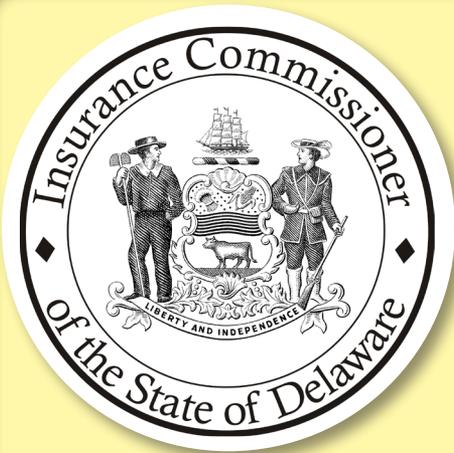


The Instant Insurance Guide: Home



Understanding Homeowners and Renters Insurance in Delaware

Insurance Commissioner Trinidad Navarro
Delaware Department of Insurance
1-800-282-8611 • insurance.delaware.gov

About This Guide

Many people don't fully understand homeowners or renters insurance or haven't thought about it in awhile — you know who you are. 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/or possessions.

This guide contains helpful information for new homeowners and longtime owners, too. And there's more we couldn't fit in here. So please check out our website, insurance.delaware.gov, for additional information. Also, "Like" us on Facebook and follow us on Twitter (@Delaware_DOI) to find helpful news, tips and links.

Our Mission

Protecting Delawareans through regulation and education while providing oversight of the insurance industry to best serve the public.

Contact Us

Phone: (302) 674-7310

1-800-282-8611 (Toll-free in Delaware)

Fax: (302) 739-6278

Email: consumer@state.de.us

Mail: 841 Silver Lake Blvd.
Dover, DE 19904

Website: insurance.delaware.gov

Table of Contents

The Basics.....	Pages 4 & 5
What's Covered?.....	Page 6
Loss Chart.....	Page 7
What's Not Covered.....	Page 8
Replacement Costs vs. Actual Cash Value	Page 9
What Affects Premium Prices.....	Page 10
Ways to Save.....	Page 11
Home Inventory.....	Page 12
Renters Insurance.....	Page 13
Termination of Coverage, Non-Renewals.....	Page 14
Additional Resources.....	Page 15

Please note: The Department of Insurance makes every attempt to provide up-to-date information. The information contained in this guide could be subject to change. If you have a specific question about an issue you may want to call your agent or insurance company. Last updated: October 2016.

The information in this guide is not a substitute for legal or professional advice.

The Basics

Why do I need homeowners (or renters) insurance?

Homeowners: Protect both your home (called the structure or dwelling) and your personal property (belongings).

Tenants of rental properties: Protect your personal property

Homeowners and renters: Protect yourself against liability for accidents that injure other people or damage their property

Some type of homeowners insurance is generally a requirement to get a mortgage to purchase a house.

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.

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 “Home Inventory” on page 12 in this guide).

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.

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.

A complete review of your policy is the only way to determine what property is covered and what perils are insured against. Take some time, at least once a year, to review your types and levels of coverage.

Additional Home Insurance Topics

At-home business: If you have a business that you run from your home you need to discuss the complete details of the business with your insurance agent. Some homeowners policies explicitly prohibit at-home businesses while others allow for additional coverage through an endorsement/rider. For extensive information about insurance for small businesses see our Small Employer Guide.

Mobile homeowners policy: Companies sell special policies to insure mobile homes (also called other names such as trailer home or house trailer) but they are not as standardized as other home policies, so read the details carefully. Policies can differ significantly by company, as do premiums, so shop around before you buy.

Renters insurance: The landlord of your apartment or rental home has insurance, but it probably only covers the building you live in — not your belongings or your liability for accidents.

Gaps in coverage: 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. If you have questions, be sure to discuss them with your agent.

What's Covered?

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. 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, see page 13), comprehensive coverage for your home and possessions (HO-5), condominiums (HO-6) and older homes (HO-8). Other types of policies, called endorsements (also known as floaters or riders) extend protection to specific items you own.

Loss Chart

TYPE OF POLICY	HO 00 02		HO 00 03		HO 00 04		HO 00 05		HO 00 06		HO 00 08	
	D	C	D	C	D	C	D	C	D	C	D	C
D — Dwelling C — Contents												
PERILS COVERED												
Fire or lightning	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓
Windstorm or hail	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓
Explosion	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓
Riot or civil commotion	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓
Aircraft	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓
Vehicles	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓
Smoke	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓
Vandalism and malicious mischief	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓
Theft	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓
Volcanic eruption	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓
Falling objects	✓	✓	✓	✓		✓	✓	✓		✓		
Weight of ice, snow, sleet	✓	✓	✓	✓		✓	✓	✓		✓		
Accidental discharge or overflow of water from within a plumbing, heating, air-conditioning or automatic fire protective system or from within a household appliance	✓	✓	✓	✓		✓	✓	✓		✓		
Sudden and accidental tearing apart, cracking, burning or bulging of a steam of hot water heating system, an air-conditioning or automatic fire protective sprinkler system or an appliance for heating water	✓	✓	✓	✓		✓	✓	✓		✓		
Freezing of a plumbing, heating, air-conditioning system or automatic fire protective sprinkler system or of a household appliance	✓	✓	✓	✓		✓	✓	✓		✓		
Sudden and accidental damage from artificially generated electrical current	✓	✓	✓	✓		✓	✓	✓		✓		
All perils except those specifically excluded in your policy (check your policy for complete listing of perils not covered)			✓				✓	✓				

What's Not Covered

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

Floods: Flood insurance is never included in a standard homeowners insurance 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 enter a specific address to see the risk of flooding, or to find a list of agents in your area that sell federal flood insurance, go to www.floodsmart.gov.

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, stereo systems, coin or stamp collections, computer equipment, etc. 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. 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.

Other perils likely not covered under a standard policy: Mud slides, landslides, earthquakes, war, nuclear accidents, sinkholes, sewer back-ups, and any others specified in your policy.

Replacement Cost

The difference between replacement cost and actual cash value:

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.

What Affects Premium Prices?

The cost of a homeowners insurance policy can vary widely depending on the unique characteristics of the home and the levels of coverage selected. The following items can help explain what factors contribute to the total cost of your homeowners insurance premium.

Types of construction: Frame houses usually cost more to insure than brick or stone construction.

Age of house: New homes may qualify for discounts. If your house was built before 1900, you may not be able to qualify for an HO-3 policy. Instead, you may be offered an HO-8 policy, which will not cover damage caused by accidents such as bursting pipes or electrical shortages, more likely to occur in an older home.

Amount (levels) of coverage: The amount of coverage you buy for your house, contents and personal liability will affect the price you pay.

Local fire protection: Your home's distance from a fire hydrant and the accessibility of your home to your local fire department determine your fire protection classification.

Deductible amount: Your choice of a higher deductible will reduce the price of the overall premium.

Hurricane deductible: In an effort to fend off rate increases associated with an increased risk of hurricane damage, many homeowners policies now call for the payment of a deductible (typically 2% of the property's value) before losses are covered from wind, rain, hail, tornadoes or cyclones *directly caused by a hurricane*.

Pets: Some insurance companies will charge you more if you own a certain breed of dog they have deemed to be a risk for increased claims. Some insurance companies may decline to offer coverage altogether.

Home-specific features: Expect to pay a higher premium if you have: a pool, hot tub or trampoline; an electrical system that has not been updated with a circuit breaker; a roof or furnace that is over 20 years old, etc. Each home has its own unique set of risk factors .

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

Make your home safer: Adding safety items like dead bolts, 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 a wood frame home. Newer homes and those closer to fire stations also tend to 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
- Membership in alumni, service or fraternal organization

Insurance score: An insurance score is a numerical ranking based on a person's credit score and claims history. A higher credit score should lead to a better insurance score.

Home Inventory

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. 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.

Take video or photos: With smart phones it is easier than ever to take video and 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.

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.

Create an inventory: The Department of Insurance offers printed forms, a writable PDF, and links to free apps for creating an inventory. Visit: <http://insurance.delaware.gov/information/insureu/>

Renters Insurance

While almost all homeowners carry homeowners insurance, only about a third 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 roommates can often share a policy, making it even cheaper. The majority of renters insurance policies cost \$15 to \$30 per month. The best way to determine how much coverage you need is to perform a home inventory (see page 12).

College Students: College students living in off-campus housing are ideal candidates for needing renters insurance, since many students bring thousands of dollars worth of personal items, such as electronics, a computer, textbooks, clothes, furniture, and a bicycle, with them to school. It is the renter's responsibility to provide coverage for these valuable items.

However, if a college student is under 26 years old, enrolled in classes and living in on-campus housing, the student may be covered under his or her parents' homeowners or renters insurance policy.

Just as with a standard homeowners policy, **flood damage isn't covered under renters insurance**, so you'll need to buy that under the *National Flood Insurance Program*.

Termination of Coverage

What's the difference between cancellation of coverage and a non-renewal?

When can an insurer cancel your policy? After a policy has been in effect for 60 days, insurers may cancel your policy in the middle of the term if:

- You stop paying premiums
- Have been convicted of a crime increasing the hazard that is insured
- Have a breach of contract
- Have acted fraudulently or committed material misrepresentation in getting the policy
- Have failed to take reasonable steps to eliminate conditions that may increase losses, or
- If there has been a substantial change in the risk

If an insurer refuses to continue covering you it must mail you a written notice of cancellation and state the reason the policy is being cancelled.

When can an insurer non-renew your policy? With one exception, insurers may non-renew your policy at the end of the policy term for any reason. If the renewal is based on a condition of the premises, the insurer must give you 30 days prior notice to remedy the identified condition and another 30 days, upon payment of premium, to cure the defective condition. Insurers are not permitted to label "condition of premise" losses as "loss/claims history" to circumvent these notice requirements.

If an insurer refuses to continue covering you, it must mail to you, at least 30 days in advance, a written notice of non-renewal and state the reason the policy is being non-renewed.

Pets and animals: Be careful in your selection of household pets. Having wild animals or dogs of certain breeds can result in your homeowners policy being cancelled or nonrenewed.

Additional Resources

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

Filing a complaint: Questions about insurance or complaints about an insurance company or insurance agent can be made to the Consumer Services Division by phone, fax, letter, email or with an online complaint form. See contact information on page 2 of this guide or visit this page on our website: <http://insurance.delaware.gov/services/filecomplaint/>

Arbitration: 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. To start the process you will be required to pay a \$30 filing fee, for matters involving homeowners insurance.

More resources at insurance.delaware.gov, including:

- Insuring a co-op or condo
- More information about flood insurance
- A list of companies that offer homeowners insurance in Delaware

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 would it cost 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" inside this guide).

What are your possessions worth? Make an inventory of all of your possessions (see "Inventory" in this guide) and figure what it would cost to replace everything. 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 Covered" inside 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.

What isn't covered? A complete review of your policy is the only way to determine what property is covered and what perils are insured against. Take some time, at least once a year, to review your types and levels of coverage. Ask your agent or insurance company if you don't understand what your policy covers.

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