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FREQUENTLY ASKED INSURANCE QUESTIONS AFTER A WEATHER-RELATED LOSS

Automobile Insurance

What are my coverages?

If you sustained storm-related damage to your automobile, this damage would be covered under your comprehensive coverage. Without purchasing comprehensive coverage as part of your policy (if, for example, you only carry liability coverage), you will not have coverage for your automobile damage.

If you have purchased comprehensive coverage and your vehicle is determined to be a total loss as a result of the storm, your insurance carrier will make a settlement offer reflecting the actual cash value of the vehicle immediately prior to the loss based on the current retail value of your vehicle minus the amount of your deductible.

A total loss occurs when the cost to repair the vehicle is 75% or greater than the fair market value of the vehicle immediately prior to the loss. There are regulations setting forth an insurer's duties when a total loss is involved, so if you have any questions regarding a total loss settlement, you should contact the Maryland Insurance Administration.

Homeowners Insurance

What are my coverages?

Replacement Cost Value vs. Actual Cost Value

If you have Replacement Cost Value (RCV) coverage, your policy will cover the cost to return your home to the condition it was in just prior to the loss. Usually a RCV policy will provide the policyholder with a lump sum payment reflecting the actual cash value (ACV). ACV equals the RCV minus a "hold back" amount reflecting the depreciation that will be paid to the insured once repairs are completed. The payment for the damage to the structure is paid under your dwelling coverage and is subject to the policy limit.

Flood

A flood is generally defined in the Standard Flood Insurance policy as *a general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is your property) from overflow of inland or tidal waters, from unusual and rapid accumulation or runoff of surface waters from any source, or from mudflow* as more specifically defined. General homeowners policies DO NOT insure you against flood damage. Flood insurance is provided by the federal government under the National Flood Insurance Program (NFIP). It also may be available through other sources. You do not have to be located near a body of water to be at risk for flood damage. Floods are often caused by storms, melting snow, hurricanes, wind-driven rain, dam failure or other events. Therefore, regardless of where your property is located, you may wish to consider purchasing flood insurance. Although it is a federal program, you can contact your agent or insurance company to get information or you can call the NFIP at 888-435-6637.

Tornadoes

For insurance purposes, tornadoes are considered “windstorms” and are covered under homeowners insurance policies. Homeowners policies cover the building and its contents for damage from tornadoes, hail and other windstorms. However, some of these storms may be “named storms” and may be subject to a different deductible amount than for another type of loss. You should read your policy and/or ask your producer (agent/broker) or insurance company if there is one deductible for all covered losses or if there is a different deductible depending on the type of loss.

Water Seepage

If water seeps into your basement from the ground, you generally are NOT covered for the resulting damages. Water seepage is excluded under most homeowners policies. If the water seepage is not the result of a flood, you will not have coverage under your flood policy either. Problems from seepage are considered maintenance issues and are not covered by insurance.

Burst Pipes

If a pipe bursts, most homeowners policies will cover the damage caused by the water. However, repair or replacement of the pipe may not be covered.

Spoiled Food Due to an Electrical Outage

If you lose electricity and the food in your refrigerator spoils, you may or may not be covered for the cost of the lost food, depending upon the language and terms of your policy. You should review your policy to determine if you are covered for food spoilage under these circumstances because any claims you file, whether paid or not, will be counted against your policy and considered by the insurer when determining whether to renew your policy.

Total Loss vs. Condemned

- Total loss means that the cost to repair the damage sustained to your dwelling and/or other structures on your property (such as a detached garage or shed) exceeds its value or is beyond the limits of your insurance coverage.
- A “condemned property” means that a governmental authority such as the county, city or other government jurisdiction has declared your property to be

unsafe and in need of repair. Please note, even if the property is condemned, it does not mean your insurance company will consider it as a total loss.

Reconstruction Costs Due to New Building Codes

If your home is destroyed and your local building codes have changed, you are generally NOT covered under your homeowners policy for any additional costs to comply with current codes. As a general rule, homeowners policies exclude the costs associated with bringing a property into compliance with current ordinances or laws regulating the construction of buildings. You may want to consider purchasing an endorsement to your policy that does provide coverage for the costs associated with bringing the property into compliance with current codes and ordinances when making required repairs.

Additional Living Expenses (ALE) and/or Loss of Use (LOU)

If, as a result of a covered loss, you need to leave your home due to the damages sustained and if your policy provides for Additional Living Expenses or Loss of Use, your insurance company will reimburse you for certain costs of your additional living arrangements. This includes the cost of a hotel, trailer, apartment, etc, as well as meals and other miscellaneous items. You will need to retain ALL receipts (proof of payment) for your additional living expenses in order to be reimbursed. A homeowners insurance policy issued, sold or delivered in the State of Maryland that provides coverage for additional living expenses must provide coverage for at least 12 months; however, it may be subject to a monetary limit as well. Depending on the extent of the property damage, your particular claim may not be eligible for coverage for 12 months. You should contact your agent for further details on this type of coverage and the amount available to you under your policy.

General Debris Removal

- If you are insured, the cost of debris removal should be part of your property insurance settlement. The general contractor usually handles debris removal as part of the repair contract.
- If you do not have insurance to cover you for the damage, your local jurisdiction may provide for debris removal from your property after a major storm. Watch for information in the newspaper or listen to the radio for details. If there is debris removal by a government jurisdiction, you may need to sign a *Right of Entry* form granting permission to come onto your property and remove the debris.

Downed Trees

Homeowners insurance policies generally cover up to \$500 toward tree removal. This limit on coverage applies to ALL downed trees per event and is not paid on a per-tree basis. So, regardless of whether you have two trees or 12 trees down after a storm, you will receive only one payment from your insurance company in the amount of \$500.

If you have homeowners insurance and a tree(s) falls on a covered dwelling (your home) or other structure, your insurance should cover the cost to remove the tree from the damaged structure. This would be paid under the dwelling portion of your policy. The tree(s) will then be placed on the ground for removal. The removal of the tree(s) will be included, generally, in the lump sum payment of \$500 for tree removal.

If a tree falls on your property and does not damage any part of your insured dwelling or other structures, you will only receive payment for what your policy allows for general tree removal, usually \$500.

Fire

If your home is totally destroyed by fire, it is important that you have sufficient limits to enable you to rebuild your home. The time to determine whether you have sufficient coverage is BEFORE a loss and not after. The cost of rebuilding your home will depend on:

- the square footage of the home,
- the type of exterior construction (e.g. frame, brick, stone, veneer),
- the type of roof,
- any attached structures,
- the number of rooms and bathrooms,
- any additional features such as custom cabinetry and fireplaces, and
- the construction costs in your area.

You should check with your insurance producer (agent or broker) to be sure you are adequately insured. Many homeowners insurance policies with replacement cost coverage contain a provision requiring the limits to equal or exceed 80% of the cost to replace the home. If your policy does not comply with this provision, a penalty may be applied when settling the claim. Therefore, it is important to periodically check and update the coverage limits on your policy. Any improvements or additions to your home will increase the cost to rebuild it in the event of a loss. Therefore, any improvements or additions should be reported to your insurance company as soon as they are completed so the additional coverage can be added to your policy. If you choose not to replace your home, you will receive the replacement cost of your home minus depreciation, or the Actual Cash Value.

Your Responsibilities After a Loss

- Report all claims to your insurance carrier immediately.
- Document your entire loss with photographs, videos, etc.
- Keep a log of your personal property loss and gather all receipts (proofs of payment) for those items damaged or destroyed. If you do not have proofs of purchase, photographs and videos may be substituted. If you do not have either, discuss suitable replacement of those pieces of property with your insurance carrier BEFORE you replace them.
- Mitigate your damages. This means that you should take whatever steps are necessary to prevent further damage and loss to your property until your insurance company has a chance to inspect and assess the damages. Use tarps and plywood to protect the structure and clear away nearby hazards, etc., as is safe to do. If you have questions, contact your insurance carrier for advice.
- In addition to your regular deductible, your policy also may include a deductible that is specific for wind, hail or hurricane damage. Please refer to your policy to determine the amount of your deductible.