

A CONSUMER GUIDE TO

HOMEOWNERS INSURANCE



MARYLAND

INSURANCE
ADMINISTRATION

A CONSUMER GUIDE TO
**HOMEOWNERS
INSURANCE**



Why Do You Need Homeowners Insurance?

Homeowners insurance is something that most people do not think about until they have reason to use it. Although we know that there are fires, thefts and accidents, we tend to think, *“Odds are that will never happen to me.”*

Well, odds are more likely that, at some point, you *will* experience a fire, theft, accident or other loss that may be covered by homeowners insurance. Purchasing homeowners insurance will not prevent fires, thefts or some other types of loss, but it can help you recover from the financial effects of a loss that is covered by your policy.

A homeowners policy can also protect you if someone is hurt or has their property damaged because of something that you do or if something that you own hurts someone else or damages their property.

You will also need insurance to protect your lender if you have borrowed money to purchase your home. Most mortgage holders require you to have homeowners' insurance and that the policy name the mortgage holder as an additional insured under the policy in order to protect their financial interest in your home. However, even if you do not have a mortgage on your home, you may still want to purchase a homeowners' insurance policy to protect you from financial harm in the event of a covered loss.

There are different types of homeowners policies available to fit your housing situation. Whether you live on a farm, or own or rent an apartment, condominium, home or mobile home, homeowners insurance is valuable protection that you should not be without. Your home is probably your largest and most important investment, and a homeowners policy will help you protect your investment.

Most mortgage holders require you to have homeowners insurance and that the policy name the mortgage holder as an additional insured under the policy in order to protect their financial interest in your home.

● ● ● ● ● ● ● Types of Homeowners Policies ● ● ● ● ●

Homeowners insurance policies vary according to the types of property they are designed to cover and the number of *perils* (causes of loss) that they cover. Policies may be of the *named peril* type (fire, windstorm, hail, vandalism, theft, etc.) or of the *open perils* type (coverage for all causes of loss unless the cause of loss is specifically excluded), or a combination of both. While a number of insurers (or insurance companies) offer the same type of coverages, many sell a policy that provides extra or broader coverages.

Policies have various names depending on the insurer that sells them. However, standard homeowners insurance policies are often referred to as:

- HO-2 Broad Form (Named Peril)
- HO-3 Special Form
- HO-4 Renters Insurance (Contents Broad Form)
- HO-6 Condominium Unit Owners
- Market Value or Older Homes Forms (Modified Coverage Form)

The type of policy you choose should depend on:

- Your type of housing;
- How much you are willing or able to pay;
- How much coverage you believe is necessary for your situation.

The property damage section of named peril policies contain a promise to pay for losses to your home and/or its contents when caused by the perils actually named in the policy. If your property is damaged due to a peril not listed in the policy, your insurer will not pay for the damage. The named peril policy covers most, but not all, of the common causes of damage to a person's home or belongings. If you are considering purchasing this type of policy, be sure that you understand the type of coverage being provided.

An open perils policy, or all risk policy, provides coverage for all causes of loss unless the specific cause of loss is excluded from coverage under the policy. The open perils policy typically provides more protection than a named peril policy as it tends to cover more causes of loss. Often, the extra premium for this type of policy is relatively small. When shopping for insurance, ask for a price quotation on both

an all risk policy and a named peril policy. If the difference in price does not seem too large to you, you may want to buy the open perils or all risk policy for more insurance coverage.

Most insurers also sell a homeowners policy that combines the features of the all risk policy and the named peril policy. This policy is called the *Special Form (HO-3)*. The property damage section of this policy provides all risk coverage on the building and other structures by promising to pay for all losses to your property except when the loss was caused by a peril that is specifically excluded by the policy. It provides named peril coverage for the contents of your home. The named perils are usually those listed in the Broad Form (HO-2). (See list below.)

A Quick Summary of Coverage under Each Type of Policy

A. The HO-2 (Broad Form) is a named peril policy and generally covers the following perils:

1. Fire and lightning
2. Removal of property endangered by any insured peril
3. Windstorm
4. Hail
5. Explosion
6. Riot and civil commotion
7. Vehicle or aircraft damage to your property
8. Smoke
9. Vandalism and malicious mischief
10. Breakage of glass
11. Theft
12. Falling objects
13. Weight of ice, snow, or sleet damage
14. Collapse of building and any part thereof
15. Sudden and accidental damage, cracking, burning or bulging from steam or hot water heating system or appliances for heating water

16. Accidental discharge or overflow of water or steam from plumbing or heating systems
17. Freezing of plumbing, heating or air conditioning systems and domestic appliances
18. Sudden and accidental injury from artificially generated electrical currents
19. Limited coverage for trees, shrubs or plants
20. Additional living expenses
21. Personal liability insurance protection
22. Medical payments coverage

B. The HO-3 (Special Form) generally provides the following coverage:

1. Usually covers a building against all perils, but often excludes flood, earthquake, neglect, war, nuclear accident, damage resulting from freezing of an unoccupied building, enforcement of an ordinance, damage to fences, patios, swimming pools, etc., by freezing, thawing or pressure or weight of ice or water, whether driven by wind or not.
2. Covers personal property against damage or loss caused by perils listed in Form HO-2

Check your policy for a complete listing of any perils that may be excluded.

C. The HO-4 (Renters Insurance). This policy insures your household contents or personal possessions, provides for additional living expenses in the event of a covered loss that makes your home, apartment or condominium uninhabitable, provides you with liability coverage, and provides for medical payments to others. It covers all perils listed in the HO-2 Form.

D. The HO-6 (Condominium Unit Owners). This policy protects condominium unit owners against loss or damage to their personal property and may include coverage for any additions or alterations to the interior of the condominium unit not insured by the condominium association (these are known as “improvements and betterments”). The policy covers all perils listed in the HO-2 Form. You can also purchase an endorsement to your HO-6 policy which would provide you with coverage for assessment, a fee charged by your condominium association. Your producer will be able to explain the limits to the alterations and additions coverage, and help you determine whether you need to increase your policy limits.

Recent Legal Developments

Historically, damage to the unit itself was covered by the condominium association's master policy. As a result of the Maryland Court of Appeals' decision in *Anderson v. Council of Unit Owners of the Gables on Tuckerman* in April 2008, which interprets the Condominium Act, condominium owners may need to increase their coverage limits.

In the *Anderson* case, the Court held that the Maryland Condominium Act, Section 11-101, et seq., of the Real Property Article, Annotated Code of Maryland ('the Condo Act') does not require a condominium association to repair or replace property of an individual condominium unit owner after a casualty loss that results in damage solely to the unit as opposed to damage to the common elements or structure of the condominium. As such, the holding in *Anderson* is now the law for determining the condominium association's obligations to unit owners who suffer a casualty loss that impacts their unit only under the Condo Act.

Prior to the Court's decision in *Anderson*, the Condo Act had been interpreted to require the condominium association to purchase a master insurance policy that would provide primary coverage for casualty losses to the common areas, the actual structure, and the individual units, exclusive of the improvements and betterments to the units. Thus, the condominium association was primarily responsible for making repairs in the event of a casualty loss and the bulk of insurance protection was provided by a master policy purchased by the condominium association. Individual unit owners would purchase limited coverage to provide protection for their personal liability and their personal property, as well as any improvements and betterments to the condominium units.

In light of the Court's holding in *Anderson*, which is contrary to the standard industry practice, it is likely that many unit owners are currently underinsured. Thus, you should review your condominium unit owner policy and discuss with your producer whether you need to increase your coverage so that, in the event of a loss, the unit owners will not be underinsured.

The decision in *Anderson* also makes it likely that condominium associations may have purchased more coverage than necessary as the policies were written with the understanding that the condominium association was responsible for losses sustained to the individual units as well as to the common elements and structure. Therefore, condominium associations that do not wish to provide this coverage may want to consider reviewing their policies to determine whether the policies provide the appropriate levels of coverage in light of the *Anderson* decision.

The Insurance Administration notes that the Court in *Anderson* merely held that condominium associations are not *required* to provide coverage for individual units damaged as a result of a casualty loss; not that the condominium associations could not do so. Therefore, you should ask your condominium association how claims for damage to a single unit will be handled, and purchase insurance with adequate limits if necessary. For example, if the association will not continue to cover damage to the individual unit, you may want to obtain coverage for the replacement

cost of the unit as well as the cost of the improvements and betterments. Such coverage will protect you from total financial loss in the event your unit and its contents are damaged, even if you no longer have a mortgage. Your producer will be able to help you assess your needs and determine whether you need to increase the limits on your coverage.

- E. The Market Value Form.** This policy is designed for older homes usually constructed in a manner that makes it not economically feasible to repair the home following a loss in the same manner as the original construction. The Market Value Form allows owners of older homes to carry lower limits of insurance, such as the market value of the home, rather than the 80% to 100 % of replacement cost used for newer homes. This policy generally provides for returning the property to livable condition, with the use of commonly used building materials as opposed to materials of the same kind and quality as used in the original construction.
- F. Deductibles.** Many insurance policies provide a deductible amount of \$250. This means that you agree to pay \$250 out of your own pocket to repair damage to your home or personal property for each damage claim before you are entitled to collect any money from your insurer. This deductible does not apply to claims under the liability or medical payments coverages.

You may purchase a homeowners policy with a larger deductible amount such as \$500 or \$1,000 or more. The advantage of choosing a higher deductible is that your annual premium will be less. The disadvantage of a larger deductible is that you will have to pay more out of your own pocket each time a claim or loss occurs before your insurer would be obligated to make any payment. You should ask your producer or insurer how much your premium will be reduced by increasing the amount of your deductible to determine whether this cost savings is worthwhile.

Some homeowners policies contain a special deductible for losses caused by wind, hurricanes or other storms. These deductibles are applied separately from any other deductible on the homeowners policy. ***Some insurers automatically include a wind, hurricanes or other storms deductible, while other insurers make this deductible available at the option of the policyholder. Some wind, hurricanes or other storms deductibles are written as a flat amount, such as \$1,000, while others are applied to the loss as a percentage of the insurance coverage on the dwelling.*** For example, assume a hail storm causes \$3,000 damage to your house, and your dwelling is insured for \$100,000. If you had a \$1,000 wind, hurricanes or other storms deductible on your policy, your insurer would pay \$2,000 towards the damage. If your policy has a 2% wind, hurricanes or other storms deductible, the deductible would be \$2,000, and the insurer would pay \$1,000 towards the damage. By law, if the policy requires that a deductible in the case of a hurricane or other storm be expressed as a percentage, it cannot exceed five percent (5%) of the coverage limit unless the Commissioner has granted written approval to the insurance company. However, you can purchase a wind, hurricanes or other storms deductible in an

amount greater than 5% if you so choose. The insurance company is required to provide the policyholder with an annual statement explaining the manner in which the deductible is applied. So, be sure to ask about this deductible when shopping for insurance to become aware of how it may affect you.

G. Mobile Home Policies. There are some special considerations for those purchasing mobile homeowners insurance. Some insurers require notice before your mobile home is moved or all protection under the policy may be suspended. In addition, the typical mobile-homeowners policy usually does not cover collision damage to your mobile home while it is in-transit. You can usually buy trip collision coverage from your insurer to cover a certain number of days while you move your mobile home. If you are planning to move your mobile home, you should contact your producer or insurer to be sure that you have the appropriate insurance coverage.

H. Flood Insurance. Most standard homeowners, farm and ranch owners, renters and condominium policies do NOT cover damage caused by rising waters; however, mobile home policies may cover this. Flood insurance is an optional coverage offered through the federal government, some private insurers and other sources. Many homeowners insurers and their producers sell the National Flood Insurance Program (NFIP) policies for the federal government.

Flood is defined in the NFIP policy as a “general and temporary condition of partial or complete inundation of normally dry land areas, from overflow of inland or tidal waters, or from the unusual and rapid accumulation or runoff of surface waters from any source.” So, even if you are not close to a body of water, you could have a flood if the ground around you gets saturated from heavy rain or run-off.

Most standard homeowners, farm and ranch owners, renters and condominium policies do NOT cover damage caused by rising waters.

Even if you do not live in a floodplain area, you may still purchase flood insurance through the federal government as long as the building is located in a community qualifying for the NFIP. You should also know that flood insurance policies do not automatically provide coverage for your contents or personal property. You need to purchase this coverage separately and in addition to the coverage for your home.

You may contact a local insurance producer to apply to the NFIP. The producer will then submit your application and premium to the NFIP or to an insurer that issues policies on behalf of the NFIP. If you need additional information about the types of properties that are insurable under the NFIP or the limits on amounts of insurance, you should contact your insurance producer or the NFIP. For a more detailed explanation of the flood insurance program, refer to our brochure entitled *An Insurance Preparedness Guide for Natural Disasters*. It is available at our web site at www.mdinsurance.state.md.us. You may also visit www.floodsmart.gov or call 800-621-FEMA (3362) for flood insurance information.

● ● ● ● Basic Coverages Included in a Homeowners Insurance Policy ● ● ● ● ●

The homeowners insurance policy is a package policy that combines more than one type of insurance coverage into a single policy. The cost of the package policy is usually cheaper than if all of the coverages were to be purchased separately. There are four types of coverages that are contained within the standard homeowners insurance policy:

- **Property damage coverage** protects your home or belongings if they are damaged or destroyed by certain causes of loss. Some examples are lightning, hail or a tornado.
- **Liability coverage** will pay if you unintentionally cause an injury to another person or cause damage to another person's property.
- **Medical payments coverage** will pay up to a specified amount for medical expenses incurred by persons injured in an accident in your home and certain situations away from your home regardless of whether you were at fault. This coverage does not apply to you or a member of your household.
- **Additional living expenses coverage** will pay for the additional expenses you incur when you cannot live in your home because of damage or loss that is covered by your policy. For example, if you are required to move into a motel or apartment while your home is being repaired, your insurer will pay the cost of this temporary housing.

A. Property Damage Coverage

Many years ago most people bought insurance that would protect against damage to their home only if it was damaged as a result of fire. Over the years, insurers began to offer protection for property damage or loss resulting from other causes such as windstorm, hail, vandalism and theft.

Today, *named peril* policies provide coverage for damage to property that arises from multiple causes, as set forth earlier in this guide, that are specifically identified in the policy. *Open peril* or *all risk* policies provide coverage for all causes of damage to property unless the cause of loss is specifically excluded by the policy language.

B. Liability Coverage

When you or a member of your family are legally responsible for injury to others or the property of others, the Liability section of your homeowners policy requires your insurer to pay, on your behalf, for the damage you caused (up to the policy

limits) and for a lawyer to defend you in the event that a lawsuit is filed against you. Liability coverage in a homeowners policy is not limited to accidents that occur at your home. It may provide protection to you and your family wherever an accident may occur.

However, the liability coverage is subject to limitations. Liability coverage will not protect you if you are sued for something you did as part of your job or for something you did intentionally to harm someone else. In addition, your homeowners policy will not pay for your liability arising out of the use of an aircraft, an automobile, or most motorized land vehicles, including mopeds, while in use away from the insured property. You will require a different kind of insurance policy for those types of liability coverages.

C. Medical Payments Coverage

Medical payments coverage is usually contained in the liability section of your homeowners policy. Unlike liability coverage, which provides protection only if you are at fault (see paragraph B above), medical payments coverage pays if someone is injured in your home regardless of fault. For example, if a neighbor's child chips a tooth while playing in your home, the medical payments portion of your homeowners policy will pay for necessary dental work up to the amount specified in the policy.

At a minimum, this part of your policy will pay, up to a specified limit, for reasonable and necessary medical expenses which are incurred within three years from the date of injury or accident in your home. This coverage does not apply to you and members of your household.

Medical payments coverage limits are generally applicable to each person, as opposed to each accident. You may request higher limits for your medical payments coverage, but this will result in a higher premium.

D. Additional Living Expenses

If it is necessary for you to move into a temporary residence (such as a motel or apartment) as a result of damage caused by a peril covered by your policy, your insurer will pay reasonable and necessary additional living expenses you incur. However, your insurer may not pay for all the living expenses that you incur. Traditionally, it pays only for those expenses which are beyond your normal and customary expenses, not any expenses you would pay regardless of whether you are living in your home. 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 twelve months. Please note that this coverage is usually subject to a monetary limit, so be sure you are aware of this limit before incurring any such expenses. Depending on the extent of property damage, your particular claim may not be eligible for coverage for twelve months.

An example of normal and customary expenses is your food costs. If you are in a hotel, eating out for meals would not be a usual expense for you and would be

reimbursed at a reasonable amount. However, if you are placed in housing with kitchen facilities, then eating out would not be covered as additional expense as you would have to buy food and eat regardless of the damage or loss to your home.

E. Other Coverages

The homeowners insurance policy also provides limited coverage for other structures on your property, your personal property if it is away from your home, trees and shrubbery and debris removal.

Out-Buildings on Your Property – In this part of your homeowners policy, your insurer promises to pay if a structure not attached to your home, such as a detached garage, tool shed, swimming pool, fence or other building on your property, is damaged by a peril covered by your policy. More coverage is available for an additional premium. This coverage may not be included in certain special types of homeowners policies such as a renters insurance policy.

Personal Property – The amount of insurance protection for the contents of your home is usually reflected on the Declaration Page of the policy. Your homeowners policy also provides more limited coverage for personal property if it is stolen or damaged away from your home, such as when you are on vacation and your suitcase is stolen with your personal property in it.

Coverage is limited to very small amounts for certain types of property that are particularly susceptible to loss such as cash, securities, jewelry, furs, manuscripts, and stamp or coin collections. You may receive a total of only \$1,500 for all furs or jewelry stolen in a single theft. A \$500 limit usually applies to all securities, receivables, travel tickets, and stamp collections.

Typically, there is only \$100 coverage for all money, coins, or bank notes regardless of the actual amount lost. Additional amounts of insurance can be purchased separately. *You should ask your producer or insurer for information about scheduling valuable items separately and the cost of such additional coverage.*

The amount of insurance protection for the contents of your home is usually reflected on the Declaration Page of the policy.

Trees, Shrubs, and Plants – This part of your policy provides protection against damage to greenery on your property. The coverage on trees, shrubs, and plants is provided only against certain perils. For example, damage to greenery caused by windstorm or ice is not usually covered even if you buy an all risk policy. The total amount that your policy will pay for damage to trees, shrubs, and plants is usually limited to 5% of the policy limit on your dwelling with a \$500 maximum per loss. You should check your policy to see what your limit is for this coverage.

Debris Removal – This part of your policy traditionally pays to remove debris

from damaged property if the damage that caused the debris is covered by your policy. Your policy may also pay to remove fallen trees that cause damage to your covered property. This coverage is also subject to a dollar limitation which can be found on the Declaration Page of your policy.

Mold Coverage – Not all insurance policies provide coverage for mold damage, but some do. Some policies exclude coverage for any type of mold damage, some insurers provide coverage to the insured if the mold arises out of a covered cause of loss (such as a broken pipe), and some insurers exclude coverage for any liability claims arising out of mold. As coverage for mold and mold-related claims vary by insurer, you should read your policy and ask your producer or insurer if you have coverage for mold claims and, if so, under what circumstances and in what amount you would have coverage.

- **Remember**, most standard homeowners insurance policies do NOT cover losses resulting from floods. Therefore, it is important to ask your producer or insurer about flood insurance coverage.
- **Annual Summary of Coverages and Exclusions:** When you first purchase a homeowners insurance policy and at each renewal, you will receive an Annual Statement that summarizes the coverages and exclusions under your policy. This Annual Statement is to assist you in understanding your policy, but it is not a substitute for your policy as all rights, duties and obligations are controlled by your insurance policy and contract of insurance.
- **Notice Regarding Flood Insurance and Statement of Additional Optional Coverages:** At the time you initially purchase your homeowners insurance policy, you will receive a written notice advising you that the standard homeowners insurance policy does not cover flood and it will advise you how to purchase flood insurance. Additionally, at the time you apply for homeowners insurance, you will receive a list of optional additional coverages that your insurer sells and that you may choose to purchase to supplement your homeowners insurance policy. If you have any questions about optional coverages or the cost of them, you can discuss that with the insurance producer or the insurer at the time you purchase the insurance policy.

Most standard homeowners insurance policies do NOT cover losses resulting from floods. Therefore, it is important to ask your producer or insurer about flood insurance coverage.

● ● ● ● ● What Affects Homeowners Insurance Prices? ● ● ● ●

- The type of construction: Frame houses usually cost more to insure than brick.
- The age of the house: Newer homes are usually less expensive to insure than older homes.
- Local Fire Protection: The distance between your home and a fire hydrant, as well as the quality of your local fire department determines your “fire protection class.” Protection classes are used by insurers to either increase or decrease someone’s premium.
- Prior claims: Whether you or your property have had any prior claims under a homeowners insurance policy, the date(s) of any prior claims, the nature of the claim(s) and the amounts paid by insurance for each claim.
- Claims Inquiries: ***An insurer may not increase a premium, cancel, refuse to renew coverage or refuse to issue an insurance policy based, in whole or in part, on an inquiry by you or your producer on your behalf to an insurer that does not result in the payment of a claim.***
- The amount of coverage: The amount of coverage you buy for your home, its contents and your personal liability will affect the price you pay.
- The amount of coverage required by a lender: Your lender may not require you to insure any real property in the amount exceeding the replacement cost. Remember that your mortgage includes the value of your land while your homeowners insurance only insures the buildings on your property and your contents or personal property, not your land. Thus, ***the lender cannot require you to obtain insurance in the amount of the loan if the loan amount exceeds the replacement cost of your home.*** If any lender is requiring you to purchase an insurance policy in excess of the amount it will cost to replace your home, please report that information and lender to the Maryland Insurance Administration and we will forward it on to the proper enforcement agency. While the MIA does not regulate lenders, you may file a complaint with the Division of Financial Regulation, Commissioner, at 410-230-6096, or the MIA will forward such a complaint to the appropriate enforcement agency.
- The amount of the deductible: The amount you choose for your deductible will affect the premium you pay for your policy. The higher the deductible, the lower the premium.

An insurer may not increase a premium, cancel, refuse to renew coverage...on an inquiry by you...that does not result in the payment of a claim.

- Discounts: Some insurers offer lower prices for things such as insuring your home and car with the same insurer and/or installing deadbolt locks or alarm systems in your home.

Please note that, in Maryland, insurers are not allowed to review an individual's credit history when pricing a homeowners' insurance policy or when making a decision as to whether to cancel or nonrenew a policy.

● ● ● ● What Should You Know About Force-Placed Property Insurance? ● ● ● ●

If you finance the purchase of your home, your lender may require you to carry fire insurance on that property. If you do not purchase fire insurance, the lender may force place coverage for you. A lender force-places coverage by obtaining insurance on the property and then requiring you to provide reimbursement to the lender for the cost of the premiums paid. Force-placed property insurance coverage generally protects only the interest of the lender and not you, the property owner.

● ● ● What Should You Do if You Have Problems Obtaining a Policy? ● ● ● ●

If you have been turned down by one insurer for homeowners insurance, try obtaining coverage through another insurer or other insurers. Do not assume that you will be turned down by all insurers. Just as insurers have different premiums, they also have different underwriting requirements. So call around and keep trying to obtain an insurance policy.

If you are unable to obtain insurance for your home from a private insurer, limited insurance protection may be available through the Maryland Property Insurance Availability Program, known as the Joint Insurance Association (JIA). You can reach them at:

Joint Insurance Association
170 West Ridgely Road, Suite 230
Lutherville, Maryland 21093
410-539-6808
800-492-5670
www.mdjia.org

● ● ● ● Tips to Remember When Buying a Policy ● ● ●

The most important are:

- Read the Declaration Page of your insurance policy to make sure you have received the coverages you requested in the amounts you requested;
- Read your insurance policy carefully to make sure you understand exactly what is and is not covered;
- Consider purchasing additional coverages or policies and scheduling valuable personal property such as jewelry, furs, collectibles and antiques which may not be covered at all or not covered up to a sufficient amount under your policy; and,
- Consider purchasing a separate flood insurance policy.

Additionally, you should read and keep all materials sent to you each year at renewal by your insurer so you will be aware of any changes to your policy. If you have any questions about changes to your policy coverage or limits, you should contact your producer or insurer immediately.

Other tips include:

- Answer all the questions on the insurance application completely and honestly. If you are not truthful, an insurer may have the ability to cancel your policy or raise your premium. You may also be subject to criminal and civil penalties and fines for knowingly and willfully submitting a false or fraudulent claim, or knowingly and willfully making a material misrepresentation in an application for insurance.

Insurers may now use a 45-day underwriting period and if they find you are not eligible within that period of time, your policy may be cancelled with a 15-day notice to you.

- Do not sign a blank application.
- If paying the premium for the policy in cash, ask for a receipt. Make your check payable to the insurer and make a notation on the check as to the type of policy that you are paying for (automobile or homeowners, etc) and the policy number.
- If your insurance application is declined, ask for a written explanation of the specific reason(s) your application was rejected.
- ***Under Maryland law, insurers may now have a 45-day underwriting period and if they find you are not eligible within that period of time, your policy may be cancelled with a 15-day notice to you. The insurer must be able to prove that it mailed the notice to you at least 15 days in advance of the policy's cancellation; however, proof that you actually received the notice is not required.***

- Do not buy an insurance policy based on its price alone; consider coverage and service. Select an insurer and/or producer you feel you can trust and are comfortable dealing with.
- Do not forget to ask about discounts for safety and security devices (for example: burglar alarms, fire alarms, and dead bolts) or other available discounts.
- Ask if the insurer gives a new home discount or multi-policy discount. (For example: if you insure your car along with your home).
- Ask about the difference in price between a named peril policy and an all risk policy or open perils policy.
- Ask about how the difference in your deductible affects the price of your policy.
- Ask if there is a separate deductible for wind, hurricanes or other storms losses and, if so, how it is calculated and applied.
- Ask if you have any coverage for mold claims under your policy.

Insurers are required by law to offer you coverage for water and sewer back-up losses.

Insurers are required by law to offer liability coverage of at least \$300,000 for licensed family day care providers.

policy limits at that level. There are companies that have developed reconstruction cost estimator programs which may assist you in determining the cost to rebuild your property. While you must pay a fee for their services, the information provided will assist you in making better informed decisions regarding the value of your home, as well as the appropriate coverage limit. Additional information regarding insuring your home to value, as well as links to three estimators – ACCU Coverage, ZactValue and Insure to Value – can be found on the MIA's web page.

- Question whether the insurer offers an inflation guard endorsement.
- Ask whether the insurer provides replacement cost coverage for your dwelling. If so, up to what amount?
- Does the insurer offer full replacement cost coverage on your personal belongings?
- Discuss with your producer whether you should list and separately insure your valuable items of personal property on a personal property schedule.

- Ask about the difference in price for basic liability limits of \$100,000 and higher limits such as \$300,000 or \$500,000.
- ***Insurers are required by law to offer you the option of purchasing coverage for water that backs up through sewers or drains in writing at the time of initial application and at each renewal.*** However, you will have to pay extra for this coverage. Ask your producer what the cost of this coverage is so that you may make a decision as to whether you wish to purchase it or not.
- Insurers may offer building ordinance or law coverage. This provides protection when a building damaged by a covered peril must be repaired or rebuilt in a more costly manner because the original construction does not comply with current building codes. This coverage may cost you extra, but you should find out what the cost is in order to determine whether you wish to purchase it or not.
- ***Insurers are required by law to offer licensed family day care providers liability coverage of at least \$300,000 for liability that results from bodily injury, property damage, or personal injury arising out of an insured's activities as a family daycare provider.*** You should decide if you need this coverage.
- Your homeowners policy has some provisions that may prevent you from receiving payment for a claim even if you have paid the premium. If your home or apartment is left vacant or unoccupied, you may lose all or a portion of your coverage. When you plan a long vacation, or when you are moving into or out of your home, or if your home will remain vacant for any other reason, you should ask your producer or insurer which coverages will be suspended and what you can do to obtain coverage.
- Annual Summary of Coverages and Exclusions: You are entitled to receive a statement that summarizes the coverages and exclusions under your homeowners insurance policy at the time you initially receive the policy and at each renewal.
- Notice Regarding Flood Insurance and Statement of Additional Optional Coverages: You are entitled to receive these notices from your insurer when you purchase a new policy.
- **Loss History Report:** Some insurers review not only your loss history, but the loss history of the property, when making a decision on whether to insure you. You should obtain a copy of the loss history reports on any property you own to verify the accuracy of any loss or claim information from the following companies:
 - **Choicepoint:** 1-877-547-2518 or at www.choicepoint.com.
 - **ISO:** 1-800-627-3487 or at www.iso.com/products/2500/prod2562.html
 If you are refused coverage based on information contained in one of these reports, you are entitled to be provided access to the information which led to the adverse decision.

Things You Can Do to Protect Your Property

- Do not hide your keys in a special place outside your home. Usually burglars know where to look for keys.
- Add window locks and peepholes.
- Make sure the exterior of your house has adequate lighting.
- Prepare an inventory of your household personal property before a loss. Whenever possible, include the make, model, and serial number of each item. Your producer or insurer may be able to provide you with a booklet or a form you can use to record your inventory. You can also download an inventory form at the Maryland Insurance Administration Web site, www.mdinsurance.state.md.us. You may want to videotape an inventory of your home and your personal property. Or, you can take photos of your home and personal property even if you don't have a video camera. Be sure to keep your inventory in a safe place, such as a safe deposit box, where it cannot be lost or damaged.
- If you make an addition or improvement to your home, remember to advise your producer or your insurer so your insurance coverage is increased as needed.
- Keep your home free of oily rags and trash buildup and do not store gasoline inside your home. Do not store combustible items in the attic, basement or any place where heat builds up.
- Buy at least one fire extinguisher for your home and keep it in a handy location. Always have a fire extinguisher in the kitchen and be familiar with how to use it.
- Install smoke detectors and deadbolt locks and consider installing an approved fire and burglar alarm system.
- Practice home fire drills. Everyone should know what to do if there is a fire. Consider purchasing emergency ladders to be used on 2nd and 3rd floors.
- Check lamps, electrical cords, and light switches to make sure there is no faulty wiring.
- Teach your children not to play with matches.
- Never smoke in bed.
- Place decals on the windows of the rooms of children or the elderly so that they can be evacuated in an emergency.

- If you purchase a wood stove, have a professional install it and be sure to maintain it on a regular basis.
- When you are away from home, ask a neighbor to check your house. Use a timer to turn your lights on and off, lock all windows and doors, stop your paper and mail delivery and consider notifying the police if you will be away for an extended period of time.
- Keep your sidewalks clear of debris and in good condition.
- Make improvements or repairs to the property that may mitigate loss or damage from a hurricane or storm. Some examples of mitigation efforts include the installation of: hurricane shutters, secondary water barriers, reinforced roof coverings, braced gable ends, reinforced roof to wall connections, tie downs, and reinforced opening protections. Other efforts include the repair or replacement of: exterior doors (including garage doors), hurricane resistant trusses, studs and other structural components and manufactured home piers, anchors and tie down straps. By law, these improvements and repairs are recognized as “qualified mitigation actions.” For all homeowner policies issued, delivered or renewed on or after June 1, 2009, insurers are required by law to offer a discount to policyholders who submit proof to the insurance company that they made qualified mitigation actions or made other repairs or improvements that materially mitigate loss from a hurricane or other storm otherwise covered under the policy. All improvements must be inspected by a licensed contractor and are subject to inspection and verification by the insurer.

● ● ● What You Should Do if You Have a Loss ● ● ● ●

When you are the victim of a theft, fire, or any other type of accident or loss involving your home, you should notify the authorities immediately and then contact your insurance producer or insurer as soon as possible. The sooner you file your claim the sooner you can expect to receive payment. You must telephone first, but if you do not get an immediate response, write a letter. Your homeowners policy requires that notice of a claim be in writing. In most cases, you will be given complete instructions on how to proceed when you call in the loss immediately.

Remember that your insurance policy sets time limits for getting certain things done. If you do not fill out your claim forms promptly, or if you fail to protect your property from further damage or otherwise fail to cooperate with your insurer, your claim may not be settled to your satisfaction and your coverage may be jeopardized. Therefore, it is important to respond promptly to all your insurer's requests.

If you have questions or concerns about the way your claim is being handled, you should contact your producer or insurer directly. If you continue to have unresolved concerns, you should contact the Maryland Insurance Administration for assistance.

Most homeowners insurance policies require you to do the following when a loss occurs:

- Give immediate written notice of a possible claim to your producer or insurer. If the loss is a theft, you should notify the police and file a report. If you have lost your checkbook or credit cards, you should notify your bank or credit card company.
- Protect your property from further loss or damage. If you make temporary repairs, keep a record of what you do and save all receipts for expenses you incur in undertaking the repairs. This could include things like buying plywood and nails to board up broken windows.
- Give your producer, adjuster and/or insurer a list of all damaged, destroyed or stolen property. Be sure to keep a copy of this list. In case of theft, be sure to give a copy to the police.
- Show the damaged property to your producer, adjuster, and/or insurer if asked. Do not dispose of any damaged property until your producer, adjuster, and/or insurer inspects it or tells you that you can dispose of it.
- If you feel that the amount of money offered by your insurer to pay for a loss is not fair, there are several alternative courses of action that you may consider:
 - You can demand an appraisal as per the terms of your insurance policy;
 - You may file a complaint with the Maryland Insurance Administration; or
 - You may hire a lawyer to represent your interests.

● ● ● ● Frequently Asked Questions ● ● ● ● ● ● ● ●

1. My policy has a limit for other buildings and structures, but I do not have a garage or a shed. Am I paying for coverage I do not need?

A homeowners policy is a package policy designed to meet the needs of most homeowners. Although it may provide some coverage that you do not need, it is less expensive for the insurer to issue a policy this way than to tailor it to each policyholder's needs. The result is a policy that provides broader coverage at a lower price.

2. I submitted a claim for damage to my dwelling. I have replacement cost coverage, but my insurer only paid part of the cost of repairs. Can they do that?

A homeowners policy may provide for replacement cost coverage for covered buildings without deduction for depreciation. Under these types of policies, the insurer may pay the replacement cost in different ways. The most usual way is for the insurer to make a partial payment (known as the actual cash value) until the property has been fully repaired. Then, once the property has been fully repaired, the insurer will pay the difference, up to the policy limits, between the amount already paid and the actual cost to repair the building with similar materials and methods of construction less the amount of your deductible.

If you elect not to repair the building, you can submit a claim for the actual cash value of the damaged building. You then have six months from the date of the actual cash value payment or the date of a final judgment, whichever occurs last, to make a replacement cost claim. The six months only applies when you, not the insurer, elect to make a replacement cost value claim.

3. I submitted a claim for several items stolen from my home. The insurer indicated it would not pay my claim unless I submit bills, receipts, or related documents that will prove I owned these items and justify the values that I am claiming. Do they have the right not to pay unless I give this information?

Yes. The insurer has the contractual right to request any information it feels is necessary to confirm ownership and value of the items claimed. The ultimate responsibility of proving the loss is yours. Having photographs or a videotape of your property taken before the loss may help you document your claim.

4. Is there a grace period for late premium payments?

No. The insurer may cancel your policy for nonpayment of premium even if the payment is only one day late.

5. Can an insurance company transfer my homeowners policy to a different insurer at renewal?

An insurance company may transfer your policy to an affiliate (owned by the same parent company) as long as: (1) the affiliated company is admitted as an insurer in Maryland; (2) your premium does not increase; and (3) there is no reduction in coverage under the policy as a result of the transfer. The policy issued by the new company will still be considered a renewal of the expiring policy. The insurer must send a notice of your renewal policy premium at least 45 days in advance, and that notice must contain a disclosure of the transfer to the new company.

6. I just received a non-renewal notice because of claims I made over the past couple of years. Why has the insurer non-renewed my policy when these claims were not even my fault?

Insurers develop standards (known as underwriting guidelines) that help them determine if you still qualify for their policies. Each insurer's standards will vary from insurer to insurer. Although insurers are concerned whether a loss is your fault, they also review and consider the size of the loss(es) and how often losses occur. *In Maryland, insurers can choose to non-renew a homeowners' policy for weather-related claims only after three weather-related claims within three years. The standards for non-weather-related claims vary by insurer.*

7. Can my insurance company cancel or refuse to renew my homeowners insurance policy solely because of where the property is located?

If the insurance company has filed a "plan of material reduction" with the Commissioner in the past 60 days, the insurer may cancel or non-renew three percent (3%) or more of its policies on a state-wide basis solely because the risk is located in a certain geographic area of the state.

8. My insurance premiums are paid by my mortgage company. Can I shop for a better rate and change insurers?

Yes, you have all the rights and privileges of a consumer who pays their premium directly to the insurer. However, some mortgage companies require advance notice of a change in insurers. Check with your mortgage company's insurance monitoring department for their requirements.

9. Do I need additional coverage under my homeowners policy if I have a business in my home?

Liability and property coverage associated with a business is often excluded under a standard homeowners insurance policy. Therefore, you should contact your producer or your insurer to determine if you are adequately protected. You may have to purchase additional coverage or another policy to protect the property that you use in your business or to protect you against any liability that may arise from your business operations.

10. Will my homeowners policy pay for damage to my home caused by an earthquake?

No. Generally, a homeowners insurance policy does not provide any type of coverage against damage caused by earthquake or any type of earth movement, including mudslides. You should contact your producer or insurer if you have questions regarding this type of coverage.

11. Can the insurance company issue a check payable to both my mortgage company and me in settlement of a claim for damage to my home?

Yes. If your home is mortgaged, the lender requires you to inform the insurance company so it can be listed on the policy as mortgagee. In accordance with the terms of the policy, this means that the lender is also an insured, and as such, has certain rights. When a claim is made, the insurance company must protect the rights of insureds, including the named insured (you) and any additional insureds (lender(s)). To do this, the insurance company will make claim settlement checks payable to both you and the lender. You must then present the check to the lender, which will then advise you how the proceeds are to be handled.

● ● ● ● What to Do When a Problem Occurs ● ● ● ●

1. Contact Your Producer or Insurer

If you believe your insurer has denied you homeowners insurance for an improper reason or has refused to pay all or part of a valid claim, you have a right to ask questions and to complain.

Your first step should be to contact your producer or insurer directly to address your concern(s) with them. Sometimes, a mistake has been made and it will be corrected if an inquiry is made and the error is brought to light. When making an inquiry, supply your name, address, telephone number, policy number, type of policy, and the nature of your complaint. It may be helpful to ask the insurer to send you a letter explaining the basis for their action; that is why they would not insure you or why they are denying your claim or any part of your claim.

A written complaint letter is best. Keep a copy of your letter. If you complain by telephone, keep a written record of:

- The date and time of your call.
- The name of the person you talked to.
- What was said during the call.
- Make a request for a written confirmation of what you discussed and were told by the insurer.

You should keep copies of all correspondence exchanged between yourself and the insurer.

2. Help from the Maryland Insurance Administration

The Maryland Insurance Administration's primary role is to protect consumers from illegal insurance practices by making certain that insurers and producers doing business in Maryland act in accordance with State insurance laws. You may contact the Insurance Administration to file a complaint against an insurer or producer who you believe is not acting in accordance with Maryland law.

Maryland's insurance laws not only govern insurers' conduct -- they also protect Maryland consumers. In addition to the requirements discussed elsewhere in this Guide, State law bars insurers from settling claims in a manner that is arbitrary and capricious or discriminatory. This means that insurers' claim settlement practices must be fair, nondiscriminatory and adhere to Maryland insurance laws.

If you feel that your insurer has acted improperly, you have the right to take action by filing a complaint with the Maryland Insurance Administration. However, some disputes may be governed by your policy's terms and may not be a problem the Insurance Administration can resolve for you.

Complaints must be received in writing. Please provide as much detail as possible, including copies of pertinent documents. A trained, professional investigator will handle your complaint. The investigator will contact the insurer/producer to try to resolve the issue. Meanwhile you will be advised of the steps being taken on your behalf. Complaint files are not closed until the Insurance Administration has made a determination regarding the complaint.

The MIA has established a Rapid Response Program designed to help certain consumers resolve property and casualty claims (such as auto and homeowners claims including those made under commercial lines policies) quickly and without having to file a formal written complaint. For more information about this program, please contact us at 410-468-2340 or 800-492-6116 ext. 2340. Participation in the Rapid Response Program is voluntary and does not affect your rights to file a formal complaint.

To request additional information or to file a complaint, please contact the Maryland Insurance Administration's Consumer Complaint Investigation Division at 410-468-2000 or toll-free at 800-492-6116. Consumers also may file their written complaint in person, by mail or on-line at www.mdinsurance.state.md.us. Under Consumer Information, click on File a Complaint:

Filing a Civil Action for a First Party Property & Casualty Claim

As of October 1, 2007, a Maryland consumer who believes that their property and casualty insurer failed to act in good faith in refusing to settle their first-party insurance claim may seek special damages against the insurer, both in a private civil lawsuit against the insurer and in an administrative consumer complaint made with the Maryland Insurance Administration (MIA).

If a consumer alleges that the failure to pay the first party property and casualty claim was made in the absence of “good faith,” then the consumer can file a civil lawsuit seeking to recover, in addition to the value of the claim, up to the policy limits: the costs of litigation, including attorneys’ fees up to 1/3 of the amount of the actual damages, plus interest at the post-judgment rate. Some lawsuits that allege the absence of good faith and seek these special damages must first be submitted to the Maryland Insurance Administration (MIA) for review and decision before the suit can proceed in court. An explanation of when a consumer can seek these special damages, when a lawsuit has to be filed with the MIA, and how to make that filing are explained in a separate MIA publication: “Filing a Civil Action for a First Party Property & Casualty Claim - Insurer’s Civil Liability for Failure to Act in Good Faith (Section 27-1001 Complaint).”

In addition, a Maryland consumer who believes their insurer did not act in “good faith” in denying their first-party property and casualty claim may submit an administrative consumer complaint to the MIA. If the Commissioner finds that the insurer did not act in good faith with regard to the first-party claim, the Commissioner may sanction the insurer by imposing a financial penalty and, in addition, ordering the insurer to pay:

- the value of the claim, up to the policy limits,
- the costs of litigation, including attorneys’ fees up to 1/3 of the amount of the actual damages,
- plus interest at the post-judgment rate.

● ● ● ● ● Glossary ● ● ● ● ●

1. Actual cash value (acv) – The value of the property is determined by what it would cost to replace the property (see replacement cost coverage) and is then adjusted by subtracting an amount that reflects depreciation with the difference being the actual cash value.

2. Additional living expense – This coverage provides you with reimbursement for additional temporary expenses for hotel/apartment living while you are unable to live in your home as a result of damage to your home caused by a peril covered by your homeowners policy. This does not cover all your expenses, only those costs and amounts which are beyond your normal living expenses. Should you stay with family or friends and incur no additional expenses, no payment will be made.

3. Adjuster – The individual(s) assigned by your insurer to deal directly with you about your claim.

4. Assessments – A fee charged to each unit owner by the condominium association as a result of a loss not covered by the master insurance policy or an amount which represents that portion of a claim that is deductible under the master policy (see below).

5. Declaration Sheet / Page – The front page of your insurance policy which names you as the insured, identifies the insured property and sets forth all the coverages and the maximum limits of each such coverage which is available to you under the insurance policy.

6. Deductible – An amount of money that you pay in a property claim before the insurer payment applies. You can generally choose your deductible amount, starting at \$250.

7. Liability coverage – This coverage provides you with protection against claims of injury to another person or another person's belongings when the loss is your fault.

8. Master Policy - This policy provides coverage to the condominium building including the common areas.

9. Medical payments coverage – This coverage provides for the payment of reasonable and necessary medical expenses of a person who is injured in an accident at your home even if you are not at fault (medical payments coverage is not available to you or a member of your household).

10. Named peril policy – This type of homeowners insurance policy covers any loss that is caused by one of the specifically listed perils included in the policy.

11. Open perils or “All risk” policy – This type of homeowners insurance policy covers damage or loss from all causes except those causes which are specifically excluded by the policy.

12. Out-building – (also referred to as other structures or appurtenant structures) This coverage provides protection for damage or loss to detached buildings on your property such as a tool shed or garage.

13. Peril – A cause or event that contributes to a loss such as fire, lightning, theft, etc.

14. Personal property or contents – This includes everything in your home that is not built into or affixed to the structure of your home such as clothes, furniture, appliances, etc. However, it may not provide coverage up to the full value of collectibles, antiques, furs, jewelry, etc.

15. Property damage coverage – This coverage protects your home and your personal property.

16. Replacement cost coverage – This type of coverage provides you with payment for the actual cost of rebuilding or repairing your home or building, less the amount of your deductible, using materials of the same kind and quality to return it to the pre-loss condition. The replacement cost of a house does not include the value of the land.

Note: This publication was produced to help consumers better understand homeowners insurance. This publication, however, should not be considered a substitute for you reading and familiarizing yourself with your homeowners insurance policy.

Homeowners insurance policies are contracts with many different parts and terms. As each consumer's needs are different and few homeowners insurance policies are alike, many consumers benefit from the advice of a knowledgeable insurance producer. Other consumers, however, are comfortable dealing directly with an insurer's customer service representative, who can answer questions and provide advice.

The Maryland Insurance Administration does NOT recommend or rate insurers.

This consumer guide should be used for educational purposes only. It is not intended to provide legal advice or opinions regarding coverage under a specific insurance policy or contract; nor should it be construed as an endorsement of any product, service, person, or organization mentioned in this guide.

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