411	539	DNW	300	300	300	300	418	DNW	300	300	300	326	513	DNW
15598	Interinsurance Exchange of the Automobile Club	331	331	350	350	372	388	321	321	340	340	361	376	331	331	350	350	372	388
23035	Liberty Mutual Fire Ins Co	398	406	406	430	454	482	327	333	333	353	373	396	338	350	358	358	382	426
21113	United States Fire Insurance Co	357	357	357	393	465	501	329	329	329	362	427	461	357	357	357	357	465	501
29068	IDS Property Casualty Insurance	356	367	367	384	403	431	331	341	341	357	374	400	308	318	326	335	343	386
25180	Stillwater Insurance Company	340	340	340	340	397	425	333	333	333	333	389	417	340	340	340	340	340	377
12767	Hawaiian Insurance & Guaranty Company Ltd.	391	391	391	426	494	528	375	375	375	407	472	504	391	391	391	391	494	528
19232	Allstate Insurance Company	405	405	432	432	453	476	405	405	432	432	453	476	381	393	405	405	432	453
25941	United Services Automobile Association	425	425	425	468	510	553	412	412	412	453	494	536	425	425	425	425	510	553
10340	Stonington Insurance Company	496	496	496	496	DNW	DNW	449	449	449	449	DNW	DNW	484	484	484	484	DNW	DNW
26298	Metropolitan Property & Casualty Ins. Co.	505	553	553	575	624	671	454	497	497	518	561	605	480	524	524	546	592	638
25143	State Farm Fire and Casualty Company	486	519	519	519	575	575	462	493	493	493	547	547	404	430	430	430	477	477
25968	USAA Casualty Insurance Company	486	486	486	534	583	631	471	471	471	518	565	612	486	486	486	486	583	631
13056	RLI Insurance Company	556	561	567	618	731	786	472	477	482	525	621	668	556	561	567	572	731	786
31348	Crum & Forster Indemnity Co	484	484	484	534	630	678	484	484	484	534	630	678	484	484	484	484	630	678
19615	American Reliable Insurance Company	512	512	512	563	666	717	486	486	486	532	632	681	512	512	512	563	666	717
18600	USAA General Indemnity Company	631	631	631	695	758	821	612	612	612	673	735	796	631	631	631	631	758	821
21873	Fireman's Fund Insurance Company	970	970	970	970	1078	1078	931	931	931	931	1034	1034	970	970	970	970	1078	1078
20281	Federal Insurance Company	1163	1393	1459	2075	2256	2346	1287	1351	1416	2013	2188	2275	1128	1184	1240	1764	1917	1994
20346	Pacific Indemnity Company	1163	1393	1459	2075	2256	2346	1287	1351	1416	2013	2188	2275	1128	1184	1240	1764	1917	1994
25623	The Phoenix Insurance Company	1500	1500	1500	1650	1949	2100	1500	1500	1500	1650	1949	2100	1500	1500	1500	1500	1949	2100
25658	The Travelers Indemnity Company	1500	1500	1500	1650	1949	2100	1500	1500	1500	1650	1949	2100	1500	1500	1500	1500	1949	2100

DNW = Does Not Write

NEIGHBOR ISLAND - SAMPLE ANNUAL HURRICANE PREMIUM

Hurricane insurance supplements your homeowner's policy by covering property damage due to hurricanes. For information about homeowner's hurricane insurance, please visit www.hawaii.gov/dcca/ins/hurricane-insurance.html

HURRICANE POLICY ASSUMPTIONS

Replacement Cost: $250,000
Deductible: DED (below)
Rates effective as of: 12/1/2013

DWELLING CHARACTERISTICS (same as HOMEOWNERS)

Construction:	Wood (**Single-wall**)	Wood (**Double-wall**)	**Masonry** (CMU)
Wind R Devices:	None	Hurricane roof clips Foundation anchors	Hurricane roof clips
R = Resistive			

NAIC Co. Code	Insurance Company	DED	Premium ($) Wood (Single-wall)	Premium ($) Wood (Double-wall)	Premium ($) Masonry (CMU)
10799	GeoVera Insurance Company	2%	1601	368	426
11026	Zephyr Insurance Company	2%	1595	400	462
12767	Hawaiian Insurance & Guaranty Company Ltd.	2%	1215	435	516
12502	Dongbu Insurance Co., Ltd. (U.S. Branch)	2%	1421	464	526
12573	Centauri Specialty Insurance Company	2%	1977	485	509
10861	Universal Property & Casualty Insurance Co.	2%	1495	595	533
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25180	Stillwater Insurance Company	1%	683	683	374
25941	United Services Automobile Association	2%	1758	714	1201
37273	Axis Insurance Company	2%	2092	728	852
15598	Interinsurance Exchange of the Automobile Club	2%	1573	745	581
10340	Stonington Insurance Company	2%	1881	814	599
25968	USAA Casualty Insurance Company	2%	2009	816	1372
29068	IDS Property Casualty Insurance	5%	822	822	659
41459	Armed Forces Insurance	2%	937	937	515
19615	American Reliable Insurance Company	2%	939	939	939
25143	State Farm Fire and Casualty Company	2%	1240	995	918
18600	USAA General Indemnity Company	2%	2611	1061	1784
13056	RLI Insurance Company	2%	1469	1302	1269
25623	The Phoenix Insurance Company	2%	2446	2446	2446
25658	The Travelers Indemnity Company	2%	2446	2446	2446

OAHU - SAMPLE HOMEOWNERS WITH HURRICANE COVERAGE INCLUDED

Assumptions and Dwelling Characteristics Same as Above

NAIC Co. Code	Insurance Company	Public Protection Class* (1980, Wood Single-wall)						Public Protection Class* (2005, Wood Double-wall)						Public Protection Class* (1990, Masonry)						These sample premiums INCLUDE Hurricane coverage
		4	5	6	7	9	10	4	5	6	7	9	10	4	5	6	7	9	10	
14432	Family Security Insurance Company, Inc.	1515	1518	1518	1532	1650	1724	621	623	624	634	723	779	704	705	705	718	829	884	<<<<<<
30104	Hartford's Underwriters Insurance Company	1418	1418	1418	1418	1507	1507	670	670	670	670	736	736	918	918	918	918	1007	1007	<<<<<<
18279	Bankers Standard Insurance Company	1381	1381	1381	1604	1381	1974	1381	1381	1381	1604	1381	1974	1307	1307	1307	1503	1677	1752	<<<<<<

SAMPLE PREMIUM VS. YOUR CURRENT OR PROSPECTIVE HOMEOWNERS PREMIUM

The premium cost of your Homeowners insurance policy may be affected by, but not limited to, the following considerations: coverage limits, deductible levels, loss preventative devices (i.e. security system) and previous claims. Each insurance company may have unique rating factors associated with these risk classifications so your current or quoted premium could vary from these sample indications. Please contact your insurance agent to obtain quotes that account for your home's specific attributes and desired coverage provisions.

*WHAT IS A PUBLIC PROTECTION CLASSIFICATION?

Public Protection Classification (PPC) is a rating criterion that measures a community's fire protection capabilities. PPC community grading is based on Fire Department characteristics, available water supply, and communication system. Generally, dwellings located more than 5 road miles from a recognized fire station and 1000 feet from a 4" hydrant are a PPC 10. For the neighbor islands, PPC grades vary by island and community. Please contact your insurance agent to obtain the PPC associated with your property location.

A Consumer's Guide to Home Insurance

GET SMART ABOUT INSURANCE
INSURE U
NAIC
National Association of Insurance Commissioners

About the NAIC …

The National Association of Insurance Commissioners (NAIC) is the oldest association of state government officials. Its members consist of the chief insurance regulators in all 50 states, the District of Columbia and five U.S. territories. The primary responsibility of the state regulators is to protect the interests of insurance consumers, and the NAIC helps regulators fulfill that obligation in a number of different ways. This guide is one example of work done by the NAIC to assist states in educating and protecting consumers.

Another way the NAIC lends support to state regulators is by providing a forum for the development of uniform public policy when uniformity is appropriate. It does this through a series of model laws, regulations and guidelines, developed for the states' use. States that choose to do so may adopt the models intact or modify them to meet the needs of their marketplace and consumers.

The NAIC's mission is to assist state insurance regulators, individually and collectively, in serving the public interest and achieving the following fundamental insurance regulatory goals in a responsive, efficient and cost effective manner, consistent with the wishes of its members:

- Protect the public interest.
- Promote competitive markets.
- Facilitate the fair and equitable treatment of insurance consumers.
- Promote the reliability, solvency and financial solidity of insurance institutions.
- Support and improve state regulation of insurance.

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A Consumer's Guide to

HOME INSURANCE

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Table of Contents

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.

Why You Need Insurance

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

- **To protect your assets**
  Homeowners insurance covers the structure of your home and your personal property, as well as your personal legal responsibility (or liability) for injuries to others or their property while they're on your property.

- **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. Compared to a policy you would buy on your own, the premium might be much higher and the coverage will be limited to damage to the structure of your home. The lender can require you to pay this higher premium until you get your own homeowners insurance again.

Coverages in a Homeowners Policy

Most homeowners insurance policies provide a package of coverages. The main types of coverage are described below. Keep in mind that you're covered only if the loss is caused by a peril your policy covers. For example, if your home becomes unlivable due to an earthquake and your homeowners policy doesn't cover earthquakes, your policy won't pay for loss of use of your home. Review your policy for the limits of your coverage.

- **Dwelling**. Pays for damage to your house and to structures attached to your house. This includes damage to fixtures, such as plumbing, electrical wiring, heating and permanently installed air-conditioning systems.
- **Other Structures**. Pays for damage to fences, tool sheds, freestanding garages, guest cottages and other structures not attached to your house.
- **Personal Property**. Reimburses you for the value of your possessions, including furniture, electronics, appliances and clothing, damaged or lost even when they aren't on your property, such as those at an off-site storage locker or with your child at college.
- **Loss of Use**. Pays some of your additional living expenses while your home is being repaired.
- **Personal Liability**. Covers your financial loss if you are sued and found legally responsible for injuries or damages to someone else.
- **Medical Payments**. Pays medical bills for people hurt on your property or hurt by your pets.

Peril is an insurance term for a specific risk or reason for a loss. Some policies cover all perils except ones specifically excluded. At the other extreme are policies that cover only the perils named in the policy.

Types of Homeowners Policies

To be reimbursed for damage to your property, a covered peril (such as fire, theft or windstorm) must have caused your loss. Which perils your policy covers depends on the type of policy you buy. The most common types of homeowners policies are listed below. All of the policy types **except** the dwelling fire form cover your dwelling and its contents, as well as personal liability and medical payments. Read Table 1 to learn the specific perils each type of policy covers.

A type of homeowners policy is called a **Form**

- The **Dwelling Fire Form** covers only your dwelling. It does **not** cover your personal property, personal liability or medical payments. It also covers only a few perils. It's the type of policy your mortgage lender will buy for you if you let your homeowners policy lapse. It's also used for vacation homes and when you can't find other coverage.
- The **Basic Form** insures your property against only the list of perils shown in Table 1.
- The **Modified Coverage Form** is for older homes, where the cost to rebuild is greater than the market value. It covers the same set of perils as the Basic Form.
- The **Broad Form** insures your property against the perils shown on Table 1.
- The **Special Form** is the most popular of all homeowners forms. It insures your property against all perils, except those the policy specifically names as **not** covered. Perils commonly excluded are flood and earthquake.
- The **Tenants Form** is for renters. It insures your personal property against all of the perils in the Broad Form.
- The **Condominium Unit Owners Form** is for owner-occupants of condominium units. It insures your personal property and your walls, floors and ceiling against all of the perils in the Broad Form.

There are other types of insurance for other types of residences. If you own a **townhouse**, you may insure it through either an individual homeowners policy or an association master policy. If you live in a **mobile home** that has wheels and doesn't rest on blocks or a permanent foundation, in most states you'll buy a form of automobile insurance. This insurance offers far less coverage than homeowners policies. If your home is on land used for farming or raising livestock, ask about a **farmowners** policy.

Table 1. Perils Covered by Different Types of Homeowners Policies

Peril	Type of Policy: Dwelling Fire	Basic Form and Modified Coverage Form	Broad Form	Special Form	Tenants Form	Condominium Unit Owners Form
Fire, smoke, windstorm, hail, lightning, explosion, vehicles, civil unrest	Dwelling	Dwelling, Contents	Dwelling, Contents	Dwelling, Contents	Contents	Contents
Theft, vandalism		Dwelling, Contents	Dwelling, Contents	Dwelling, Contents	Contents	Contents
Trees and other falling objects			Dwelling, Contents	Dwelling, Contents	Contents	Contents
Weight of ice, snow, sleet			Dwelling, Contents	Dwelling, Contents	Contents	Contents
Freezing, rupturing or sudden and accidental overflow of a plumbing, heating, air-conditioning or fire-sprinkler system or a household appliance			Dwelling, Contents	Dwelling, Contents	Contents	Contents
All perils except flood, earthquake, war, nuclear accident and other perils specifically excluded in your policy				Dwelling		

Types of Policies

Flood Insurance

Homeowners policies **don't** cover flood damage. Depending on where your home is, you may qualify for flood insurance through the National Flood Insurance Program or through a private insurer. Contact an insurance agent for more information. If your home is in a flood plain, your mortgage lender will usually require you to buy flood insurance.

Limits of Coverage

Your insurance agent usually will help you decide how much dwelling coverage to buy when you first get homeowners insurance. Your coverage should equal the full replacement cost of your home. Note that replacement cost and market value are **not** the same. The market value, which includes the price of your land, depends on the real estate market.

You should review your dwelling coverage from time to time to be sure it doesn't drop below the cost to replace your home. If it drops below 80% of the full replacement cost of your home, your insurance company may reduce the amount that it will pay on a claim.

The limits of your coverage for other structures, for personal property and for loss of use of your home are expressed as percentages of your dwelling limit. The coverage is usually a set percentage (see Table 2). For example, if your dwelling coverage limit is $150,000 and your coverage for personal property is limited to 50% of your dwelling coverage, your coverage for personal property would be $75,000. Check your policy, as coverage limits might be based on percentages different from those in Table 2. You choose your coverage limits for your personal liability and for medical payments.

Table 2. Policy Limits

Coverage Component	Typical Limit of Coverage
Dwelling	You Choose
Other Structures	10% of Dwelling Coverage LImit
Personal Property	50% of Dwelling Coverage Limit
Loss of Use	20% of Dwelling Coverage Limit
Personal Liability	You Choose
Medical Payments	You Choose

Deductibles

A deductible is the money you have to pay out-of-pocket on a claim before the policy pays the loss. The deductible applies to coverage for your home and personal property and is paid on each claim. Higher policy deductibles mean lower policy premiums. A policy with a $1,000 deductible will have a lower premium than the same policy with a $500 deductible. In some locations, there are also catastrophe deductibles, which are expressed as a percentage instead of a dollar amount.

Having a higher deductible can be a good way to save money on your homeowners insurance premium and to submit fewer claims. However, be sure you can afford the deductible in case you have a loss.

Replacement Cost and Actual Cash Value

You can choose to insure your home and its contents for either replacement cost or actual cash value. **Replacement cost** is the cost to rebuild your home or repair damages using materials of similar kind and quality. **Actual cash value** is the value of your home considering its age and wear and tear. Actual cash value coverage pays you for your loss, but often doesn't pay enough to fully repair or replace the damage.

Optional Coverages

You can add other coverages. Sometimes, you can add coverage by buying an endorsement; other times, you must buy another policy to cover a specific peril or a specific item of property. Some reasons you might want to add coverages are:

- **To cover perils most homeowners policies don't cover.** The National Flood Insurance Program writes most *flood insurance policies*, although some insurance companies also sell it. Many insurance companies sell *earthquake insurance* as a separate policy or as an endorsement to your homeowners policy. While homeowners policies in most states cover damage caused by *windstorm and hail*, policies in coastal areas often exclude this coverage, in which case you would need to buy a separate policy to protect from this risk. You might be able to buy endorsements to cover damage caused by *mold* or by *sewer or drain backups* and *sump pump overflow* since most homeowners policies offer limited or no coverage for these types of events.

- **To increase your current coverage.** *Guaranteed replacement cost coverage* pays to completely rebuild your home, while a *personal property replacement cost endorsement* pays to replace your personal property. An *inflation guard endorsement* raises your dwelling coverage limit annually in line with inflation. *Personal umbrella liability insurance* increases your liability coverage above the level available in a homeowners policy. A *scheduled personal property endorsement* (or "personal article floater") covers jewelry, furs, stamps, coins, guns, computers, antiques and other items whose value might be greater than the normal limits in your homeowners policy. An *ordinance or law endorsement* pays for the extra expense to rebuild your home in compliance with building codes and other ordinances or laws that didn't exist when your home was originally built.

Business Use of Your Home

While homeowners insurance isn't designed to cover most business uses of your home, some policies might cover some business uses, at least partially. For example:

- **Computers and laptops.** If you use your home computer or laptop for business purposes, it's often covered, but you should check your policy limits. Your laptop might be covered, even if it's lost, damaged or stolen when it's away from your home.

- **Daycare coverage.** Most homeowners policies provide a limited amount of liability coverage if you care for a friend's children and aren't paid. But if you're paid to provide daycare in your home, you must buy more insurance to cover your related liability.

Other Types of Home-Related Insurance

You might hear about other types of insurance, especially when you buy your home. Lenders usually require **private mortgage insurance (PMI)** if your down payment is less than 20% of the home's purchase price. PMI protects the lender if you default on your mortgage. The PMI premium is often included in your monthly mortgage payment.

Title insurance protects you and the lender against any monetary loss due to errors in the title. You usually pay for title insurance as a one-time fee when you buy a home.

A **home warranty** covers the mechanical breakdown of individual parts of a home, such as the electrical and plumbing systems. A warranty doesn't cover the home's structure, may or may not cover appliances, ends at a specific point in time (for example, one year) and has exclusions and limitations that you should review. Home warranties might not be regulated as insurance in your state.

How Insurers Determine Your Premium

Many factors affect the premium you pay, including which insurance company you choose. Different insurance companies charge different premiums for similar coverage. Decisions you make about how much insurance coverage to buy also affect your premium. Some of the other things that are likely to affect your premium are:

- <u>The characteristics of your home</u>
  - The cost to rebuild your home. This is not the same as the purchase price (which includes the cost of the land). Your insurance agent might help you estimate replacement cost using information about your home and its contents.
  - Whether your home is made of brick or wood. The premium usually is lower for homes that are primarily brick or masonry than for wood frame homes.
  - The distance from your home to a water source or fire department and the quality of your community's fire protection services.
  - The age and condition of your home. The premium often is higher for older homes and homes in poor condition than for newer homes and homes in good condition.
  - The claims history of your home and of homes in your area.
- <u>Your choices and characteristics</u>
  - The coverages you choose, including optional endorsements.
  - The deductible you choose.
  - Insuring your home and autos with the same insurance company.
  - The length of time you've been with your current insurance company.
  - Your credit history. To access your credit report, the insurance agent might ask you for your Social Security number. In many states, insurers use your credit history as a factor to decide whether to sell you insurance and what price to charge you.
  - Your history of filing claims for water damage, fire, theft or liability on homes you've owned.
- <u>Other characteristics</u>
  - Having protection devices in your home, such as smoke detectors, a burglar alarm, a sprinkler system, deadbolts on doors or security devices for windows. Many insurers offer a discount if you have any of these.
  - Having a wood furnace or wood stove.
  - Having a swimming pool, trampoline or playscape that could cause injuries.
  - The types of pets you have. Some insurers won't insure you if you own certain breeds of dogs.
  - Operating a business from your home.

Smart Shopping

Different insurance companies charge different rates for the same coverage. Also, not all insurance companies provide the same level of claims service. Therefore, it makes sense to shop around for the best insurance company for your needs.

Insurance companies use one of three methods to sell their products.

- **Independent agents** represent several companies and can give you several quotes.
- **Exclusive agents** only sell the products of one insurance company.
- **Direct market** sales are over the Internet or by mail or telephone.

You can find insurance companies and agents through the phone book, on the Internet and television and by asking friends and neighbors. You should also check with your state insurance department to see if it publishes premium comparison guides for homeowners insurance.

Customer service is important to most consumers, particularly when they have a claim. You can get a sense of how well an insurer serves its customers from a complaint index. Many state insurance departments post complaint index information on their Web sites. A complaint index measures how many complaints your state insurance department receives relative to the size of the company.

It's illegal for unlicensed insurers or agents to sell insurance. Business cards aren't proof that an agent is licensed. If you do business with an unlicensed agent or company, it might not pay your claims or refund your premiums if you cancel your policy. If an unlicensed agent or company contacts you, check with your state insurance department immediately, so it can investigate. Your actions may protect someone else from being victimized.

You also want to buy insurance from a company that's financially sound. You can check the financial health of an insurance company by using ratings from independent ratings agencies such as Standard and Poor's, A.M. Best and Moody's.

Getting Premium Quotes

Getting premium quotes is a good way to compare different companies' prices. But, first you should decide what coverages and policy limits you need. It's important that you know how much it would cost to rebuild your home. An insurance agent or a contractor might be able to help you estimate the cost to rebuild your home.

When you get quotes, it's crucial that you ask for the same coverages and limits and give the same information to each agent or company. To give you an accurate quote, the insurance agent or company will usually ask for a description of your house (such as where it's located, its square footage, when it was built and the type of construction). He or she also might ask about items that increase your insurance needs, such as owning pets and expensive possessions. An agent might visit your home to take a photo or ask you for other information (such as the distance from the nearest fire department and the general condition of your home). Be sure to get rate quotes and key information in writing.

Make sure you ask the insurance agent if you qualify for any discounts. Some insurers offer a discount if you also buy your auto insurance from them or if you disaster-proof your home (for example, add storm shutters), update the home's electrical or plumbing systems, get a new roof or add home security devices (for example, a burglar alarm).

Also, be sure to find out how much your premium will change if you choose different deductibles.

While you're getting quotes, you should also ask the agent some of these questions:

- 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? The claims history of the home might affect your premium.
- If I submit a claim, how will it affect my premium when I renew the policy?
- How will my credit history affect my premium?
- What does the policy cover? What doesn't it cover? What are the limits to the coverages?
- How much coverage do I need for my personal property?
- How much liability coverage should I buy?
- Should I buy flood insurance or earthquake coverage? Your homeowners insurance policy doesn't cover either.
- What types of water damage are **not** covered? Is mold damage covered?

If you're thinking of buying a home, you can ask an agent to estimate the cost of insurance.

Your Responsibilities

A homeowners insurance policy is a legal contract. It's written so that your rights and responsibilities, and those of the insurance company, are clearly stated. You should read your policy and be sure you understand it. If you have questions about your insurance policy, contact your insurance agent or company.

When you buy homeowners insurance, you will receive a policy—not a photocopy. If you don't receive a policy within 30 days, contact the insurance company, not the agent. If you need a company's toll-free number, contact your state insurance department.

Keep your policy in a safe place and know the name of your insurer. If you still have questions, contact your state insurance department.

Other helpful tips:

- Pay the premium on time. Most insurers don't offer a grace period for paying the premium; the due date is the due date.
- Keep a file of all paperwork you completed online or received in the mail and signed—as well as any other documents related to your insurance, including the policy, correspondence, copies of advertisements, premium payment receipts, notes of conversations and any claims submitted.
- Make a household 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 home 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 home inventory, including your pictures/videos. Also update your inventory when you buy new items.
  - Keep receipts with your home 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 damage from perils 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.

Filing a Claim

Read your policy—it's your guide to the types of losses that may or may not be covered. How often you file a claim and the types of claims you file often affect your premium and whether your insurer will renew your policy. If the cost to repair the damage is not much more than your deductible, you might want to pay for the repairs without filing a claim.

> Most insurance companies report your homeowners claims to private nationwide claim databases (such as the Comprehensive Loss Underwriting Exchange, better known as CLUE). Insurance companies use these databases to see the claims you've submitted in the past.

To file a claim, contact your insurance agent or company as soon as possible. Ask about forms or documents you'll need to support your claim. You're also required to protect your home from further damage. For example, you might need to board it up or clean up water from a backed-up drain.

The insurance company will assign a claims adjuster to assess the damages and determine the payment. These adjusters may be employees of the company or independent contractors. You should cooperate with the adjuster's investigation of your claim. 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 insurance agent or adjuster.

If there are disagreements between you, the insurer and the claims adjuster, first try to resolve them with your insurer. 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.

If you and the insurer still disagree about the value of the claim, check your policy for an appraisal clause. Another option is to hire an attorney or a public adjuster.

> Public adjusters aren't attorneys or government employees—they're freelance adjusters that charge you a fee. Not all states allow public adjusters, but those that do require them to be licensed and to follow certain guidelines. If you have questions about the use of public adjusters, contact your state insurance department.

If you have trouble with or questions about your claim, you also may contact your state insurance department for help. Your state insurance department has consumer services personnel who can help you work with your insurer to resolve disagreements.

Losing Your Insurance

There's a big difference between an insurance company cancelling your policy and not renewing it.

Cancellation means either you or your insurance company stop the coverage before the policy's normal expiration date (which is usually 12 months after the policy starts). You can always cancel your policy for any reason. When you're a new policyholder, there's a limited period of time (typically 60 days) in which your insurance company can cancel your policy for any reason. After that, it can only cancel you if you don't pay your premium, if you've lied on your application or if your risk has changed substantially.

If your insurance company cancels your policy, it must give you notice. The number of days varies by state. If you or the insurer cancels your policy, the company may refund a portion of your premium.

Non-renewal means the company refuses to renew your policy after it expires. Insurance companies generally have the right to not renew your policy. If your company chooses not to renew your policy, it must give you notice; the number of days (typically 30 days before the renewal date) varies by state. You may ask the insurer for the reason. You also may choose not to renew your policy.

What to Do if You Can't Find Insurance

Contact your state insurance department to see if your state has a FAIR Plan, wind pool, or other residual market mechanism information or market assistance program available. See below for information on contacting your insurance department.

For More Information

- If you can't find insurance, consumer rights information, premium comparisons or complaint handling information, visit your state insurance department's Web site. The department will have some information posted on the Web site, plus contact information if you have other questions. To find the Web site address of your state department, visit the National Association of Insurance Commissioners (NAIC) Web site at *www.naic.org/state_web_map.htm* and select your state on the map.
- Visit the NAIC Web sites for consumers: *www.InsureUonline.org* or *www.naic.org*.
- Visit the National Flood Insurance Program Web site: *www.floodsmart.gov*.
- Access your free annual credit report through *www.annualcreditreport.com* or call 877-322-8228.