

# Preparing For Hurricane Season

As Florida's Insurance Consumer Advocate, I know that just before June 1 of any given year, Floridians realize it's time to start getting ready for hurricane season. However, the process often seems so overwhelming that many Floridians never get around to it until a hurricane warning is posted. This year, I encourage all Floridians to make protecting their homes, personal belongings, and a lifetime of keepsakes a priority. You can start by conducting an "annual check-up" of your insurance policies.

## **Can I access all of my insurance policies right now?**

It is recommended that you keep your insurance policies, along with all other important documents, in a waterproof container, a separate copy should be kept in another location, preferably a safety deposit box. Include current date-stamped pictures of the exterior and interior of your home and your personal property. Homeowners may consider using digital inventory tools to categorize all home contents. Some mobile phone applications allow you to take digital picture of all your home contents for reporting purposes. Should you experience a loss, these documents and tools will greatly assist you in preparing a physical inventory list and assist the claims adjuster to expedite the settlement of your claim.

## **Do I know what my homeowners insurance policy covers?**

Many policyholders have a tendency to renew their policy every year without reviewing the coverage limits to ensure that their home has adequate coverage. Insurance contracts are very complex legal documents. That's why I recommend that all policyholders review the Outline of Coverage and Checklist documents that accompany their policy. These documents provide valuable information about what the homeowner's policy actually covers. Special attention should be given to the amount of the hurricane deductible. Right now, the majority of Floridians do not have enough money set aside to cover their out-of-pocket expenses in the event of a hurricane, including their deductible. Reviewing these documents will help you adjust your financial plan to anticipate out-of-pocket expenses.

## **Do I know what my homeowners association or condo insurance policy covers?**

Before a disaster occurs, check with your homeowners association and with your insurance agent to make sure that you understand which repair expenses are covered by your association or condo and which will be your responsibility.

## **What should I look for when conducting an "annual check-up" on my homeowners' insurance policy?**

**Hurricane Deductible:** This is the amount the homeowner is responsible to pay out-of-pocket before the insurance company will cover the remaining cost of repairs up to the policy limits. Homeowners policies contain two deductibles: one is the "hurricane" deductible (insurers must offer a hurricane deductible of \$500, 2 percent, 5 percent and 10 percent of the dwelling or structure limit and it is accumulative for the entire hurricane season) and the other is called an "all-other-peril" deductible (a set amount which is applied to all losses except for hurricane damage).

**Flood Insurance:** Homeowners policies do not cover flood damage. Homeowners can purchase flood insurance from the National Flood Insurance Program (NFIP). The Federal Emergency Management Agency (FEMA) also updates flood maps periodically. Homeowners should call the FEMA Map Service Center at 1-800-358-9616 or their County Engineer to verify

whether they should consider purchasing flood insurance. Please do not wait until a hurricane or tropical storm warning is posted, since flood insurance takes 30 days to become effective. Remember heavy rains can cause a small retention pond to rise over its banks and cause flood damage to nearby homes, so it's best to take these steps right away, if you haven't already.

**Replacement Cost Value vs. Actual Cash Value:** According to your policy selection, you may be reimbursed after a covered loss under a "replacement cost value" or "actual cash value" valuation. Replacement Cost Value is the amount needed to replace or repair the damaged property with materials of similar kind and quality, without deducting for depreciation. Actual Cash Value is the depreciated value of the structure or personal property that is damaged or destroyed. Depreciation is a decrease in the value of a structure or personal property due to age, wear and tear or other factors. For example, if a homeowner purchases a sofa in 2010 that is destroyed in 2016 by a covered cause of loss, the homeowner will only be reimbursed a portion of the amount needed to replace the sofa at today's prices. For this reason, it is important to keep all documents and receipts pertaining to replacement of items and completion of repairs.

**Dwelling:** The insurer must initially pay at least the actual cash value of the insured loss, less any applicable deductible. The insurer shall pay any remaining amounts necessary to perform such repairs as work is performed and expenses are incurred. If a total loss of a dwelling occurs, the insurer shall pay the replacement cost coverage without reservation or holdback of any depreciation in value.

**Personal Property:** There are two options: the insurer must offer coverage under the replacement cost valuation without holdback for any depreciation in value (whether or not the insured replaces the property) or the insurer may offer coverage that limits the initial payment to actual cash value of the personal property to be replaced and require receipts to prove purchase before making the next payment up to the policy limits for replacement costs.

I encourage homeowners to purchase replacement cost coverage on both the structure and all personal property in order to be adequately protected at the time of an insurable loss. Replacement cost coverage for antiques, collectibles and other items must be purchased separately. Please discuss this issue with your insurance agent.

**Ordinance or Law Coverage:** If a local building ordinance or law increases the cost of repairing or replacing an insured dwelling, the insurance company will not pay the additional amount, unless this coverage is a part of the policy. For instance, some local building codes may change to require specific building materials to be used in re-construction of the damaged home. Homeowners insurance companies are required to include this coverage at 25 percent of the dwelling limit and you must sign a waiver to remove the coverage. In addition to the 25 percent, insurance companies must also offer a 50 percent limit.

**Additional Living Expenses:** Most homeowners policies provide additional living expense coverage that will pay some extra living expenses if damage to your home is caused by a covered peril and your property is uninhabitable. Policies may designate a limit of coverage for additional living expenses, but this does not obligate the insurance company to pay this amount in advance or in full. You must keep receipts for all expenses and submit them to the insurance company for reimbursement.

For other good ideas on how to get ready for hurricane season, including ways to simplify hurricane preparedness and prepare a home inventory, please visit [www.myfloridacfo.com](http://www.myfloridacfo.com) or call the Department of Financial Services at 1-877-My-FLCFO (1-877-693-5236).