

APPLYING FOR HOMEOWNERS INSURANCE:



WHAT YOU NEED TO KNOW



HOMEOWNERS INSURANCE FINANCIALLY PROTECTS YOUR HOME FROM DAMAGES CAUSED BY WILDFIRES, FLOODS, TORNADOES, HURRICANES, SINKHOLES, BURGLARY, FIRE AND OTHER DISASTERS.

When a covered disaster damages your home and personal property, your homeowners insurance may help pay to repair or rebuild your home and replace damaged or stolen personal property.

FLORIDA'S INSURANCE CONSUMER
ADVOCATE
FLORIDA DEPARTMENT OF FINANCIAL SERVICES

— Tasha Carter —



APPLYING FOR HOMEOWNERS INSURANCE

When applying for homeowners insurance, your insurance agent will likely request that you complete multiple applications for several different insurance companies so that you can receive multiple insurance quotes and choose an insurance company that best meets your insurance and pricing needs.

Each insurance company has its own questions and guidelines on their insurance application, and it is important to carefully review the questions when completing the application, as the information you provide to your insurance agent helps the insurance company determine if it is willing to offer you an insurance policy and the rate you will pay, also known as your premium. This process is called the Underwriting Process.

APPLICANT INFORMATION

When applying for homeowners insurance, your insurance agent or insurance company will ask for information specific to the person who is obtaining the insurance, known as the insured. The insurance agent or insurance company will likely ask for the insured's:

- Full name
- Date of birth
- Social Security Number
- Contact information

The insurance agent or insurance company will also need to know the physical address of the property that is being insured.

WHEN APPLYING FOR HOMEOWNERS INSURANCE BE SURE TO:

1

CONSULT WITH A LICENSED INSURANCE AGENT AND/OR INSURANCE COMPANY.

- ✓ Verify before you buy. Contact the Department of Financial Services' toll-free Insurance Consumer Helpline to verify the insurance agent and insurance company is licensed before you apply for homeowners insurance.
 - 1.877.693.5236
 - www.MyFloridaCFO.com/Division/Consumers/PurchasingInsurance
- ✓ Consider obtaining references or referrals on the insurance agent.

2

READ ALL QUESTIONS CAREFULLY AND ASK FOR CLARIFICATION.

3

DO NOT KNOWINGLY OMIT ANY INFORMATION OR KNOWINGLY PROVIDE INCORRECT INFORMATION.

If the insurance company determines that your application was inaccurate, even after you have had the policy for several years and paid the premium, the insurance company may determine that a policy should not have been issued to you and cancel the policy back to the effective date, refund all of the premium that you paid, thus leaving you without insurance coverage and any claims you have filed may be denied based on the cancellation of the policy.

4

CONFIRM WITH YOUR INSURANCE AGENT OR INSURANCE COMPANY THAT YOU ARE OBTAINING ALL OF THE COVERAGE TYPES AND COVERAGE AMOUNTS THAT YOU REQUESTED.



5

KNOW THE DIFFERENCE BETWEEN YOUR HURRICANE DEDUCTIBLE, THE ALL OTHER PERILS DEDUCTIBLE AND ROOF DEDUCTIBLE.

HURRICANE DEDUCTIBLE



The Hurricane Deductible applies to damages sustained from a named hurricane declared by the National Weather Service.

- Hurricane Deductibles are typically 2%, 5% or 10% of the policy dwelling/structure limits.
- The Hurricane Deductible is only applied once per calendar year as long as you are insured by the same insurance company. If you experience damage to your home from two hurricanes during one year, you will only have to pay your Hurricane Deductible once, even though you have filed 2 claims with your insurance company. If you incur damages from a second hurricane during the calendar year, your insurance company will apply either your All Other Perils deductible stated on your policy or the amount left over from the first Hurricane Deductible, whichever is greater. If you met your entire Hurricane Deductible with the first hurricane claim, your All Other Perils deductible will apply to the second hurricane.

ALL OTHER PERILS DEDUCTIBLE



The All Other Perils Deductible applies to covered damage that was not caused by a named hurricane. This deductible is applied each time a claim is filed.

- Some of the types of claims that may fall under the All Other Perils Deductible include claims involving damage from lightning, fire, hail, vandalism, or theft.
- There may be times when you will be responsible for paying the Hurricane Deductible and the All Other Perils Deductible within a calendar year. This may happen if you have two or more claims, and one of the claims involves damage sustained from a hurricane while the other is a non-hurricane claim.

In this scenario, you would pay the Hurricane Deductible for your hurricane claim and the All Other Perils Deductible for the non-hurricane claim.

ROOF DEDUCTIBLE



 **The Roof Deductible** applies when you file a claim for damage to your roof. Property insurance companies are allowed to offer a policy with a separate roof deductible of up to 2% of the Coverage A (dwelling) limit or 50% of the cost to replace the roof, whichever is lower. When a roof deductible is applied, no other deductibles under the policy may be applied to the claim.

		SEPARATE ROOF DEDUCTIBLE CALCULATION
Coverage A	\$300,000	2% = \$6,000
Roof Replacement Cost	\$15,000	50% = \$7,500
Separate Roof Deductible	\$6,000	The lesser of the calculations

 This deductible is optional, which means that you must be allowed to decline the roof deductible option by signing a form.

 Insurance companies must offer a premium credit or discount for policies that have a separate roof deductible.

The roof deductible does not apply to:

- A total loss caused by a covered incident.
- Damage caused by a hurricane.
- Damage caused by a tree or other hazard that damages the roof and punctures the roof deck.
- Damage requiring the repair of less than 50% of the roof.

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BE AWARE THAT MOST HOMEOWNERS INSURANCE POLICIES DO NOT INCLUDE COVERAGE FOR DAMAGE CAUSED BY A FLOOD.

Discuss flood coverage with your insurance agent or insurance company to determine if it is included in your homeowners insurance policy or if a separate flood insurance policy is required.



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UNDERSTAND THE DIFFERENCE BETWEEN REPLACEMENT COST AND ACTUAL CASH VALUE.

Be sure to ask your insurance agent or insurance company whether the policy you are applying for provides for **Replacement Cost** or **Actual Cash Value**.

Florida law requires an insurance company to offer policies or endorsements based upon Replacement Cost, even if the insurance company also offers a policy based upon Actual Cash Value. You can obtain Replacement Cost coverage for your home based upon the amount of coverage you purchase. You have the option to obtain Replacement Cost coverage on your personal property for an additional premium, otherwise, your coverage for personal property will be based on Actual Cash Value.

ACTUAL CASH VALUE

When Actual Cash Value is offered in a policy, it means the policy will not pay for the decreased value of your items; it will only pay you the cost to replace the item minus the decreased value of the item.

➔ For example, the refrigerator that you purchased for \$3,000 five years ago was damaged from a lightning strike. Your insurance company determines that a refrigerator has a useful life of 10 years, and the same refrigerator today would cost \$3,500. Your damaged refrigerator has 50% (5 years) of its useful life remaining since you bought it 5 years ago.

To calculate the Actual Cash Value, you would receive from your insurance company to replace the damaged refrigerator, you would multiply the \$3,000 original purchase price by 50% (the useful life remaining of your refrigerator). Your insurance company would pay you an Actual Cash Value of \$1,500 to replace your damaged refrigerator ($\$3,000 \times 50\% = \$1,500$).



**\$3,000 NEW
(5 YEARS AGO)**



**ACTUAL CASH
VALUE
\$1,500**

..... **VS.**

REPLACEMENT COST

Replacement Cost means the policy will pay the cost to replace the item at the present time, regardless of the decreased value.

➔ Using the same damaged refrigerator example above, if your policy is based on Replacement Cost, your insurance company will pay you the amount needed to replace your damaged refrigerator with a similar refrigerator today.

In the previous example, the insurance company determined a similar refrigerator would cost \$3,500 in today's market. With Replacement Cost, your insurance company would pay you \$3,500 to replace your damaged refrigerator.



**REPLACEMENT
COST
\$3,500**

ASK YOUR INSURANCE AGENT OR INSURANCE COMPANY ABOUT ANY DISCOUNTS YOU MAY QUALIFY FOR.

Each insurance company has its own guidelines for the types of discounts that are offered in their policies, but a few common ones are listed below:



MULTIPLE POLICY OR BUNDLING

Discount for having multiple policies with the same insurance company (such as homeowners insurance and life insurance) or bundling several types of insurance into one policy with an insurance company. Bundling is commonly done with homeowners and auto insurance.



LOYALTY

Discount for being a policyholder with the same insurance company for a specified length of time.



CLAIMS-FREE

Discount for not filing a claim within a specific length of time.



HOME IMPROVEMENT

Discount for certain upgrades to your home such as improvements to your electrical or plumbing system.



HURRICANE LOSS MITIGATION

Insurance companies are required to offer discounts for making improvements to your home that make it more resistant to storm damage. Improvements such as specific roof coverings or connections; shutters; etc. may result in you receiving a premium discount.



To learn more, review the Department of Financial Services' **Premium Discounts for Hurricane Loss Mitigation** guide:

www.MyFloridaCFO.com/Division/Consumers/UnderstandingCoverage/Guides



ROOF AGE

Discount for your roof can vary from company to company. This discount will depend on the age, condition, and the type of roof. Typically, this discount may only apply to roofs less than 10 years old.



ROOF DEDUCTIBLE

Insurance companies are required to offer a premium credit or discount if your policy has a roof deductible. You have the option to reject having a roof deductible and not receiving the premium credit or discount.



HOME IN A GATED COMMUNITY

Discount because the insured residence is located in a gated community.



FULL PAYMENT

Discount for paying your policy premium in full in one annual payment as opposed to paying it in monthly or semi-annual payments.



ALARM SYSTEM

Discount for having an alarm or monitoring system installed in your home.



FIRE ALARM SYSTEM

Discount for having a fire alarm system installed in your home. Some insurance companies may include smoke detectors in their Fire Alarm System Discount or may offer a separate discount for smoke detectors. Ask your insurance agent or insurance company about potential discounts for smoke detectors.

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KNOW THAT ANIMAL LIABILITY COVERAGE IS OFTEN AN ADDITIONAL COVERAGE THAT MUST BE REQUESTED.

Animal Liability Coverage usually provides liability coverage for bodily injury and property damage that are caused by animals you own or keep, such as dogs or cats. For example, if your dog bites a guest in your home, your Animal Liability Coverage will help pay for the medical expenses that are related to the dog bite and help pay for the legal costs if your guest decides to sue you.

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ASK YOUR INSURANCE AGENT OR INSURANCE COMPANY FOR A COPY OF THE SIGNED APPLICATION TO KEEP FOR YOUR RECORDS.

Once you receive your policy, compare the coverages you requested on the application with the coverages that are listed in the policy. If there are any mistakes, contact your insurance agent or insurance company immediately.

COMMON HOMEOWNERS INSURANCE COVERAGES

There are different types of coverages that are available and offered with homeowners insurance. When applying for homeowners insurance be sure to discuss your coverage expectations with your insurance agent or insurance company so they can recommend the most appropriate coverage amounts for your situation. The most common coverage types are:



DWELLING COVERAGE

Provides coverage for the physical rebuilding or repair of your home.



OTHER STRUCTURES COVERAGE

Provides coverage for structures on your property other than your home, such as a fence, detached garage, or shed.



LOSS OF USE COVERAGE

Provides reimbursement for additional living expenses you may incur if your home is uninhabitable while it is being repaired or rebuilt.



PERSONAL LIABILITY COVERAGE

Provides coverage for injuries that are sustained when someone who does not live with you is injured while on your property and you are found legally liable for causing the injury. This coverage would provide payments for pain and suffering and property damage.



MEDICAL PAYMENT TO OTHERS COVERAGE

Provides coverage for medical payments of a guest who is injured while on your property whether or not it is your fault. For example, this coverage would likely provide medical payments for a guest that injured themselves on your stairs. This coverage does not provide any payments for pain and suffering or property damage.

DEDUCTIBLES

Homeowners insurance may have five different types of deductibles. Be sure to discuss the deductible amounts with your insurance agent or insurance company so you are aware of your deductible amount for damages from a hurricane, sinkhole, or other disasters.



ALL OTHER PERILS DEDUCTIBLE

This deductible is applied when the covered damage is caused by anything other than a named storm or a sinkhole, such as a tropical storm, tornado, lightning, fire, hail, vandalism or theft.



HURRICANE DEDUCTIBLE

This deductible is applied when the covered damage is caused by a storm that has been declared a named hurricane by the National Weather Service.



ROOF DEDUCTIBLE

This optional deductible is applied when you file a claim for damages to your roof. This deductible does not apply if the damage was caused by a hurricane, a tree or other hazard that damages the roof and punctures the roof deck, or a total loss caused by a covered incident. When a roof deductible is applied, no other deductibles under the policy may be applied.



SINKHOLE DEDUCTIBLE

This deductible is applied when the covered damage is caused by a sinkhole, if sinkhole coverage is included in your policy.



WATER DEDUCTIBLE

Your insurance policy may include a deductible for non-weather-related water claims. These types of claims include damage to your home by water that is not due to a weather-related event, such as the accidental discharge or overflow of water from a pipe, plumbing system, or household appliance.

UNDERWRITING QUESTIONS

UNDERWRITING IS A TERM THAT REFERS TO THE PROCESS OF EVALUATING THE RISK OF INSURING YOUR HOME.

Every insurance company has its own underwriting guidelines. Underwriting is when an insurance company reviews the information you have given them when applying for insurance and calculates your premium using that information.

SOME COMMON UNDERWRITING AREAS INSURANCE COMPANIES LOOK AT WHEN YOU APPLY FOR HOMEOWNERS INSURANCE INCLUDE:

- 🏠 Your home's building type
- 🏠 Your home's construction type
- 🏠 How close your home is to the coast or a fire hydrant
- 🏠 The number of stories your home has
- 🏠 The year your home was built
- 🏠 The age of your roof or the year the roof was replaced
- 🏠 The square footage of your home
- 🏠 Whether your home is occupied or vacant



EXAMPLES OF COMMON UNDERWRITING QUESTIONS YOUR INSURANCE AGENT MAY ASK



Have you or any resident family member ever had insurance coverage cancelled or non-renewed for misrepresentation of facts, insurance fraud, or ever been convicted of arson?



Do you have a swimming pool, hot tub, trampoline, or skateboard ramp on the property?



Has there been any sinkhole activity on the premises whether or not it resulted in damage to the dwelling?



Is there a business or daycare on the premises?



Have you or any resident family member filed any claims in the past 6 years, as a result of damages to the home?



Do you have any vicious, dangerous or exotic animals, or animals with a history of biting or attacking on your property?



Have you or any resident family member filed for bankruptcy in the last 5 years?



FOR MORE INFORMATION

If you have any questions about applying for homeowners insurance, consult with your insurance agent, insurance company, or the Department of Financial Services toll-free Insurance Consumer Helpline at **1.877.693.5236**.

Office of the Insurance Consumer Advocate
www.MyFloridaCFO.com/Division/ICA
YourFLVoice@MyFloridaCFO.com
850.413.5923