# HOMEOWNER'S GUIDE 101

## A SIMPLIFIED GUIDE TO HOMEOWNER'S INSURANCE BASICS

Presented by

YOUR PLACE INSURANCE
MEDICARE, LIFE, + MORE

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# A QUICK NOTE ABOUT THE CURRENT MARKET

**Dear Future HomeOwner,**

Whether buying a home for the first time, or changing homesteads, the Homeowner's Insurance market has changed significantly over the past few years and I wanted to let you know a little of the How and Why so it can hopefully mitigate some of the "sticker shock" at some of the rates that are being put out there now days.

The past few years, increasing damages and litigation costs have caused Reinsurance Rates to reach their highest rates in over a decade causing the vast majority of Insurance Carriers to "Circle The Wagons", so to speak. MANY of them have put a moratorium on issuing new policies, while others have sent cancellation notices to thousands of people (especially in South Florida) to try to keep from losing too much money. The few carriers that ARE still writing coverage have seen massive increases in premiums so many of their current clients are going out and searching for new policies elsewhere. Between all of these changes, the few carriers that are still writing new business are being swamped with new risks and it's causing them to make changes to what they will take and how much of it.

For some reason, there hasn't been a lot of news about it, but as an agent it's important to me that people are educated on what exactly is going on out there. While there isn't a cause to panic, it's important that prospective clients know that while even a few short years ago HomeOwner's Insurance may have cost about 1% of the home's value or less, but I've been seeing more and more that rates are going up to 2-2.5% of the home's value and it's causing a lot of sticker shock.

The good news is that by working with an Independent Insurance Agent, you can shop around and see what the best plans are that ARE available for you. Ask your agent questions so you know exactly what it is you're buying and why the benefits of the policy are the way they are. Many good agents out there are more than happy to explain your potential policies to you and the pros/cons of each. If they don't, than there are plenty of other agents out there who are happy to do the work.

At Your Place Insurance, we put a focus on educating our clients and putting in the work to make sure that they aren't caught by surprise. We work with multiple carriers and shop every potential client's policy to make sure we are getting them the best deal that we possibly can at that time. There's a reason that the vast majority of our new business comes from word of mouth. We also make sure that those we work with, be it Realtors or Mortgage Brokers treat their clients the same way we would like to be treated so whoever has given you this guide wants to make sure you have all the tools at your disposal to make educated decisions about your largest purchase.

We hope that you'll give us a chance to quote your Homeowner's Insurance and let us know if you have any other issues you need covered, we are an "Everything Agency" and can quote 99% of your insurance needs including Life and Health. Even if you don't choose us as your agents, we hope that you'll ask questions of your agents so you aren't at a disadvantage later on. Happy House Hunting!

**Sincerely,**

***Chad Taylor***
**President**
**Your Place Insurance, LLC**

# INSURING YOUR HOME

Florida law does not require the purchase of homeowners' insurance, but most people want to insure the largest investment they may ever make – their home. In addition, if you own certain pets or a swimming pool, some cities and counties may require liability coverage, which pays for covered injuries to others, or damage to their property, for which you are legally responsible.

For mortgaged homes, most lending institutions require insurance coverage on the home, including flood (if located in a special flood zone), to protect the collateral securing the loan.

There are a number of different types of residential property policies from which to choose. The type of policy you purchase depends upon whether you own a single-family home or townhouse, a condominium, a mobile home, or a rental property. If you rent your home from someone else, there is a type of homeowners' policy that protects your personal property, provides additional living expense, and affords personal liability protection. Each policy type provides coverage against specified perils or events that cause damage to property under certain conditions.

Normally, a homeowners' insurance policy provides coverage for the following:

- Coverage A: Structure (the dwelling itself)
- Coverage B: Other structures (like sheds and fences)
- Coverage C: Personal property (the contents of the structures)
- Coverage D: Loss of use (also called Additional Living Expense or ALE)
- Coverage L: Personal Liability
- Coverage M: Medical Payments to Others

The first four coverages listed are considered "property" coverages and are located under Section I of your policy. Personal Liability and Medical Payments to Others are considered "liability" coverages and are located under Section II of your policy.



## Property

Property coverage helps pay for damage to your home, the contents of your home, and other personal belongings owned by you or family members who live with you when caused by covered perils under certain conditions. In some cases, it helps pay for damage to other structures, such as tool sheds, detached garages, small boats, guest houses and their contents. Your insurance agent or company can assist you in tailoring your policy to provide the coverage you need.

Most policies limit coverage of some types of personal property, such as cash, antiques, firearms, jewelry, furs and electronics. You may be able to add additional coverage for these items with an endorsement to your insurance policy, however this supplemental coverage requires additional premium.

Your homeowners' insurance policy may also cover your dependent children's belongings while they attend college, whether they live on or off campus. Check with your agent or company representative concerning coverage for children living away from home. You may need a separate policy.

## Additional Living Expense (ALE)

Homeowners' policies provide Additional Living Expense coverage that will pay some extra expenses if damage to your home prevents you from living there while it is uninhabitable or being repaired. Most policies also provide this coverage when a civil authority (law enforcement agency, emergency management service, etc.) prohibits the use of a residence or access to a residence due to direct physical damage to neighboring homes caused by a covered peril.

Items typically covered by ALE include extra costs for food, alternative housing, relocation and storage of undamaged personal property, utility installation and furniture rental for a temporary residence. Be sure to check your policy to find out what is specifically covered or excluded. This coverage applies only to the additional amounts, over and above the amount of your normal monthly expenses. For example, it would apply to the cost of restaurant meals, minus your "normal" food expenses. ALE typically does not cover your mortgage, standard household supplies, or utilities at your damaged home. These are not expenses representing costs that are over and above your normal expenses.

Your policy may designate a specified limit of coverage for additional living expenses, but your policy does not obligate your company to pay this amount up front or in full if you suffer a total or partial loss. For this reason, you must keep receipts for additional living expenses and submit these to your insurance company for reimbursement. Policies generally offer ALE coverage without any deductible. Flood insurance policies issued through the National Flood Insurance Program do not provide this coverage. If flood is covered under your homeowners' insurance policy (which is relatively rare) or if you have a separate flood policy issued by the voluntary market, check your policy or talk to your agent to determine whether it provides ALE coverage.

## Personal Liability

This coverage protects you against a claim or lawsuit resulting from bodily injury or property damage to others, not resulting from an automobile accident, of which you are legally liable. For example, if a neighbor slips and falls in your house and sues you, and a jury finds you legally liable, this coverage would pay that claim, up to the policy limit, plus legal fees. This coverage applies to you and all family members who live with you. It does not cover intentional damage or harm caused by you or family members who live with you. Check your policy for exclusions and discuss them with your agent.

## Medical Payments

This coverage pays for medical expenses, up to the medical payment limit, of persons accidentally injured at your home, regardless of fault. It does not apply to injury to you, injury to anyone living with you, or to activities involving an at-home business.

## Inflation Guard

Inflation can increase the replacement cost of your home and its contents over time. An inflation guard endorsement gradually increases your dwelling's coverage limit annually to assist you in keeping your home insured at its true replacement cost. However, it is your responsibility to make sure you have the amount of coverage you need. If you believe that any of your coverage limits may be too high or too low, contact your agent to reevaluate those limits.

## How Much Insurance Should You Buy?

Do not rely on the purchase price of the home, the amount of the mortgage, or the taxable value set by your County's property tax appraiser to determine your homeowners' insurance coverage limit. In order to be adequately covered, your home must be insured for the amount necessary to rebuild the home at today's current building material prices and labor costs. In addition, depending upon the age of your home, you may also need coverage to pay those amounts required to comply with current building codes when making repairs. Currently, many counties within the state stipulate that if damage to a structure exceeds 50% of its current value, it is considered a constructive total loss. Some jurisdictions prohibit the repair of a constructive total loss, mandating that the building be razed and totally rebuilt to current code (including elevation).

Also, if your home is underinsured at the time of loss, there may be a penalty or reduction in the amount the insurance company will pay for the loss. Ask your agent about limits and exclusions.

# Insurance Packages

Here are some explanations of the different types of homeowners' insurance policies available to Florida homeowners, condominium-unit owners and mobile homeowners. The homeowners' policy is a package policy. While it may be modified, general coverage for the main dwelling structure, unattached structures, personal property, liability, and medical payments are normally included.

Florida Law requires insurers to provide policyholders with the option to exclude coverage for personal property and windstorm, if the policyholder personally writes a statement that he/she does not want such coverage.

Specific coverage under homeowners' insurance policies will vary from company to company. It is important to review your insurance needs with your agent or company representative. It is also very important that you read your policy and understand the coverage you have. The time to learn what your homeowners' policy covers, or more importantly what it doesn't cover, is not when you have a claim.

Special Form (HO-3) is the most popular and most comprehensive homeowners' form of the three forms mentioned above. It covers the home for all causes of loss not specifically excluded. So, it's very important to read the exclusions. All homeowners' policies provide liability coverage.

## HOMEOWNERS' INSURANCE

The three packages offered most frequently to owner-occupied, single-family homeowners' include Broad Form HO-2, Special Form HO-3, and Modified Coverage Form HO-8. These policies insure your home and personal property against a number of perils (examples listed are not inclusive).

**Perils may include:**

- Fire or lightning
- Windstorm or hail
- Explosion
- Riot or civil commotion
- Aircraft
- Vehicles
- Smoke
- Vandalism or malicious mischief
- Theft
- Volcanic eruption
- Falling objects
- Weight of ice, snow or sleet
- Freezing
- Accidental discharge or overflow of water or steam
- Sudden and accidental tearing apart, cracking, burning or bulging
- Sudden and accidental damage from artificially generated electrical current

## CONDOMINIUM INSURANCE

Condominium Unit-Owners' Form (HO-6) covers your personal property and certain building items not insured by the association's policy. It also includes personal liability coverage.

Generally speaking, the HO-6 policy covers those structural features located within the four exterior walls of the unit. Florida law prohibits a condominium association's master policy from covering certain items, specifically:

- all personal property within the unit or limited common elements;
- floor, wall, and ceiling coverings;
- electrical fixtures;
- appliances, water heaters, water filters;
- built-in cabinets and countertops;
- window treatments, including curtains, drapes, blinds, hardware, and similar window treatment components;
- replacements of any of the foregoing which are located within the boundaries of the unit and serve only such unit.

Be sure you are thoroughly familiar with your condominium association's by-laws and master insurance policy, in order to know precisely what the association is responsible for. If you have difficulty obtaining copies of these documents, call the Florida Department of Business and Professional Regulation, Division of Florida, Condominiums, Timeshares and Mobile Homes, at (850) 488-1122.

Unit-owners should ensure that when interior additions or upgrades are completed, the policy's coverage limits reflect those changes. If an item is covered by both the association's and unit owner's policy, the association's policy should pay first. This can affect the amount of coverage you need for the building under your policy, so it is important to review your existing policy with your agent to make sure you are adequately covered.

Condo associations may assess individual unit-owners for damage to the commonly owned areas that are either not covered by the association's policy, or of which the association lacks the reserves to pay. Your HO-6 unit-owners' policy must provide at least $2,000 of "loss assessment" coverage. The deductible for a Loss Assessment claim may not exceed $250. However, the peril (cause of loss) to which the assessment is attributable, must be one that is covered by your HO-6 policy. For example, if your Condominium Unit Owners' policy excludes the peril of flood, and the condominium's seawall was damaged by rising water or the action of waves, your HO-6 policy will not provide coverage for an assessment to repair that damage.

## MOBILE HOME INSURANCE

Mobile home policies may not provide coverage as broad as a homeowners' policy. You should review your individual policy to determine what is covered and what is excluded. There are three settlement options available on a mobile home policy. All three are subject to the limits shown on your policy. You should review your individual policy to determine your options.

A **stated amount policy** specifies that you will recover the policy's face amount in the event of a total loss, based upon the agreement made in your application. Insurance companies usually offer this type of policy for newer-model homes.

An **actual cash value policy** will pay the amount needed to repair a home after depreciation is subtracted. Depreciation is determined based on the expected usable life of a particular item or structural component. For example, the roof of a mobile home is expected or rated to last 15 years. Ten years following its installation, it is torn from the mobile home by a tornado. The cost to replace the roof is $15,000. Since two-thirds of the roof's rated useful life expectancy has expired, the insurance company will only pay $5,000 for the one-third of useful life that remains.

A **replacement cost policy** will pay for the replacement of a damaged or destroyed home without deducting for depreciation.

## HOME RENTAL OR DWELLING INSURANCE

If you rent your home to others, insurance companies offer "landlord" coverage in the form of a "Dwelling" policy. There are two common forms of Dwelling policies, DP-1 and DP-3. The DP-1 is a very basic policy providing coverage for a minimal number of perils. The DP-3 provides coverage somewhat comparable to a HO-3 policy, however there are differences. If you rent a room or a portion of your home, ask your agent what coverage you may need.

# Other Factors to Consider

When analyzing needed coverage, these are some other factors to consider:

## COVERAGE AVAILABILITY WHEN STORMS THREATEN

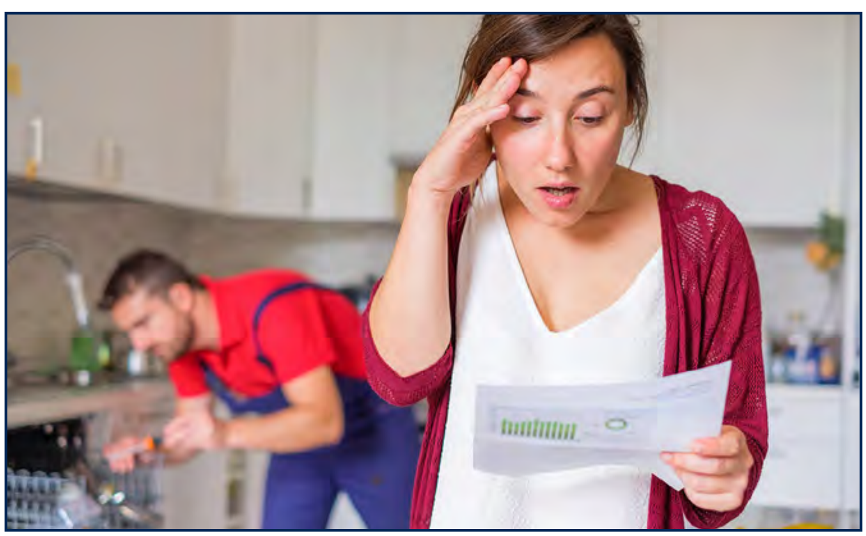
You cannot obtain new or additional coverage when a tropical storm or hurricane watch or warning has been issued for any area within the state of Florida. Don't wait until the last minute to purchase your policy, especially during hurricane season (June 1 through November 30), when several storms can form simultaneously.

## BUILDING MATERIALS

The building materials used in the construction of your home will affect the cost to insure it. For example, it's more expensive to insure a frame house than one made of brick or masonry. If you are building a new home, using stronger construction materials and construction techniques can save you money on insurance premiums. Talk with your agent to see what discounts and/or reduced premiums are available to you.

## HOME WARRANTY PLANS

Homeowners' insurance can protect your home from losses due to fire, theft, and other perils. A home warranty plan offers a service contract that can pay for unexpected repairs to the home's plumbing, electrical system, appliances, etc., during the warranty period. However, these plans often contain many coverage exclusions, benefit limitations and other performance stipulations. As with any insurance policy, it is important to read and understand the policy's contractual terms and conditions.



## Options If You Can't Locate Coverage

The following options may be available if you are having difficulty locating insurance for your home.

### FLORIDA MARKET ASSISTANCE PLAN (FMAP)

The Florida Market Assistance Plan (FMAP) was created by the Florida legislature in 1985 as a service organization designed to assist consumers in obtaining property and casualty insurance coverage from authorized insurers in the private market.

FMAP's online services utilize a computer database that stores information on consumers seeking insurance coverage for their property located in Florida. The FMAP application matches those seeking insurance coverage with participating licensed Florida agents that may be able to write the requested insurance policy. The matching agent(s) or insurer(s) then call the interested party seeking coverage to determine eligibility and provide an offer where applicable. Their website is www.fmap.org and their toll-free telephone number is 1-800-524-9023.

### CITIZENS PROPERTY INSURANCE CORPORATION

You may be eligible for coverage with Citizens Property Insurance Corporation (Citizens) if you can't locate coverage in the voluntary market. Policies with Citizens are sold by local insurance agents. For more details on Citizens, please visit www.citizensfla.com.

## SURPLUS LINES COMPANIES

"Admitted" or "Authorized" insurance companies are issued a Certificate of Authority from the Florida Office of Insurance Regulation (OIR) and reject risks that do not meet their underwriting requirements. Underwriting criteria include the age of the home, the home's construction type, the age of the roof, the material used in the home's plumbing or electrical wiring, the brand of electrical panel, and the age and type of heating or air conditioning, to name a few. The location of the home may also be an underwriting concern, especially if it is located near the coast, or on a barrier island. Other factors such as ownership of certain dog breeds, the presence of a trampoline, or unprotected elevated areas have the potential to rule out coverage from many Admitted carriers.

Surplus Lines insurers help to fill the need for insurance coverage in certain underserved lines of insurance, as well as for consumers who can't obtain coverage from Admitted companies. Before placing coverage with a surplus lines insurer, your agent must apply to, and receive rejections from, at least three Admitted companies.

A Surplus Lines carrier is exempt from the requirement to file its forms and rates with the OIR. In other words, the rates of Surplus Lines companies are unregulated, allowing the insurers to respond to the unmet coverage needs of customers. A Surplus Lines carrier is not covered by the Florida Insurance Guaranty Association (FIGA). In the event it becomes insolvent or goes out of business, if you have an unpaid claim or are due a refund of premium, it may take years to receive payment, if you receive any payment at all. A Surplus Lines policy must have stamped or written on its first page the following statement:

> "This insurance is issued pursuant to the Florida Surplus Lines law. Persons insured by Surplus Lines carriers do not have the protection of the Florida Insurance Guaranty Act to the extent of any right of recovery for the obligation of an insolvent unlicensed insurer."

Thoroughly read any Surplus Lines policy. Again, the OIR does not regulate the rates these companies charge, nor the forms they use. These policies often do not provide the same coverage or deductibles offered by the policies issued by Admitted insurance companies.

# Your Lending Institution and Claims

Most lenders providing mortgages require you to purchase property insurance to protect their financial interest in the property. The mortgage holder has an interest in the dwelling and perhaps the unattached structures on the property. Therefore, the insurance company will include the mortgagee as a payee on those claim payments attributable to Coverages A and B (Dwelling, Other Structures). The mortgagee has no financial interest in the personal property, additional living expense or liability portions of the policy, so payments attributable to those coverages are issued solely to the policyholder.

The lender will inform you of its stipulations to obtain the money for repairs. In some instances, the lender will provide money up front for you to begin the repairs and as they are completed, you will show the lender proof of the repairs and they will continue to advance money. In other instances, the lender may allow you to provide a signed contract for the repairs and they may pay the contractor directly as repairs are made. When repairs are completed, lenders can't keep remaining settlement proceeds to cover the balance of your loan, unless your payments are in arrears.

If you feel your financial institution is withholding funds that are rightfully yours, call the Florida Office of Financial Regulation (OFR) at 1-850-487-9687.

## FORCE-PLACED HOMEOWNERS' INSURANCE

If you fail to obtain or maintain homeowners' insurance, your lender may purchase it for you, since loan contracts usually require it. This is called "force-placed" insurance.

**WARNING:** The premium for force-placed coverage may be more expensive than coverage you can obtain yourself. In addition, the force-placed policy only covers the structure, not your personal property, personal liability, or additional living expenses. The policy may not even cover the full replacement cost of the dwelling, but only the loan's outstanding balance. Also, the named insured on the force-placed policy is the lender, not you; therefore, you may not have any rights to the policy even though you were billed for the premium.

## PRIVATE MORTGAGE INSURANCE

Most homeowners know this type of coverage by its initials, PMI. This insurance helps protect lenders from default by borrowers. The mortgage company may require this type of insurance if your down payment is less than 20 percent of the property's value. This insurance allows you to qualify for a larger mortgage than is otherwise available with a small down payment.

## CREDIT LIFE INSURANCE

This type of insurance may pay off your home in the event of your death. The premium for this insurance will vary depending on the face amount of coverage, the term of the loan and the age of the insured. Certain health related questions may also be asked on the application. Coverage is not guaranteed.

You may obtain this coverage for both spouses under one contract on a first-to-die basis. This means that the surviving spouse becomes the beneficiary. As with all insurance policies, it is a good idea to do research in order to choose the credit life insurance policy that is right for you.

## What About Building a New Home?

If you plan to build your own home or hire a contractor to build one for you, a Builder's Risk policy may be what you need while the home is under construction. Coverage under a typical builder's risk policy covers the home from the start of construction and continues until a stated time found in the policy after construction is completed.

Builder's risk policies cover items such as the home under construction, building materials, machinery, equipment, permanent fixtures, debris removal, pollutant cleanup, floor plans, blueprints, valuable records or papers, landscaping, etc. This coverage can help ensure that you or your contractor can obtain funds to repair or rebuild in case of loss. In addition, liability coverage may be purchased to cover your liability exposure in connection with the construction.

Before you start a home-construction project, find out whether you or your contractor should purchase a builder's risk policy. Individuals hiring a contractor to build a home can require them to obtain a builder's risk policy as part of the construction contract.

Also, some homeowners' policies are used to cover a home under construction. You should contact your insurance agent or insurer for more information.

## Policy Termination

Admitted insurance companies can take up to 90-days to decide whether you meet their underwriting guidelines. Within this 90-day period, a company must give you a 20-day notice if it intends to cancel the policy, except for nonpayment of premium, which requires a 10-day notice.

After 90-days, your company may cancel your policy if:

- You don't pay your premium;
- You provided false information on your application;
- You fail to comply with the company's underwriting requirements; or
- You increased your risks through new activities or home improvements.

## NOTES


For reasons other than nonpayment of premium, the company must provide a 120-day notice before it may cancel your policy.

Companies may non-renew your policy, with certain limitations, with proper notice. The nonrenewal notice must be provided at least 120-days in advance. The insurer must provide the specific reason that it is non-renewing the policy.

You may cancel your policy at any time by providing a written request. You should receive a refund of any unearned premium. However, if you cancel an insurance policy early, the company may retain 10% of the unearned premium amount. If you are changing insurance policies or companies, make sure you do not have a break in coverage between the two policies. This could result in your mortgage company adding the cost of a force-placed policy to your mortgage.

# KNOW WHAT YOUR POLICY COVERS

## Special Limits on Certain Personal Property

Homeowners' insurance policies usually have special limits of coverage on personal items such as cash, jewelry, silverware, guns, antiques, boats and other items. If you need additional coverage for these items, talk to your insurance agent. In most cases, additional coverage can be obtained by paying an additional premium.

# Replacement Cost Versus Actual Cash Value

There are two settlement options available when purchasing insurance on your home. You can elect to insure your home and personal property for Actual Cash Value or Replacement Cost.

## REPLACEMENT COST

Replacement Cost is the amount needed to repair or replace your damaged property with materials of similar kind and quality, without deducting for depreciation (the decrease in the value of your home or personal property due to normal wear and tear).

## ACTUAL CASH VALUE

Actual Cash Value is the amount needed to repair or replace an item, less depreciation. For example, your insurance company would deduct for the age and condition of a 17-year-old roof with a 20-year life expectancy. In this scenario, you have used 17 out of 20 years expectancy. You would be paid for the remaining three years value.

Here is how both settlement options work in practice. Let's say in 2015, you purchased a new refrigerator, with a life expectancy of 10 years, for $1,000. It was destroyed by a fire in 2018. If the settlement option available on your insurance policy is Actual Cash Value, your insurer will pay an amount that reflects the current value of the 2015 refrigerator. You have used three years of the 10 year expectancy, and would receive the value for the remaining seven years, approximately $700. A policy that settles claims based on the Actual Cash Value will consider depreciation. A Replacement Cost policy would cover the cost to replace the refrigerator with a new one of the same kind and quality, even if it's more than what you paid in 2015.

Your agent must offer you Replacement Cost coverage on your dwelling. In order to receive the replacement cost benefit, most homeowners' insurance policies require the policyholder to insure their home for at least 80% of its replacement value.

If your home is covered by a Replacement Cost policy that requires you to have it insured for at least 80% of its replacement cost, and you do not insure the correct amount, you may become a co-insurer for any partial loss claim.

For instance, if you insure the home for $100,000 and the true replacement cost is $200,000, you should have insured the home for at least $160,000. If you have a loss of $25,000.00, the company would pay only $15,625, less your deductible, on the claim. The formula used by the insurer to determine the amount they owe in this example is the amount of insurance carried divided by the amount of insurance required, times the amount of loss, equals the amount payable by the insurance company ($100,000 divided by $160,000 times $25,000 = $15,625 and then subtract the deductible.)

## Windstorm Coverage

Virtually all homeowners' insurance policies are required to cover damage caused by windstorms, hurricanes and hail, unless you sign a hand-written statement requesting to waive the coverage. If your home is located in the Wind-Pool Area, it is likely that Windstorm Coverage is excluded on your regular homeowners' policy and you must purchase a separate windstorm policy if you want the coverage. Most lenders require you to carry Windstorm Coverage if you have a mortgage.

## Flood Insurance

Most homeowners' policies exclude flood damage (rising water). Flood insurance is available through the National Flood Insurance Program (NFIP) or through private insurers. If your home is located in a special flood hazard area, an elevation certificate will need to be submitted with your application. Private insurance companies have entered the flood insurance market over the past several years. In some instances, you may be able to purchase flood insurance through the same insurance company that provides your homeowners' coverage. Flood policies issued by private insurers must provide at least the coverage included in policies issued by the NFIP. For general inquiries about the National Flood Insurance Program, call 877-336-2627, or contact your insurance agent.

Flood insurance is available for your home and personal property. Normally, there is a 30-day waiting period before a flood insurance policy becomes effective with the National Flood Insurance Program, unless the policy is purchased at the same time you purchase or refinance your home. Flood Insurance can be obtained from your local agent.

## Sinkholes and Catastrophic Ground Cover Collapse

Insurance companies are not required to automatically include sinkhole coverage on homeowners' insurance policies. In some cases, sinkhole coverage may be offered, but the insurance company has a right to inspect the premises for possible sinkhole activity and decline coverage if it's found. In other cases, the company may decline sinkhole coverage if your home is within a certain distance of confirmed sinkhole activity. In order for sinkhole coverage to be used, "structural damage" must be present. The term "structural damage" is defined in Florida law, however in short, the integrity of the structural members of the dwelling must be in danger of immanent collapse.

Insurance companies must include "catastrophic ground cover collapse" (CGCC). CGCC is defined as geological activity that results in all of the following:

- The abrupt collapse of the ground cover;
- A depression in the ground cover clearly visible to the naked eye;
- Structural damage to the building, including the foundation; and
- The insured structure being condemned and ordered to be vacated by the governmental agency authorized by law to issue such an order for that structure.

Insurers may also restrict sinkhole and catastrophic ground cover collapse coverage to the principal building, as defined in the applicable policy.

Surplus Lines insurers are not required to offer sinkhole coverage, but many do. Ask your agent for details.

## Ordinance or Law Exclusion

If a local building ordinance or law has changed which increases the cost to repair or replace your home, the insurance company does not pay that extra amount, unless your policy includes ordinance or law coverage.

This is how it works: Let's say your home was built in 1982. Let's further say the home was damaged over 50% during a hurricane in 2015. At the time of the hurricane, the building code required you to rebuild the entire structure to comply with current building codes if the cost to repair the damage was 50% or more of the value of the home. Ordinance or Law coverage could help demolish the undamaged portion and rebuild the home to comply with the current building code. Complying with current building codes may require changes in design and/or building materials which could result in you paying more to repair or rebuild your home. In the example above, if you didn't have this valuable coverage, the insurance company would not pay for the demolition of the undamaged portion of the structure or the increased cost to comply with the current building code.

Admitted carriers must include an Ordinance or Law coverage limit of at least 25% of the amount of the dwelling coverage (Coverage A). Also, they must allow you to select 50% of the dwelling coverage for an additional premium. Some insurance companies will allow you to reject this coverage by signing a waiver.

## Mold

Typically, mold that results from a covered peril is covered under your homeowners' policy, although the amount can be limited. An example of a covered peril would be a sudden and accidental discharge of water from a burst pipe.

Most insurers limit the amount of mold-related coverage (such as testing and mitigation) it will provide. The most common limit we see is $10,000. In some cases, an insured can purchase higher limits of mold coverage for an additional premium. Other insurance companies exclude coverage for mold-related claims altogether.

# Sample Declarations Page - Where to locate policy information

## SAFE ALL INSURANCE COMPANY

### HOMEOWNERS POLICY DECLARATIONS

Name of insurance company and agency with contact information

**SAFE ALL INS CO**
P.O. Box 1075
Thiston, FL 12345-6789
(123) 456-7891

**AGENT: TONY PRIZE, #194722**
2047 Octavia Way
Tiptree, FL 10112-1312
(123) 456-7891

Insured name and mailing address

**INSURED NAME AND ADDRESS:**
Estelle Clarion & James Delany
596 Crossover Way
Clay, FL 17189-2021

**MORTGAGE INFORMATION:**
Apollo Savings Mortgage Co
P.O. Box 120140, Dept. 12
Leto, TX, 22231

Mortgage information

Policy number, form and effective date

**POLICY NO.** FHO295000 **POLICY FORM:** HO-3 **POLICY EFFECTIVE DATE:** 3/28/20 to 3/28/2021

Premium amount due

| | |
|---|---|
| **TOTAL ANNUAL POLICY PREMIUM:** | **$854.00** |
| HURRICANE PORTION OF PREMIUM: | $297.00 |
| NON-HURRICANE PORTION OF PREMIUM: | $505.00 |

**Coverage is provided where a premium or limit of liability is shown for the coverage.**

Premium summary (Section I)

| SECTION I – PROPERTY COVERAGES | LIMIT OF LIABILITY | PREMIUM |
|---|---|---|
| Coverage A - Dwelling | $160,000 | $859.00 |
| Coverage B - Other Structures | $3,200 | Included |
| Coverage C - Personal Property | $104,250 | Included |
| Coverage D - Loss of Use | $20,850 | Included |
| Ordinance or Law: 25% of Coverage A | $40,000 | -57.00 |

Deductible (amount policyholder must pay per claim)

**SECTION I- DEDUCTIBLES:** In case of a property loss, we only cover that part of loss over the deductible(s) stated:

| | |
|---|---|
| All Other Perils (other than Hurricane): | $1,000 |
| **HURRICANE: 2% OF Coverage A** | **$3,200** |
| Sinkhole: | Not Included |

Hurricane deductible

Premium summary (Section II)

| SECTION II- LIABILITY COVERAGES | | |
|---|---|---|
| Coverage E - Personal Liability | $100,000 | Included |
| Coverage F - Medical Payments | $1,000 | Included |

Optional coverages

| OPTIONAL COVERAGES: | | |
|---|---|---|
| Water Backup and Sump Overflow | $5,000 | $25.00 |

Discounts, surcharges, policy fees, forms and endorsements

**DISCOUNTS AND SURCHARGES**
Proof of Updates - Roof Only
Windstorm Loss Mitigation
Total discounts and/or surcharges applied: -2,083.00

**POLICY FEES:**

| | |
|---|---|
| Managing General Agency (MGA) Fee | $25.00 |
| Emergency Management Preparedness and Assistance Surcharge | $2.00 |

**FORMS AND ENDORSEMENTS**

| | |
|---|---|
| Homeowners 3 Special Form (HO-3) | SAIC HO3 11 16 |
| Limited Water Damage Coverage | SAIC WBU 11 14 |
| Water Backup and Sump Overflow Coverage | SAIC WBU 05 17 |

Rating information

**RATING INFORMATION Construction Type:** Masonry **Year Built:** 1971 **Dwelling Type:** Single Family

## NOTES

# WHAT DOES H.O.I. COVER?

Homeowners insurance may help protect your house, your belongings and even you if the unexpected occurs. Typical policies include four key types of protection — dwelling, other structures, personal property and liability coverage. Not all policies are alike, and it's important to remember that coverage limits and deductibles may apply.

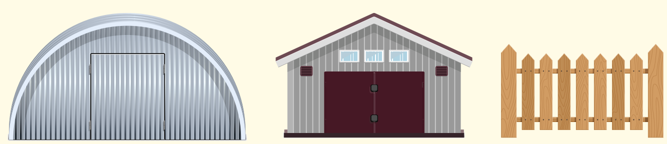
## DWELLING COVERAGE

If your home is damaged, dwelling coverage my help pay to repair or rebuild the home. Some of the risks that are typically covered include:

Fire | Wind | Lighting Strikes | Hail

## OTHER STRUCTURES COVERAGE

Other structures coverage may help pay to repair or replace certain components that are not attached to your home after a covered loss. This coverage may extend to items such as:



Shed | Detached Garage | Fence

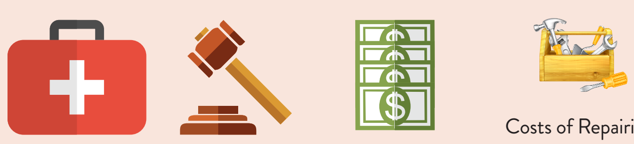
## PERSONAL PROPERTY COVERAGE

Personal property coverage may help reimburse you for the value of your belongings or pay to replace your belongings after a covered loss. Examples of what personal property coverage my help protect include:

Furniture | Electronics | Clothing

## LIABILITY COVERAGE

No matter how careful you are, accidents can happen. Liability coverage my help pay for costs resulting from an injury to someone else or damage to their property if you are found liable. Liability protection may help cover:



A Guests Medical Bills | Your Legal Expenses If Sued | Injured Party's Lost Wages | Costs of Repairing Damage You Accidentally Caused to Someone Else's Property

# TYPES OF H.O.I. COVERAGE


## HO-3

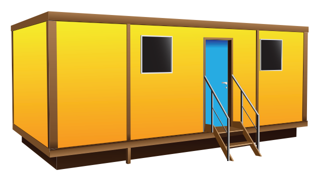
Covers home against almost all risks, except the ones specifically listed as excluded. Covers property only for listed risks.

## HO-5

The most comprehensive plan for homeowners. It explicitly names what is not covered by the plan, therefore protecting your property and belongings against all types of hazards.

## HO-6

For condo owners, protecting the unit separately from its neighboring units. These policies cover personal property, walls, floors, and ceiling of the condo. This coverage is separate from HOA coverage.



## HO-7

Extends coverage to mobile homes that don't meet the requirements for typical homeowners insurance policies.

## HO-8

This policy is appropriate for older homes that would cost more to repair than to rebuild entirely. This modified coverage form typically covers historical properties and registered landmarks.

## OTHER

**Actual Cash Value** coverage means your house plus the value of your belongings after taking away for depreciation.

**Guaranteed or Extended Replacement Cost** coverage is all-inclusive because it pays for whatever it costs to build or fix your home.

**Replacement Cost** coverage is similar to actual cash value except there is no depreciation taken away from the value.

YOUR PLACE INSURANCE
MEDICARE, LIFE, + MORE

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