A GUIDE TO

HOMEOWNERS INSURANCE

Prepared by the
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A Note...

This Guide has been prepared by the Greater Baltimore Community Housing Resource Board, Inc. (GBCHRB) as a public service. We hope that this information assists households in making the right home insurance decisions.

For additional free copies of this Guide or for any questions, please contact the GBCHRB at 410-453-9500 or mailto:wkladky@gbchrb.org.

I. THE BASICS: PURCHASING INSURANCE.

A. TYPES OF POLICIES.

The following are the standard homeowner insurance policies:

- HO-1 Basic Homeowner Policy.
- HO-2 Broad Homeowner Policy.
- HO-3 All-Risk Homeowner Policy.
- HO-4 Renters Insurance Policy.
- HO-5 Comprehensive or Premier Insurance Policy.
- HO-6 Condominium Unit Owners Policy.
- HO-8 Modified Coverage (Market Value) Policy.

According a 1998 report, 83% of US homes were covered by owner-occupied homeowners policies. Of these, 87% had the HO-3 and 9% had the more expensive HO-5 Comprehensive. Both of these policies are "all risks" or "open perils", meaning that they cover all perils except those specifically excluded. 3% were the HO-2, which covers only specific named perils. Others include the HO-1 Basic and the HO-8 Modified, which is the most limited in its coverage. HO8, also known as older home insurance, is likely to pay only actual cash value for damages rather than replacement.

The remaining 13% of home insurance policies were covered by renter's or condominium insurance. Two-thirds of these had the HO-4 renters insurance, which covers the contents of an apartment not specifically covered in the blanket policy written for the complex. This policy can also cover liabilities arising from accidents and intentional injuries for guests as well as passers-by up to 150' of the home. Common coverage areas are events such as lightning, riot, aircraft, explosion, vandalism, smoke, theft, windstorm or hail, falling objects, volcanic eruption, snow, sleet, and weight of ice. The remainder had the HO-6 condominium insurance, which is designed for the owners of condos and includes coverage for the part of the building owned by the insured and for the property housed therein. Designed to span the gap between the coverage provided by the blanket policy written for the entire neighborhood or building and the personal property inside the home. The liability coverage may cover incidents up to 150 feet from the insured property, all valuables within the home from theft, fire or water damage or other forms of loss. The association's bylaws determine the total amount of insurance necessary.

In addition, about 2.4% of homes were covered by a dwelling fire policy which covers property damage to a structure and is typically sold to noncommercial owners of rented houses. It may also cover the owner's personal property (such as appliances and furnishings). The owner's liability is generally extended from their own primary home insurance, and does not comprise part of the Dwelling Fire policy.

B. BASIC COVERAGE

1. Summary of Coverage Under Each Type of Policy

(a) HO-1 Basic Homeowner Policy.

This is a basic policy that provides coverage for a home against 11 listed perils; contents are generally included in this type of coverage, but must be explicitly enumerated. The perils include fire or lightning, windstorm or hail, vandalism or malicious mischief, theft, damage from vehicles and aircraft, explosion riot or civil commotion, glass breakage, smoke, volcanic eruption, and personal liability. Exceptions include floods and earthquakes.

(b) HO-2 Broad Homeowner Policy.

A more advanced policy that provides coverage on a home against 17 listed perils (including all 11 on the HO-1). The coverage is usually a "named perils" policy, which lists the events that would be covered. This policy generally covers these perils:

- Fire and lightning.
- Removal of property endangered by any insured peril.
- Windstorm and Hail.
- Explosion.
- Riot and civil disturbances.
- Vehicle or aircraft damage to your property.
- Smoke.
- Vandalism and malicious mischief.
- Breakage of glass.
- Theft.
- Falling objects.
- Weight of ice, snow, or sleet damage.
- Collapse of building and any part.
- Sudden and accidental damage, cracking, burning or bulging from steam or hot water heating system or appliances for heating water.
- Accidental discharge/overflow of water or steam from plumbing or heating systems.
- Freezing of plumbing, heating or air conditioning systems, and domestic appliances.
- Sudden and accidental injury from artificially-generated electrical currents.
- Limited coverage for trees, shrubs or plants.
- Additional living expenses.
- Personal liability insurance protection.
- Medical payments coverage.

(c) HO-3 All-Risk Homeowner Policy.

The typical, most comprehensive form used for single-family homes. The policy provides "all risk" coverage on the home with some perils excluded, such as earthquake and flood. Contents are covered on a named peril basis. Usually, this policy covers a building against all perils - but often excludes flood, earthquake, neglect, war, nuclear accident, damage resulting from freezing of an unoccupied building, enforcement of an ordinance, damage to fences, patios, swimming pools, etc., by freezing, thawing or pressure or weight of ice or water, driven by wind or not.

Also, this policy covers personal property against damage or loss caused by perils listed in the HO-2 policy. The policy lists any perils that may be excluded.

(d) HO-4 Renters Insurance Policy.

This policy insures household contents or personal possessions, provides for additional living expenses in the event of a covered loss making the home, apartment or condominium uninhabitable, provides liability coverage, and for medical payments to others. It covers all perils listed in the HO-2 policy.

(e) HO-5 - Premier Homeowner Policy

This policy covers the same as HO3, but also provides a number of other coverages. The Premier HO-5 policy is an insurance policy that is available to those homes that are 30 years of and newer or completely renovated within 40 years. This particular policy not only covers the 18 perils and "all risks" listed above, it also includes increased coverage in personal property compared to that of a standard policy such as the HO-1, HO-2, or HO-3. This policy covers building and contents for "all risks" and also at replacement cost. The HO5 is also open perils on the contents while the HO3 is named perils on the contents coverage.

(f) HO-6 Condominium Unit Owners Policy.

Condominium unit owners are protected by this policy against loss or damage to their personal property, and may include coverage for any additions or alterations to the interior of the unit not insured by the condominium association ("improvements and betterments"). The policy covers all perils listed in the HO-2 policy. The unit owner can also purchase an endorsement to the HO-6 policy providing coverage for assessment, a fee charged by the condominium association. The agent should explain the limits to the alterations and additions coverage, and help determine whether increasing policy limits is needed.

(g) HO-8 Modified Coverage (Market Value) Policy.

This policy is for older homes constructed so that it is not economically feasible to repair to the original construction following a loss. The policy allows owners of older homes to carry lower limits of insurance, such as the market value of the home, rather than the 80% to 100% of replacement cost used for newer homes. This policy will pay for restoring the property to livable condition, using available building materials as opposed to materials of the same kind and quality as used originally.

2. Deductibles

Many insurance policies provide a deductible amount of $250 - the insured agrees to pay $250 to repair damage to the home or personal property for each damage claim before any money is paid by the insurer. This deductible does not apply to claims under the liability or medical payments coverages. To save money, purchase a policy with a larger deductible amount such as $500 or $1,000 or more. The disadvantage of a larger deductible is that the insured will have to pay more each time a claim or loss occurs before the insurer pays anything. Ask your insurer how much the premium will be reduced by increasing the amount of the deductible to determine if this cost savings is worthwhile.

Some homeowners policies have a special deductible for losses caused by wind, hurricanes, or other storms. These deductibles are applied separately from any other deductible on the policy. Some insurers automatically include a wind, hurricanes or other storms deductible, while other insurers make this deductible available at the option of the policyholder. Some wind, hurricanes, or other storms deductibles are written as a flat amount (e.g., $1,000), while others are applied to the loss as a percentage of the insurance coverage. For example, assume a hail storm causes $3,000 damage to a house, and the dwelling is insured for $100,000. If there was a $1,000 wind, hurricanes or other storms deductible on the policy, the insurer would pay $2,000 towards the damage. If the policy has a 2% wind, hurricanes or other storms deductible, the deductible would be $2,000, and the insurer would pay $1,000 towards the damage.

The insured can purchase a wind, hurricanes or other storms deductible greater than 5%. The insurance company is required to provide an annual statement explaining how the deductible is applied. Ask about this deductible when shopping for insurance to become aware of its effects.

3. Mobile Home Policies

There are some special considerations for those purchasing mobile homeowners insurance. Some insurers require notice before a mobile home is moved or all protection under the policy may be suspended. In addition, the typical mobile-homeowners policy usually does not cover collision damage to a mobile home while it is in-transit. The insured can usually buy trip collision coverage from an insurer to cover a certain number of days while moving the mobile home. If a move of the mobile home is planned, contact the agent or insurer to be sure that the appropriate insurance coverage is in place.

4. Flood Insurance

Most standard homeowners, farm and ranch owners, renters and condominium policies do not cover damage caused by rising waters; however, mobile home policies may cover this. Flood insurance is an optional coverage offered through the federal government, some private insurers and other sources. Many homeowners insurers and their producers sell the National Flood Insurance Program (NFIP) policies for the federal government. Flood is defined in the NFIP policy as a "general and temporary condition of partial or complete inundation of normally dry land areas, from overflow of inland or tidal waters, or from the unusual and rapid accumulation or runoff of surface waters from any source." Therefore, even if the insured is not close to a body of water, a flood could occur if the surrounding ground gets saturated from heavy rain or run-off.

Even if the unit is not in a floodplain area, the insured may still purchase flood insurance through the federal government as long as the building is located in a community qualifying for the NFIP. Flood insurance policies do not automatically provide coverage for contents or personal property. This coverage must be purchased separately and in addition to the coverage for your home.

Contact a local insurance agent to apply to the NFIP. The agent will then submit the application and premium to the NFIP or to an insurer that issues policies on behalf of the NFIP. For more information about the types of properties that are insurable under the NFIP or the limits on the different amounts of insurance, contact your insurance agent or the NFIP. For a more detailed explanation of the flood insurance program, refer to the brochure entitled *An Insurance Preparedness Guide for Natural Disasters* at http://www.mdinsurance.state.md.us, visit http://www.floodsmart.gov/ or telephone 800-621-FEMA (800-621-3362) for flood insurance information.

5. Types of Coverage

There are four types of coverages that are contained within the standard homeowners insurance policy:

Property Damage Coverage protects the home or belongings if damaged or destroyed by certain causes of loss - e.g., lightning, hail, or a tornado.

Liability Coverage will pay if the insured unintentionally injure another person or cause damage to another person's property. Liability coverage doesn't protect if sued for something done on the job or done intentionally to harm someone else; the use of an aircraft, an automobile, or most motorized land vehicles, including mopeds, while in use away from the property.

Medical Payments Coverage will pay up to a specified amount for medical expenses to persons injured in an accident in the home and certain situations away from home, regardless of fault. This coverage does not apply to the insured or a member of the household. Coverage limits are applicable to each person, rather than each accident. Higher limits are available for medical payments coverage, but for a higher premium.

Additional Living Expenses Coverage will pay for the additional expenses when the insured cannot live in a home because of damage or loss that is covered by the policy. For example, if the insured is required to move into a motel or apartment while the home is being repaired, the insurer will pay the cost of this temporary housing. It pays only for those expenses which are beyond normal expenses, not any expenses regardless of whether you are living in the home. A monetary limit applies.

6. Vacant Home Coverage

Most homeowners are not aware that their house needs special insurance coverage if it becomes unoccupied, vacant, or someone else is living in the home. This type of insurance is called vacant homeowners insurance. If your home becomes vacant, some homeowners insurance policies will cease coverage if your home is left empty for just 30 days. If your home has been empty, unoccupied, or vacant for over 90 days in most cases the existing insurance policy should be immediately cancelled, and a vacant home insurance policy needs to be put into effect. If you file a claim and the insurance company finds out no one was living in the house, they may pay only part of the claim or deny the claim altogether.

The large homeowners insurance companies don't like to insure vacant homes. Because traditional homeowners companies do not like to cover vacant homes, the cost is extremely high and very little coverage is provided. Insurers usually charge more than what the owner was paying while the house was occupied. However, some insurers include very comprehensive coverage compared to what most homeowners insurers are willing to offer homes considered empty or vacant.

Homeowners looking to insure a vacant home typically have two options: buying an endorsement to their existing homeowner's policy or purchasing a separate vacant-home insurance policy. State Farm Insurance in Bloomington, Ill., is one company that offers such an endorsement. A State Farm standard homeowner's policy no longer covers certain types of damage once a home becomes vacant. After the home is vacant, State Farm invokes an exclusion for vandalism and glass breakage, and that applies after it's been vacant for 30 days. However, by purchasing an endorsement, homeowners "buy back" that exclusion. The cost for such an endorsement is usually under $100, and coverage lasts for the duration of the policy period.

For example, Vacant Home Insurance Now is a provider of vacant home insurance policies for vacant homes, buildings, and properties.

The typical policy has a 24-month term for vacant homes for sale or not, homes in the name of an estate, or homes under renovation.

Comparison shop several insurers. You could get the best deal from your current insurer. You can raise the deductible to lower costs. Here are some options to help avoid the cost of vacant home insurance:

- Find a savvy real estate agent who has a proven track record of moving homes in a slow market, including the current slow market.
- Don't move out until you've sold the home. If you are one of a couple, consider staying behind, or living there occasionally until the home is sold.
- Rent out the home. Not only will the home be lived in, the rent will help cover your carrying costs. You may still have to change your homeowners insurance policy to reflect the property's new rental status -- say to reduce your contents coverage -- but it'll be cheaper than vacant home insurance. Otherwise, hire a house-sitter or let someone you trust live there until it's sold.
- Make the home look lived in. No matter what you do, you still have to keep the home maintained by cleaning the yard and gutters, trimming trees, clearing the gutters, checking for leaks, shoveling the sidewalks and driveway, and winterizing or summer-izing as necessary.
- You also have to protect your property. Install and keep operable a monitored home security system and make sure the smoke detectors have fresh batteries. If your home has a sprinkler system, monitored central alarm for fire, smoke and theft and deadbolt locks, your home is safer and the features can lower the premium on your existing homeowner's insurance policy.
- Give the lived-in look some redundancy. Have an acquaintance bring in mail Security experts say to stop mail and other deliveries when you are away. Ask a neighbor to park their car in the driveway. Install timers on lights and leave window coverings and some furniture in the home.
- Don't commit fraud. If leave your home vacant longer than your current policy permits before expiring due to vacancy, you could save a bundle. However, if the place is damaged or destroyed while vacant, after the policy should have expired due to vacancy, the insurer can challenge the claim.

7. Other Coverages

a. **Out-Buildings on Your Property** – In this part of your policy, the insurer promises to pay if a structure not attached to the home (e.g., detached garage, tool shed, swimming pool, fence or other building on the property) is damaged by a peril covered by the policy. More coverage is available for an additional premium. This coverage may not be included in certain special types of policies such as a renters insurance policy.

b. **Personal Property** – The amount of insurance protection for the contents of the home is reflected on the Declaration Page of the policy. The policy also provides more limited coverage for personal property if it is stolen or damaged away from home - such as when on vacation and a suitcase is stolen with personal property in it. Coverage is limited to very small amounts for certain types of property that are especially susceptible to loss such as cash, securities, jewelry, furs, manuscripts, and stamp or coin collections. The insured may receive a total of only $1,500 for all furs or jewelry stolen in a single theft. A $500 limit usually applies to all securities, receivables, travel tickets, and stamp collections. Typically, there is $100 coverage for all money, coins, or bank notes regardless of the actual amount lost. Additional amounts of insurance can be purchased separately. Ask the insurance agent or insurer for info about scheduling valuable items separately and the cost of such additional coverage.

c. **Trees, Shrubs, and Plants** – The coverage on trees, shrubs, and plants is provided only against certain perils. Damage caused by windstorm or ice is not usually covered even if an all risk policy is purchased. The total amount that the policy will pay for damage to trees, shrubs, and plants is usually limited to 5% of the policy limit on the dwelling with a $500 maximum per loss.

d. **Debris Removal** – This part of the policy pays to remove debris from damaged property if the damage causing the debris is covered by the policy. The policy may also pay to remove fallen trees damaging the property. This coverage is also subject to a dollar limitation found on the Declaration Page of the policy.

e. **Mold Coverage** – Some policies exclude coverage for any type of mold damage, some insurers provide coverage to the insured if the mold arises out of a covered cause of loss (such as a broken pipe), and some insurers exclude coverage for any liability claims from mold. As coverage varies by insurer, read your policy and ask the agent or insurer if such coverage is included and under what circumstances and in what amount. Because standard policies do not cover losses resulting from floods, it is important to ask the agent or insurer about flood insurance coverage.

8. Getting the Proper Coverage

For the majority of single-family homeowners, the most appropriate policy is the HO-3, sometimes called the special policy. It insures all major perils, except flood, earthquake, war, and nuclear accident. You'll need deep coverage, up to and including 100% of your home's replacement cost. By insuring at, say, 90%, you're making the reasonable bet that your home won't ever be a complete loss. That may be a reasonable bet. The basement usually remains intact almost regardless of what happens to the rest of the house. If you want to play it safe, insure at 100%.

Insurers generally cover a home's contents up to between 50% and 75% of the home's value. Make a list of your home's contents for a more exact estimate of your needs. That also provides a written record that's useful when you file a claim. The industry-sponsored

Insurance Information Institute provides useful instructions on how to put together an inventory. If it's not built into your policy, ask for replacement cost coverage for your home's contents. Without it, you'll end up with just the depreciated value of any object that's damaged or stolen.

Get these types of important coverage: (a) Inflation guard - This option annually increases your premium at the rate of local building-cost inflation, and (b) Ordinance-and-law coverage - This rider, which covers the costs of bringing your home into compliance with current building codes, is a must if your home is more than a few years old. It's also a good idea to limit your liability. Your homeowners policy protects against lawsuits for accidents that happen on your property. It also covers you if your dog bites someone. You might also consider umbrella liability coverage, which is additional coverage over and above your regular homeowners liability limits.

Consider adding the option called Displacement. Your homeowners policy also provides for living expenses if you're displaced; replacement of structures such as garages and sheds; and limited medical coverage for someone injured on your property. Don't buy more than the minimum offered.

Depending on your situation, however, several other types of coverage may be worthwhile:

- Floods - Floods aren't covered by ordinary homeowners insurance. Flood insurance is available through the Federal Emergency Management Agency.
- Home business coverage - Business property worth more than $2,500 isn't covered by a homeowners policy, so buy a separate policy - known as a rider - to fill the gap. Business liability coverage must be purchased separately.
- A standard policy provides only minimal coverage for antiques, collectibles, furs, silver, jewels, cameras, computers, musical instruments, and firearms. For these, you need separate coverage.

C. PRICE COMPARISONS.

1. Important Price Determining Factors

a. **Type of Company**: Typically consumers can save money by purchasing their insurance directly from a company rather than through an agent, but there are not many companies which sell home insurance directly. Companies like State Farm and USAA that deal directly with consumers without using independent agents are called "direct writers." In theory, they can pass on their savings by eliminating the middleman.

b. **The Type of Construction**: Frame houses are usually more expensive than brick.

c. **The Age of the House**: Newer homes are usually less than older homes.

d. **Local Fire Protection**: The distance between the home and a fire hydrant, and the quality of the local fire department (i.e., "fire protection class").

e. **Prior Claims**: Whether the person or the property have had any prior claims under a policy, the dates of any prior claims, the nature of the claims, and the amounts paid by insurance for each claim.

f. **Claims Inquiries**: An insurer may not increase a premium, cancel, refuse to renew coverage or refuse to issue a policy based on an inquiry by you or your agent to an insurer not resulting in a claim payment.

g. **Coverage Amount**: The amount of coverage bought for the home, its contents and the insured's personal liability will affect the price to pay. The Insurance Information Institute (III) states 64% of all homes in America are underinsured by an average of 27%.

h. **Coverage Required by a Lender**: The lender may not require insuring any property in an amount above the replacement cost. The mortgage includes the value of the land while homeowners insurance only insures the buildings on the property and contents or personal property, not land. The lender cannot require insurance in the amount of the loan if the loan amount exceeds the replacement cost of the home. If any lender is requiring purchase of a policy above the cost to replace the home, report that information and lender to the MIA. A complaint about a lender can be filed with the Division of Financial Regulation, Commissioner, at 410-230-6096.

i. **Deductible Amount**: The amount of the deductible affects the premium paid for the policy. The higher the deductible, the lower the premium. It is smart to choose a deductible that the insured can cover out of pocket if something should happen, but also keep the deductible high enough to keep the regular premium lower.

j. **Discounts**: Some insurers offer lower prices for insuring the home and car with the same insurer, and/or installing deadbolt locks or alarm systems in the home. In Maryland, insurers are not allowed to review an individual's credit history when pricing a homeowners' insurance policy or when deciding to cancel or non-renew a policy.

k. **Calculating Home Reconstruction Cost**: To accurately calculate the current reconstruction cost of the home, using the purchase price of the home, or homes in the neighborhood, is not an accurate way to determine the cost to rebuild your home, since the cost to replace your home does not include your land. The cost to rebuild your home is not the same as new construction costs, since debris removal will be involved and other issues that are not associated with new construction. A more accurate and complete approach is to access one or more of the Home Reconstruction Website Calculators listed below. These calculators provide home valuation methods similar to what insurance companies use when calculating the value of a home they insure. The calculators are easy to use and the calculator will provide the current cost to rebuild your home based on the information provided.

- AccuCoverage
  By Marshall & Swift/Boeckh. Requires a fee; the estimate is based on the home's specific construction and details. Use the discount code WBAUMDDOI from the Maryland Insurance Administration on the checkout page.
- XactValue
  By Xactware, Inc. Requires a log in and a fee; estimate is based upon the home's specific construction and details.
- Insure To Value
  By Bluebook International. Requires a fee; estimate is based on zip code or neighborhood and some of the home's details.

2. Six Quick Tips for Reducing the Cost of Insurance

a. **Protect the Home.** It is extremely important to immediately do the most basic things to protect a home. Add storm shutters, reinforce the roof, repair leaks and breaks, and modernize the heating, plumbing and electrical systems to reduce the risk of water and fire damage. Do some research on the internet about what others have done, ask your friends or relatives for ideas, and ask your insurance agent for suggestions. A lower premium may result if you make your home less vulnerable. An added benefit, of course, is that your home is safer!

b. **Do Some Research.** For such an important and costly purchase, it is essential to shop around for companies, coverages, and rates. Contact the Maryland Insurance Administration (http://www.mdinsurance.state.md.us) to find insurers in Maryland. The internet offers a variety of possible insurers, education, and resources - but be forewarned. The website of the National Association of Insurance Commissioners (http://www.naic.org) is a good and reliable source for contact information. The NAIC also has the history of rate increases for insurance companies and complaints against them. Ask neighbors, relatives, and friends for recommendations on insurance companies and agents. Remember to shop around to get the best price and service. It is not required to purchase insurance from the company recommended by the mortgage lender.

c. **Compare Prices.** Check the financial stability of potential insurers by going online to the websites of rating companies such as A.M. Best (http://www.ambest.com) and Standard & Poor's (http://www.standardandpoors.com). Try a free database like InsWeb (http://www.insweb.com/), which offers quotes from up to 8 insurers. For price comparison, get price quotes from three insurers. The larger the database, the better.

d. **Increase the Deductible.** An easy way to save money in purchasing insurance of virtually any type is to increase the deductible paid by you before any cost is reimbursed by the insurer. The higher the deductible - the amount of money paid toward a loss before the insurance company pays a claim - the lower the premium should be. Ask your insurance agent or insurer the cost of the different levels of the deductible. Again, ask your neighbors, relatives, and friends for their experience.

e. **Use Discounts.** Always ask the agent if there are any discounts available. Buy your home and auto policies from the same insurance company for a discount of up to 15%, if your auto insurer is still selling property insurance in the area.

f. **Don't File a Claim for Everything!** Many experts recommend against filing claims for small items less than several thousand dollars because filing could increase your premiums in future years. Hence, it might make sense to have a deductible of $1,000 or more.

D. TIPS WHEN BUYING A POLICY.

Dealing with Lenders

- In some cases, the lender decides how much coverage is needed and may require a policy that covers at least the amount of the mortgage.

- The buyer is not required to purchase insurance from the company recommended by the lender.

- Remember to shop around to get the best price and service.

Critical:

- Read the Declaration Page of the policy to make sure the policy has the requested coverages in the amounts requested.

- Read the insurance policy carefully to understand exactly what is and is not covered.

- Consider purchasing additional coverages or policies and scheduling for valuable personal property such as jewelry, furs, collectibles, and antiques which may not be covered at all or not covered up to a sufficient amount under the policy. Many homeowners policies exclude the loss of an item due to theft even if the same item would be covered in a fire. There are also limits for very high priced jewelry items or collections, which can be covered via an endorsement to the policy.
- Consider purchasing a separate flood insurance policy.

Important:

- Read and keep all materials sent each year at renewal by the insurer to be aware of any changes to the policy. At renewal, ask the agent or insurer about available protection under umbrella policies, flood, earthquake or other coverage. Don't hesitate to voice concerns. If there are questions about changes to the policy coverage or limits, contact the agent or insurer immediately.

- Answer all the application questions completely and honestly. If not truthful, an insurer may have the ability to cancel the policy or raise the premium. Criminal and civil penalties and fines also may apply for submitting a false or fraudulent claim, or making a misrepresentation in an insurance application.

- Do not sign a blank application.

- If paying the premium for the policy in cash, get a receipt. Make the check payable to the insurer, and note on the check the type of policy being paid for (automobile or homeowners, etc) and the policy number.

- If your insurance application is declined, ask for a written explanation of the specific reasons it was rejected.

- Under Maryland law, insurers have a 45-day underwriting period. If they find you are not eligible within that time, your policy may be cancelled with a 15-day notice. The insurer must prove it mailed the notice at least 15 days before the cancellation.

- Do not buy a policy based on its price alone; consider coverage and service. Select an insurer and/or agent you can trust and are comfortable with.

- Ask about discounts for safety and security devices (e.g., burglar alarms, fire alarms, and dead bolts), or other available discounts.

- Ask if the insurer gives a new home discount or multi-policy discount. (e.g., if you insure your car along with your home).

- Ask about the difference in price between a named peril policy and an all risk policy or open perils policy.

- Ask about how the difference in the deductible affects the price of the policy.

- Ask if there is a separate deductible for wind, hurricanes or other storms losses - and how it is calculated and applied.
- Ask if there is policy coverage for mold claims.

- Make sure the dwelling policy limits are at least 80% of the replacement cost of your home or the percentage required by the insurer. Ask your agent or insurer to explain the implications of failure to maintain policy limits at that level. There are companies with reconstruction cost estimator programs which may assist in determining the cost to rebuild your property. The information provided will help make better decisions about the home value and the right coverage limit.

Additional information regarding insuring your home to value, as well as links to three estimators – accuCoverage, ZactValue and Insure to Value – can be found on the MIA's web page.

- Question whether the insurer offers an inflation guard endorsement.

- Ask whether the insurer provides replacement cost coverage for the dwelling, and up to what amount.

- Does the insurer offer full replacement cost coverage on personal belongings?

- Discuss with the insurance agent whether to list and separately insure valuable items of personal property on a personal property schedule.

- Ask about the difference in price for basic liability limits of $100,000 and higher limits - such as $300,000 or $500,000.
- Insurers are required to offer the option of purchasing (for extra) coverage for water that backs up through sewers or drains at the time of initial application and at each renewal.

- Insurers may offer building ordinance or law coverage. This provides protection when a building damaged by a covered peril must be repaired or rebuilt in a more costly manner because the original construction does not comply with current building codes. This may also cost extra.

- Insurers are required by law to offer licensed family day care providers liability coverage of at least $300,000 for liability from bodily injury, property damage, or personal injury from an insured's activities as a family daycare provider.

- A homeowners policy has provisions that may prevent receiving payment for a claim even if the premium is paid - e.g., the home or apartment is vacant or unoccupied. When planning a long vacation, or when moving into or out of the home, or if the home will remain vacant for any other reason, ask the insurance agent or insurer which coverages will be suspended and can be done to obtain coverage.

- Annual Summary of Coverages and Exclusions: The insured will receive a statement that summarizes the coverages and exclusions under the policy when initially getting the policy and at each renewal.

- Notice Regarding Flood Insurance and Statement of Additional Optional Coverages: These will be sent from the insurer when purchasing a new policy.

- Loss History Report: Some insurers review both loss history and the loss history of the property when deciding if to insure. Go to the link page of the [Maryland Insurance Administration](http://www.mdinsurance.state.md.us/) (http://www.mdinsurance.state.md.us/) to get a copy of the loss history report on any owned property to check the accuracy of any loss or claim info. Sources include: Choicetrust (http://www.choicetrust.com) and ISO (http://www.iso.com). If refused coverage based on info in one of these reports, the insured is entitled to be provided access to the information which led to the decision.

E. IF THERE IS A PROBLEM BUYING INSURANCE.

If turned down by one insurer, try obtaining coverage through another insurer or other insurers. Just as insurers have different premiums, they also have different underwriting requirements.

If you are unable to obtain insurance for the home from a private insurer, limited insurance protection may be available through the Maryland Property Insurance Availability Program, known as the Joint Insurance Association (JIA), 170 West Ridgely Road, Suite 230, Lutherville, Maryland 21093, 410-539-6808, 800-492-5670, http://www.mdjia.org/.

II. THE BASICS: POST-PURCHASE.

A. PAYMENT.

Many companies offer a convenient way to make your property payment online with a debit from your bank account or with a credit card.

B. PROTECTING YOUR PROPERTY.

- Add window locks and door peepholes.
- Make sure the outside of the home has adequate lighting.
- Prepare an inventory of all household personal property before a loss; include the make, model, and serial number of each item. The insurance agent or insurer may be able to provide a booklet or a form to record your inventory. An inventory form can be downloaded at http://www.mdinsurance.state.md.us/. It is also a good idea to either videotape an inventory of the home and personal property, or take photos of the home and personal property. Keep the inventory in a safe place, such as a safe deposit box, so it cannot be lost or damaged.
- If an addition or improvement to the home has been made, tell the agent or insurer so your insurance coverage is increased as needed.
- Keep the home free of oily rags and trash, and don't store gasoline inside the home. Do not store combustible items in the attic, basement or any place where heat builds up.
- Buy at least one fire extinguisher; and keep it handy.
- Have a fire extinguisher in the kitchen, and know how to use it.
- Install smoke detectors and deadbolt locks, and maybe a fire and burglar alarm system.
- Practice home fire drills so everyone knows what to do if there is a fire. Consider purchasing emergency ladders to be used on 2nd and 3rd floors.
- Check lamps, electrical cords, and light switches to make sure there is no faulty wiring.
- Teach children not to play with matches.

- Never smoke in bed.

- Place special decals on the windows of the rooms of children or the elderly so they can be evacuated in an emergency.

- If the home has a wood stove, have a professional install it and be sure to maintain it regularly.

- When away from home, ask a neighbor to check the home. Use a timer to turn the lights on and off, lock all windows and doors, stop the newspaper and mail delivery, and consider notifying the Police if away for a long time.

- Keep sidewalks clear of debris and in good condition.

- Make improvements/repairs to the property to lessen loss or damage from a hurricane or storm. Mitigation efforts include the installation of hurricane shutters, secondary water barriers, reinforced roof coverings, braced gable ends, reinforced roof to wall connections, tie downs, and reinforced opening protections. Other efforts include the repair or replacement of exterior doors (including garage doors), hurricane resistant trusses, studs and other structural components and manufactured home piers, anchors and tie down straps. By law, these improvements and repairs are recognized as "qualified mitigation actions." For all homeowner policies issued, delivered or renewed on or after June 1, 2009, insurers are required by law to offer a discount to policyholders who submit proof to the insurance company that they made qualified mitigation actions or made other repairs or improvements that materially mitigate loss from a hurricane or other storm otherwise covered under the policy. All improvements must be inspected by a licensed contractor and can be inspected and verified by the insurer.

C. IF YOU HAVE A LOSS...

Most homeowners insurance policies require the following when a loss occurs:

- Give immediate written notice of a possible claim to the agent or insurer. If the loss is a theft, notify the Police and file a report. If the checkbook or credit cards was lost, notify your bank or credit card company.

- Once a property claim has been submitted, the claim is forwarded to a regional claims offices, and a representative from the claims office handling your claim will be in contact.

- Protect the property from further loss or damage. If temporary repairs have been made, keep a record of what is done and save all receipts for all expenses in doing repairs (e.g., buying plywood and nails to board up broken windows).

- Give the agent, adjuster, and/or insurer a list of all damaged, destroyed or stolen property - and keep a copy. In case of theft, give a copy to the Police.

- Show the damaged property to the agent, adjuster, and/or insurer - if asked.

- Do not get rid of any damaged property until the agent, adjuster, and/or insurer inspects it or approves doing it.

- If the amount offered by the insurer to pay for a loss isn't fair, options are to demand an appraisal per the terms of the policy; to file a complaint with the MIA; or to hire a lawyer to file a lawsuit.

D. IN CASE OF PROBLEMS...

1. Contact Your Agent or Insurer

If the insured believes the insurer has wrongly denied insurance or refused to pay a valid claim, the insured has a right to ask questions and to complain. The first step is to contact the agent or insurer to address your concerns. Sometimes a mistake has been made and it will be corrected if an inquiry is made and the error is shown. When inquiring, name, address, telephone number, policy number, type of policy, and the nature of the complaint should be given. Ask the insurer to send a letter explaining the basis for their action; why they would not insure or why they are denying the claim. Send a written complaint letter, and keep a copy.

Complain to more senior staff in the insurance company. If complaining by telephone, keep a written record of the date and time of the call, the name of the person talked to, what was said during the call. Make a request for a written confirmation of what was discussed and were told by the insurer. You should keep copies of all correspondence exchanged between yourself and the insurer.

2. Contact the MIA

The Maryland Insurance Administration's primary role is to protect consumers from illegal insurance practices by making certain that insurers and producers doing business in Maryland act in accordance with State insurance laws. Contact the MIA to file a complaint against an insurer or agent believed not acting in accordance with Maryland law.

Maryland's insurance laws govern insurers' conduct and protect consumers. State law bars insurer's from settling claims in a manner that is arbitrary and capricious or discriminatory. This means that insurers' claim settlement practices must be fair, nondiscriminatory and adhere to State laws. Some disputes may be governed by your policy's terms and may not be a problem the MIA can resolve for you.

Complaints must be received in writing. Provide as much detail as possible, including copies of pertinent documents. A trained, professional investigator will handle the complaint. The investigator will contact the insurer/producer to try to resolve the issue. Meanwhile, you will be advised of the steps being taken on your behalf. Complaint files are not closed until the MIA has made a determination regarding the complaint.

The MIA has established a rapid response program designed to help certain consumers resolve property and casualty claims (such as auto and homeowners claims including those made under commercial lines policies) quickly and without having to file a formal written complaint. For more information about this program, contact the MIA at 410-468-2340 or 800-492-6116 ext. 2340. Participation in the rapid response program is voluntary and does not affect your rights to file a formal complaint. To request additional information or to file a complaint, contact the MIA's consumer complaint investigation division at 410-468-2000 or toll-free at 800-492-6116. Consumers may file a written complaint in person, by mail, or on-line at http:/www.mdinsurance.state.md.us. Under Consumer Information, click on File a Complaint:

3. File a Lawsuit

A Maryland consumer who believes that their property and casualty insurer failed to act in good faith in refusing to settle their first-party insurance claim may seek special damages against the insurer, both in a private civil lawsuit against the insurer and in an administrative consumer complaint made with the MIA. In addition to an award covering the claim, if your treatment was particularly bad, the courts in many states will allow additional compensation when the insurance company acted in "bad faith."

4. Is This Discrimination?

How To Tell

If an insurance application has been denied or if the applicant has been referred to another type that is more costly or restrictive, there is the possibility that illegal discrimination has occurred. Discrimination in homeowners insurance is difficult to detect because much of the application process is complex and largely beyond public view. The applicant for insurance only knows that their application has been denied, and must find other insurance. There are two possible causes of insurance denial that possibly are illegal discrimination: (a) if the applicant suspects that race, ethnicity, or gender was the cause of denial, the Maryland Commission on Human Relations (MCHR) should be contacted; (b) if the applicant believes that location was the cause, then "redlining" might be involved which is illegal if motivated by racial, ethnic, or sexual considerations. To determine this, contact the Maryland Commission on Human Relations at 800-637-6247 or 410-767-8600.

Filing a Complaint

A person who feels that they are a victim of housing discrimination may file a complaint with the Maryland Commission on Human Relations (MCHR) or with the U. S. Department of Housing & Urban Development (HUD). A person simultaneously may file a complaint with the State and with HUD.

The first step in filing a housing discrimination complaint in Maryland is to contact the MCHR. Someone who feels that s/he is the victim of housing discrimination (called the "Complainant") may either telephone or write the MCHR within one year of the incident. The MCHR's telephone numbers are: 800-637-6247 or 410-767-8600. The Baltimore area office is located at 6 Saint Paul Place, 6th Floor, Baltimore, Maryland 21202. The TDD number is 410-333-1737.

Upon contact, the MCHR staffer will set up an appointment with the Complainant to obtain more information about the complaint. As soon as MCHR obtains all the information about the incident from the Complainant, it contacts and gets relevant information from the person who is the subject of the complaint (called the "Respondent"). The MCHR makes this fact-finding process as quickly as possible. This process is quickened if the situation demands immediate action (e.g., the Complainant is subject to immediate threat or harm). MCHR will inform the Complainant and the Respondent in writing of its decision of whether discrimination has occurred, and it then will enforce corrective remedies.

The MCHR can order a Respondent to make a financial payment and/or many other actions to remedy a proven discrimination problem. For example, it can issue a temporary restraining order to keep a housing unit on the market in certain circumstances. MCHR's administrative penalties can be very costly to the person or company adjudged to be guilty of housing discrimination:

- $10,000 fine, if the person/company has committed one prior discriminatory practice.
- $25,000 fine, if the person/company has committed one prior discriminatory practice within the past 5 years.
- $50,000 fine, if the person/company has committed two or more prior discriminatory practices within the past 7 years.

The MCHR also can negotiate other remedies as agreed between its legal counsel, the Complainant, and the Respondent. These may include actual damages and "equitable relief" in addition to the monetary fine.

The MCHR is committed to ensuring that a person who makes a complaint or who supports a complaint by another not be the victim of retaliation. It is illegal to retaliate against a Complainant or someone who aids that person. The State, therefore, will prosecute immediately such action if it does occur. It also is illegal to threaten or intimidate someone who has filed a discrimination complaint.

For example, it is illegal under the law to:

- Threaten an employee with dismissal because of filing a complaint.
- Intimidate or threaten someone who has won a discrimination complaint.
- Harass someone who has assisted another in filing a discrimination complaint.

It is illegal to threaten someone with bodily harm who has filed a discrimination complaint. Harassing that person, by swearing and physical threats, is against the law.

If you have a question about this or any other possible discrimination, contact the MCHR at 800-637-6247 or 410-767-8600. They are glad to help.

III. SOME FAQS.

Are deductibles required and if so, what are they?

Yes, most homeowners forms contain deductible provisions applicable to losses occurring under Section I . Section I losses include (a) dwelling, (b) appurtenant structure, (c) unscheduled personal property, and (d) additional living expenses. The type and amount of deductible varies by company. Deductible provisions do not apply to Section II losses. Section II losses include personal liability (bodily injury and property damage) and medical payments to others. Some companies offer an optional deductible applicable only to wind or hail losses. Most offer higher deductible options such as $500 or $1,000 at a reduced premium.

What property and perils are excluded from most homeowner policies?

Most homeowner policies provide that coverage does not apply to animals, birds, fish, automobiles, and business property; for loss or damage caused by flood, surface water, water which backs up through sewers or drains, earth movement, nuclear damage, war, etc. Section II coverages (personal liability and medical payments) do not apply to the operation, ownership, use, etc., of any aircraft, automobile, recreational motor vehicle, water craft powered by more than 50 horsepower motor; bodily injury or physical damage caused by an intentional act of the insured. These are a mere sample of property and perils not covered. A complete review of the policy is the only way to determine what property is covered and what perils are insured against. Also, there are specific limits of coverage on property insured under the homeowner's policy such as money, securities, water craft, theft of jewelry, silverware, and or guns.

My house was completely destroyed by fire. I'm trying to collect on my personal property that I had in the house, but the insurance company is telling me I need an inventory. Can they do that?

Yes. Whether your policy pays for the replacement or just the actual cash value, the company is only obligated to pay for personal property that you can show you owned at the time of loss. It is a very good idea to keep an up to date inventory in a secure place. Also, to help you remember what you had, it is helpful to take pictures of each room and keep them with your inventory.

Our sump pump failed and the insurance company is denying our claim because the water backed up through our sewers. Can they do this?

Most insurance policies exclude water damage for water, which backs up through sewers or drains. You may wish to contact your agent and inquire about putting an endorsement on your policy, which would cover sewer back up.

All my compact disks and tapes were recently stolen from my vehicle. My insurance company advised there is no coverage for these items in either my auto insurance or my homeowner's insurance policy. Is this true?

Almost all auto and homeowners policies exclude coverage for any losses of tapes, disks and other sound transmitting or receiving equipment used in an automobile. Some insurance companies however, will provide coverage for these items for an additional premium. Check with your agent to determine if coverage can be purchased for the stereo, tapes and disks used in your auto.

My boat was stolen and now my insurance company will not pay the claim on my homeowner's policy. Can they deny my claim?

Theft to watercraft, including furnishings, equipment and outboard motors, are typically excluded if the theft occurs outside your residential premises. To adequately cover your boat and its accessories, you should contact your agent regarding a separate policy covering the boat.

When can my policy be canceled?

There are two different ways an insurance company can cancel your policy. Under most state laws, if the insurance company decides to cancel the policy when your policy renews, the insurance company must send a nonrenewal notice at least 30 days in advance of the effective date of nonrenewal. Unless it is an issue of discrimination, cancellation at the renewal date (also called non-renewal) can be for any reason. If the cancellation is to occur before the policy is scheduled to renew, special reasons must exist such as non-payment of premiums, or discovery of fraud or misrepresentation on the part of the insured.

I have specifically insured antique items listed on my homeowner's policy. If I have a total loss, would the insurance company pay me the insured value?

Your insurance company would first confirm the value of the items with one or more independent antique dealers. You should then be paid a dollar value based on the dealer(s) estimate of the worth of the antique items. If you disagree with the settlement offered by your insurer, then you can follow the dispute resolution process outlined in your policy. There is a simpler way. Get appraisals and have your agent establish the stated values in the policy. You should also keep your appraisals up-to-date.

During a storm, a tree from my neighbor's yard fell and destroyed my fence. Does my homeowner's policy pay for the damage or does my neighbor's policy?

Your own policy should cover the loss. Your insurance company may be able to recover the amount it pays you for the loss and your deductible from the insurance that your neighbor may have if the loss occurred as a result of your neighbor's negligence.

Recent rainstorms have flooded and damaged my basement. Is there any coverage under my homeowner's policy?

Flood coverage is generally excluded on the basic homeowners policy. However, some homeowner's policies provide coverage for backup of sewers and drains that cause flooding in your basement. This coverage can be purchased for a nominal premium. You should check with your agent to see if this coverage is provided and how much it costs. If, however, you live in a flood-prone area, you should consider and may be required by your lending institution, to purchase a flood insurance policy. Your agent should be able to inform you about the Federal Flood Insurance Plan and the exclusions and limitations of coverage in this policy.

When can an insurance company cancel my homeowner's coverage during the policy term?

Your policy can be cancelled for:

- Non-payment of premium.
- Material misrepresentation/fraud.
- Conviction of a crime arising out of acts increasing the hazard insured against. (For example, conviction for illegal storage of fireworks).
- Discovery of willful or reckless acts or omissions by the insured increasing the hazard insured against. (For example, not getting a gas leak fixed).
- Physical changes in the property insured which result in it becoming uninsurable. (e.g., if the home is vacant for over 60 consecutive days, a greater exposure to vandalism and damage is assumed to exist).
- A determination by the Commissioner of Insurance that continuation of the policy would place the insurance company in violation of the law.

The food in my freezer went bad because I lost power in my home. Does my homeowner's policy provide coverage for this?

The basic homeowner policy usually does not. However, this is a popular coverage for insurance companies to offer and you may be able to buy this coverage for a nominal additional premium. There is also the issue of where the power was lost. Some policies are limited to coverage for electricity lost in the home or where the electricity enters the home. Others will limit coverage to within so many yards from the home. Your agent should be able to tell you about the availability of coverage and how much it would cost.

Any questions?

Contact the Maryland Insurance Administration at 410-468-2000, 800-492-6116, or http:/www.mdinsurance.state.md.us.

IV. SELECTED RESOURCES.

Governmental

Maryland Insurance Administration
200 St. Paul Place Suite 2700
Baltimore, Maryland 21202
410-468-2000 / 800-492-6116 (toll free) / 800-735-2258 (TTY)
http://www.mdinsurance.state.md.us/

Joint Insurance Association
170 West Ridgely Road, Suite 230
Lutherville, Maryland 21093
410-539-6808 / 800-492-5670
http://www.mdjia.org/

Educational Websites

National Association of Insurance Commissioners - Insure U
http://www.insurance.insureuonline.org/

Insurance USA
http://www.insuranceusa.com/homeinsurancedirectory.php

Urban Insurance Issues
http://www.iii.org/media/hottopics/insurance/urban/

Homeowners Insurance Guide
http://homeownersinsuranceguide.flash.org/sourcestypeofinsurance.htm

NetQuote
http://www.netquote.com/maryland-md/homeinsurancequotes.aspx

Personal Liability Insurance
http://www.netquote.com/home-insurance/understand/family-liability.aspx

Horace Mann Insurance (Insurance for educators)
https://www.horacemann.com/products/property/homeowner-insurance.aspx

Companies - These are provided for example. No endorsement is implied or intended.

AARP - Homeowners Insurance via The Hartford (over-55)
http://www.aarp.org/aarp_benefits/offer_insurance/hartford_home_insurance.html

Allstate Insurance
http://www.allstate.com/home-insurance.aspx

Amica Mutual Insurance Company
http://www.amica.com/

GEICO
http://www.geico.com

Horace Mann Insurance (teachers)
https://www.horacemann.com/

Insurance Innovators Group
http://www.iiigroup.com/products.htm - personal

Liberty Mutual Insurance
http://www.libertymutual.com/

Nationwide
http://www.nationwide.com/

State Farm
http://www.statefarm.com/

Agents - These are provided for example. No endorsement is implied or intended.

Ashley Insurance
http://www.ashleyinsurance.com/

CSS Reboot
http://www.cssreboot.com/homeowners/state/Maryland/

David A. Smith & Associates
http://www.baltimoreinsurance.com/

Quotes

Insurance Finder
http://www.insurancefinder.com

Insurance.com
http://www.insurance.com/home.aspx

Maryland Homeowners Insurance.com
http://www.marylandhomeownersinsurance.com/

US Insurance Online.com
http://www.usinsuranceonline.com/home-insurance/states/maryland.php

Hometown Quotes
http://www.hometownquotes.com/baltimore-homeowners-renters-auto-insurance.html

Affordable Home Insurance
http://affordablehomeinsurance.org/

Home Owners Insurance Online
http://www.home-owners-insurance-online.com/

Cheap Insurance Rates
http://cheap-insurance-rates.com/

Discount Homeowners Insurance
http://www.discounthomeownersinsurance.com/

Quote Wizard
http://quotewizard.com/

Flood Insurance

FEMA Floodsmart
http://www.floodsmart.gov/

Glossary of Terminology

Maryland Insurance Administration
http://www.mdinsurance.state.md.us/sa/jsp/glossary/Glossary.jsp

Insurance USA
http://www.insuranceusa.com/insuranceglossary.php