

# The Instant Insurance Guide:

# Home



Info and tips  
for buying  
homeowners  
and renters  
insurance  
in Delaware

From

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# **A Message From The Delaware Department of Insurance**

Many people don't fully understand homeowners insurance or haven't thought about it in awhile — you know who you are. Well, this guide is for you.

You need the right type and amount of homeowners insurance in order to truly protect yourself should something happen to your home and possessions.

This guide contains helpful information for new homeowners and longtime owners as well. Especially important is information on flood insurance and on updating your insurance needs if you haven't checked or changed your policy in a long time.

And there's more we couldn't fit in here. So please be sure to check out our website at [www.delawareinsurance.gov](http://www.delawareinsurance.gov) for additional topics and tips.

# The Basics

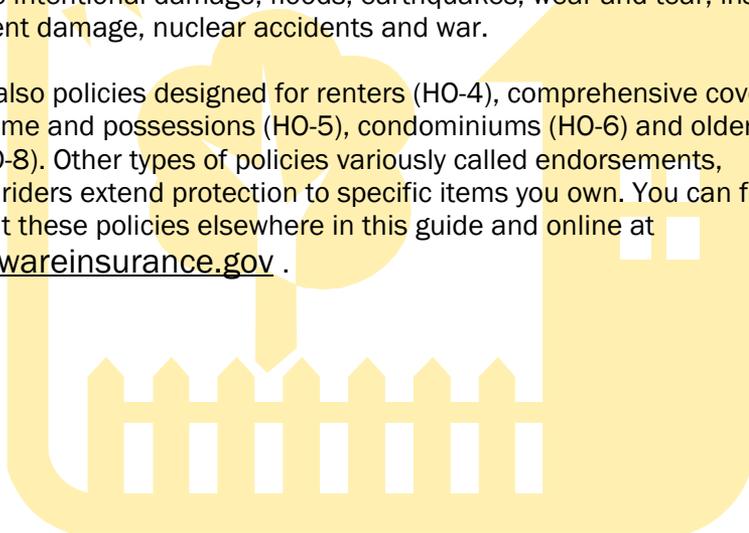
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Homeowners insurance protects both your home and your personal possessions, including appliances, furniture and clothes. It also provides liability coverage should someone be injured on your property. Some type of homeowners insurance is generally a requirement to get a mortgage to purchase a house.

The main types of homeowners insurance are:

- **Broad (HO-2)** provides coverage for losses to your house and its contents from 17 perils, including fire and lightning, smoke, windstorms and hail, explosion, riot, damage from vehicles or aircraft, theft or vandalism, broken windows and other building glass, the weight of snow, sleet or ice, building collapse, falling objects, electricity surges or shorts (though TV and radios aren't included), as well as problems from accidents with your plumbing, heating, air conditioning, and appliances, including frozen pipes.
- **Special (HO-3)** is the most commonly used type of homeowners policy and covers losses from everything listed in HO-2 as well as about anything else you can imagine, except those things that are specifically excluded in the policy. Damage covered under HO-3 but not HO-2 could include rare situations like condensation on attic insulation causing water stains on the ceiling of the room below or damage to draperies that froze to a large plate glass window. The specific exclusions usually include intentional damage, floods, earthquakes, wear and tear, insect or rodent damage, nuclear accidents and war.

There are also policies designed for renters (HO-4), comprehensive coverage for your home and possessions (HO-5), condominiums (HO-6) and older homes (HO-8). Other types of policies variously called endorsements, floaters or riders extend protection to specific items you own. You can find more about these policies elsewhere in this guide and online at [www.delawareinsurance.gov](http://www.delawareinsurance.gov).



# What's Covered

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Most homeowners policies cover the following:

- **Structures.** Damage or destruction of your house, garage, shed and other structures are covered under the typical policy. Landscaping is also generally insured for up to five percent of the value of your policy.
- **Personal Property.** The typical homeowners policy extends its protection to your possessions, including your furniture, appliances, electronics, clothes, jewelry, sports equipment and lawn tools. And these items are not just covered when they are at your home, but anywhere. So if your luggage is lost on a trip or something is stolen out of your car while parked at your work, your homeowners insurance probably covers it, though there may be limits.

Most policies cover personal property at 50 to 70 percent of the policy limit. So if you have \$100,000 worth of insurance on your home, you would have between \$50,000 to \$70,000 worth of coverage for your belongings. The best way to determine if you have enough coverage for your belongings is to conduct a home inventory (see “Inventory” in this guide).

- **Liability.** Besides insuring your property, the typical homeowners policy includes coverage for injuries or loss to other people. If someone trips on your steps or sidewalk, it will cover that person’s medical bills and other losses. It also may pay for injuries in accidents (not auto accidents) caused by you, a family member or even your pet away from home, such as if you run into someone with your bike. The policy also may pay your legal bills if you are sued in one of these situations. You can buy larger amounts of liability coverage at a relatively small cost.
- **Temporary Living Expenses.** If your home is damaged or destroyed and you must live somewhere else while it is repaired or rebuilt, your homeowners policy should cover some or all of the costs.

Make sure you know whether you have insured your property for “replacement cost” or “actual cash value.” The difference is explained under “Replacement Cost” in this guide. Also be aware of the standard limits on the next page for different kinds of personal property.

# What's Not

You will need specific or additional policies to cover the following:

- **Floods.** Flood insurance is never included in a standard homeowners policy. Most flood insurance is offered by the federal government and can be obtained through an insurance agent. It also is offered by some private companies. If you live in an area that is prone to flooding, you are advised to purchase flood insurance, otherwise you may suffer a total loss in the event of a flood.

To type in your address and see your risk of being flooded, or to find a list of agents in your area that sell federal flood insurance, go to [www.floodsmart.gov](http://www.floodsmart.gov) on the web.

- **Valuable personal items.** Under most policies, there will be a limit on how much you can be reimbursed for certain kinds of items, such as jewelry, fine arts, camera equipment, coin or stamp collections, computer equipment and satellite dishes. Though policies vary, typical limits include:
  - \$200 on money and coins
  - \$1,000 on stamps, tickets, securities (such as stocks), deeds and passports
  - \$1,000 for loss by theft of jewelry, watches or furs
  - \$1,000 on trailers (not used for watercraft)
  - \$2,000 for loss of theft of guns and firearms
  - \$2,500 for loss by theft of silverware
  - \$5,000 for computer equipment

These limits are for the entire category of items in your home, not each individual item. So, for example, if you had a \$1,000 limit for jewelry and had three rings worth \$3,000 combined, you would only receive \$1,000 for all three if they were stolen.

If you have something that is worth more than these limits, you may want to insure such an item separately with an addition to your policy called an “endorsement” (also known as a “floater” or a “rider”). You will likely need an independent appraisal of the item’s worth in order to obtain an endorsement. Talk to your agent for details.

# Replacement Cost

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It is crucial to know the difference between replacement cost and actual cash value when it comes to both your home and your possessions.

**Replacement cost** is what it would take to repair or rebuild your home should it be damaged or destroyed. However, standard homeowners policies contain a limit on the replacement value. If your limit is less than what it would take to rebuild your home at current construction material and labor costs, then you may want to increase your policy limit.

The amount of insurance coverage you buy should be based on the true cost of rebuilding or replacing your home. It should not be based on what you paid for your home or its current market value, because those values do not represent what it would cost to rebuild and also will include the value of your land, which does not need to be replaced. And it should not be based on your mortgage, which usually is much less than the cost to rebuild.

Be aware that many policies are written at 80 percent of replacement cost. For example, if it would take \$100,000 to rebuild your home, then the property is actually insured at replacement cost for \$80,000. You the homeowner would be responsible for the remaining amount to replace the home. Check with your agent.

Depending on your home, you may have the option of buying a guaranteed replacement cost or an extended replacement cost policy, though either will have higher premiums. A guaranteed replacement cost policy will pay whatever it takes – 100 percent – to rebuild your home should something happen to it. This type of policy may not be available for older homes, since they are hard to duplicate. An extended replacement cost policy will pay 20 percent or more beyond the policy limit, depending on the insurance company.

For your possessions, such as appliances and furniture, replacement cost is what it would cost to replace it with a new item with similar features, while **actual cash value** is what the item was worth. For example, actual cash value on a 10-year-old TV set may only be about \$50. What you would need to replace it with a similar model might be more like \$500. An actual cash value policy would give you \$50. A replacement cost policy would give you \$500. Most homeowners insurance policies cover contents on an actual cash value basis, so check with your insurance agent.

# Inventory

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A home inventory serves two main purposes:

- To help you estimate the value and replacement cost of your possessions in order to ensure that you have sufficient coverage under your homeowners or renters insurance policy; and
- To create a record of what you have in case disaster strikes and you need to provide your insurance company with a comprehensive list of what needs to be replaced.

A proper home inventory will create a record of what you own and what it's worth. To perform an exhaustive home inventory, you should:

**Make a list.** Go through each room in your house and list every piece of furniture, every appliance and every item. Include art on your walls, lamps, curtains or blinds on the windows, dishes and silverware, even the number of CDs, DVDs and videos you own. For clothes, count the number of shirts, pants, dresses, pairs of shoes, etc. Cover your attic and/or basement. Make sure to include the tools, equipment and other items in a garage or shed. For as many items as possible, list model names, serial numbers, purchase dates and prices. For the purpose of determining if you have adequate insurance coverage, you may want to figure out what it would cost to replace your possessions, at least for furniture, appliances and other items. You want your inventory to be as complete as possible — imagine how much you might spend to replace all these items without being reimbursed by your insurance. A form for making your inventory is available from the Insurance Commissioner at [www.delawareinsurance.gov](http://www.delawareinsurance.gov) or 1-800-282-8611.

**Take video or photos.** Videotape or take photos of all the rooms in your house in order to document what you have. Record each room from different angles. Videotape or photograph the contents of closets, drawers and cabinets as well. Put the date on the videotape label or on the backs of the photos if it's not automatically recorded.

**Safeguard your inventory.** Place your list and your video or photos in a safe deposit box at a bank, in a fireproof and waterproof container in your home, or have a family member or friend hold on to them.

**Update once a year.** It's important that your list be kept up to date. Once you make an initial list, it won't be hard to update.

# Ways To Save

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Tips for saving money on your home insurance:

- **Shop around.** A list of companies offering home insurance in Delaware is available at [www.delawareinsurance.gov](http://www.delawareinsurance.gov), or check the yellow pages of the phone book.
- **Make your home safer.** Adding safety items like deadbolts, smoke detectors, fire extinguishers, burglar alarm or a security system could lower your rates, but you should ask your agent or company. There may also be discounts available for improving your home structurally, with shatter-resistant glass, storm shutters or different roofing. Again, ask your agent or company.
- **Raise your deductible.** A deductible is the amount of money you have to pay toward a loss before your insurance company starts to pay a claim. The higher your deductible, the lower your premium. The difference between a deductible of \$250 and \$1,000 may be a savings of up to 25 percent on your premium. But, should you make a claim for damage or theft, you will have to pay more out of your pocket.
- Consider the cost when you **choose your home**. In our area, brick homes are less costly to insure than wood frame home. Newer homes and those closer to fire stations also have lower premiums.
- Make sure you are insuring the house and possessions based on **replacement cost**, not land or market value.
- Ask whether there are **discounts** offered for:
  - Home, auto and other insurance with same company
  - Senior citizens
  - Staying with same company for three years, six years, etc.
  - Updating plumbing or electrical systems
  - No smokers in a home

# Renters

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While almost all homeowners carry home insurance, only about a quarter of people who rent carry insurance for their possessions. If you rent, your landlord's insurance will not pay to replace your possessions if they are damaged or destroyed by a fire or a burst water pipe, or if they are stolen.

**Renters insurance** carries the same coverage for your possessions and the same liability as a homeowners policy. With renters insurance, you will have coverage if your possessions are stolen, damaged or destroyed; if something happens to your camera or luggage on vacation; or if something in your apartment causes damage to the building. A renters policy may also provide you with living expenses if your apartment is destroyed or damaged and you cannot stay there.

Renters insurance is very affordable and you and any roommates can share a policy, making it even cheaper. The best way to determine how much coverage you need is to perform a home inventory (see "Inventory" in this guide).



# Need Help?

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The Delaware Insurance Commissioner's Office is here to help if you have questions about or problems with your insurance coverage or insurance company.

Questions about insurance or complaints about an insurance company or insurance agent can be made to the Commissioner's Consumer Services division by phone, by fax, by letter, by email or with an online complaint form:

**1-800-282-8611 toll-free in Delaware  
or (302) 674-7310**

**(302) 739-6278 fax**

**841 Silver Lake Blvd.  
Dover, DE 19904**

**[consumer@state.de.us](mailto:consumer@state.de.us)**

**[www.delawareinsurance.gov](http://www.delawareinsurance.gov)**

If complaints to the Insurance Commissioner's Office do not provide a suitable solution, you may take part in a formal process called "arbitration." In arbitration, you file a formal complaint against a company, somewhat like a lawsuit, but instead of a judge and jury, the case is decided by a three-person panel made up of an attorney and two insurance adjusters who have no interest or stake in the case.

Arbitration is available only after several attempts to resolve the matter informally have failed and will require a \$30 filing fee for a matter involving homeowners insurance. To get more information about the arbitration process, call the Insurance Commissioner's Office at (302) 674-7310 or go to [www.delawareinsurance.gov](http://www.delawareinsurance.gov) online.

# More Online

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Visit the Insurance Commissioner's website to find even more information and tips about homeowners insurance:

**[www.delawareinsurance.gov](http://www.delawareinsurance.gov)**

Topics covered online include:

- Insuring a **condo or co-op** property
- About **flood insurance**
- Description of all **homeowners policy types** (HO-2 to HO-8)
- How to **make your house safer**
- A **list of companies** that offer homeowners and renters insurance in Delaware

## Looking Out For Homeowners

- Insurance companies are no longer allowed to not renew your insurance because you have made a few small claims. If you think your company has acted improperly, contact the Insurance Commissioner's Office.
- Insurance companies must now provide an annual notice of "gaps" in your insurance – telling you about situations in which you may not have enough coverage or might not be covered at all

For more information about these and other initiatives to protect and inform homeowners, visit [www.delawareinsurance.gov](http://www.delawareinsurance.gov) or call 1-800-282-8611.



# Perform A Home Insurance Checkup

- **What are your limits?** What is your homeowners policy limit for replacement of your home should it be destroyed? What is the limit for replacement of your personal possessions?
- **How much to rebuild?** Talk to a builder or your insurance agent about what it would cost to rebuild your house at today's construction material and labor rates. If your policy limit isn't that high, either ask your agent to increase it or decide that you would be willing to build a smaller house should disaster strike (see "Replacement Cost" in this guide).
- **What are your possessions worth?** Make an inventory of all you own (see "Inventory" in this guide) and figure what it would cost to replace it. Compare this against your policy limit and decide whether you need to increase your coverage. Also, make sure you don't need an endorsement policy to cover valuable items like jewelry, collections and other items that exceed standard limits (see "What's Not" in this guide).
- **Do you need flood insurance?** Flood damage is not covered by standard homeowners insurance — it must be purchased separately, usually from the federal government. Assess your home's risk of flooding at [www.floodsmart.gov](http://www.floodsmart.gov).

**Get more tips and information  
about homeowners insurance  
from the Delaware Department of Insurance at  
[www.delawareinsurance.gov](http://www.delawareinsurance.gov)**