

# Homeowners Insurance Overview

Homeowners insurance helps pay to repair or rebuild your home and replace personal property due to a covered loss. The term “homeowners’ policy” simply means you have a *package policy* that includes coverage (1) against the insured’s property being destroyed or damaged by various perils (causes of loss) and (2) coverage for personal liability exposures of the insured. A homeowners’ policy includes coverage for the residence premises, unattached structures, personal property and personal liability.

Personal Liability covers you for non-automobile related injuries to other people, or damage to their property, for which you are legally responsible. It also provides coverage for your defense in the event you are sued by the injured party. While a “homeowners’ policy” is the most common and the most desirable there are other property forms available.

There are various types of residential insurance including homeowner, condominium, renters and mobile home. All of these types provide property and liability coverage. The property coverage insures against perils such as fire, wind, hail, vandalism, and theft. The perils covered depend on the type of policy you purchase. To view the most common types of homeowners’ policies and the perils they cover, [click here](#).

Homeowner’s policies do not include coverage for flood. If you need flood insurance, contact your agent.

## Special Issues regarding homeowner’s insurance

- **Limitations on Certain Personal Property!** Most policies contain limitations on certain personal property. Some limitations apply only to the peril of theft while others may apply for any loss. Some, but not all, of the items are money, jewelry, watches, furs, watercraft, including their trailers, and guns. These items are specifically listed in your policy. You should read the list to determine if you need additional coverage.
- **Replacement Cost vs. Actual Cash Value:** Replacement cost is the amount necessary to repair or replace your damaged property with materials of similar kind and quality, without deducting for depreciation (the decrease in the value of your home or personal property due to normal wear and tear). Actual cash value is the amount needed to repair or replace damage to your home or personal property after depreciation. For example, the insurance company would deduct for the age and condition of a 17-year-old roof with a 20-year life expectancy.

Most replacement cost policies require you to carry a certain percentage of the replacement value (normally 80%) at all times. If you fail to carry the correct amount of coverage, you may be responsible for a percentage of a partial loss. For instance, if you carried a \$100,000.00 coverage limit when in fact the amount needed to meet the policy requirements is \$200,000.00 and you have a partial loss of \$50,000.00, the company would only pay \$25,000.00 of the partial loss which is 50% of the loss.

The formula used in the example above is  $\text{amount carried} / \text{amount needed} * \text{the amount of loss} = \text{the amount payable by the insurer}$ .

- **Market Value vs. Replacement Value:** Homeowners’ insurance policies often provide replacement cost coverage for the dwelling in the event of a loss. As such, insurance companies require policyholders to purchase an amount of insurance equal to the cost to rebuild the home using current construction costs. This is very different from the market value of the home. The market value of a home is the amount the home is worth if you were to sell it today. The two amounts can be very different. When housing market values decline it becomes more challenging to obtain a homeowners’ policy. If this happens speak to your agent about an alternative type policy to insure your home.
- **Additional Living Expense (ALE):** ALE provides coverage for “additional” expenses of an insured that must live elsewhere due to a loss to the insured residence by a covered peril. It pays only reasonable “excess expenses” (above and beyond normal expense) until the property is habitable. Most policies will provide ALE when a civil authority prevents access to the insured home due to damage to neighboring homes. Since policy forms are different from company to company, you should always consult your own policy provisions or agent. Please note: Florida law does not require insurance companies to pay ALE up-front. The insurance company may require you to keep receipts and submit them to the company to receive payment.
- **Mold and fungi:** Some insurance companies exclude damage caused by mold and fungus from their policies. Some offer a buy back provision, and some limit the amount they will pay. Keep in mind even when the coverage is provided, it pays damages as a result of a covered peril only. For example, flood is not a covered peril on your homeowner’s policy. Therefore, the mold resulting from a flood may not be covered either.

- **Law and Ordinance Coverage:** This endorsement covers the additional expense in repair because of an enforcement of a law or ordinance regulating the construction, repair, or demolition of a building or structure after it is damaged. For example if your home was only 50% destroyed but your local ordinance required the remaining 50% to be torn down and rebuilt to code, this coverage would pay toward tearing down and rebuilding the undamaged 50% of your home, up to the limit you chose. Your basic homeowners' policy only pays to repair the actual damage, excluding these increased costs. Insurance companies are required to include this coverage at 25% of the dwelling limit and you must sign a waiver to remove the coverage. In addition to the 25%, the insurance companies must offer you a limit of 50% of the dwelling limit. If you are interested in more coverage speak to your agent.

## Homeowner's Insurance Tips:

[Verify before you buy!!!!](#) Contact us to verify the license of the agent and the insurance company before you sign the application for a policy.

[Complaint Comparison!](#) You may compare the number of complaints an insurance company has compared to the number of policies they have in force on our Web site.

[Premium Discounts for Hurricane Loss Mitigation!](#) This page contains information for consumers regarding premium discounts that are offered by insurers to policyholders who harden or reinforce their homes against wind damage.

[Prepare a Home Inventory Checklist!](#) A home inventory – along with photos and proof of ownership – will make it easier to file an accurate, detailed insurance claim in case your home is damaged or destroyed. When you have a loss, it is your responsibility to know what property you have, when it was purchased, how much you paid for it, and how much it will cost to replace it. You should also keep receipts for large purchases, or keep your credit card statements. You may be asked to prove that you ever owned the item in question. It is always a good idea to take pictures or videos of your property as well. You may find the inventory located on page 16 of our Homeowners Insurance Toolkit useful.

[Homeowners' Insurance Toolkit!](#) This toolkit provides more detailed information regarding homeowners insurance. It includes a sample policy and a home inventory that you may use.

[Better Building Codes Mean Lower Rates!](#) The Building Code Effectiveness Grading Schedule (BCEGS) assesses the building codes in effect in a particular community and how the community enforces its building codes, with special emphasis on mitigation of losses from natural hazards.

[Make sure your home is insured properly!](#) If you have a replacement cost policy and fail to maintain the proper amount of insurance, you may be penalized when filing a claim. Although most homeowner policies include an inflation guard endorsement to automatically increase your coverage annually, you should check with your insurance agent once a year to make sure you have adequate coverage.

[Read your policy carefully!](#) Insurance policies differ between insurance companies so you must review your own contract. Insurance policies do not cover everything, read the exclusions. Also, there are limitations on certain types of personal property, such as but not limited to antiques, firearms, jewelry, furs and electronics, including computers and their equipment. In most instances, additional coverage may be purchased. Talk to your agent about additional coverage.

[Keep a copy of your important documents in another location!](#) In the event your home is totally destroyed, you would have copies of all your important documents including receipts you may need to settle a claim with your insurance company.

### **Want more information?**

Visit the [Residential Insurance portion of the Insurance Library](#) or call **1-877-MY-FL-CFO (1-877-693-5236)**