



A guide to ...

Homeowners Insurance

ALABAMA DEPARTMENT OF INSURANCE

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Although a beautiful place to call home, Alabama's weather is quite fickle. We are subject to tornadoes, hurricanes, flood, and even earthquakes. This guide takes you through the ins and outs of homeowners' insurance.

The Alabama Department of Insurance stands ready to assist Alabama consumers with their insurance questions.

Why do I need insurance?

Homeowners insurance is an important purchase for many people who own or are paying on a mortgage to eventually own their home. There are two major reasons to buy homeowners insurance.

1. To protect your assets

Homeowners insurance covers both your property and your personal legal responsibility (or liability) for injuries to others or their property while they're on your property.

2. To satisfy your mortgage lender

Most mortgage lenders require you to have insurance as long as you have a mortgage and to list them as the mortgagee on the policy. If you let your insurance lapse, your mortgage lender will likely have your home insured. The premium may be much higher (and the coverage much less) than a policy you would buy on your own. The lender can require you to pay this higher premium until you get your own homeowners insurance again.

It cover this ...

- Your house and other buildings on your property
- Your personal property in your home or on your property
- Your personal liability
- Medical payments for others accidentally hurt on your property
- Additional living expenses if you must rent a place to live while your home is being repaired

But likely not this ...

- Flood
- Earthquake
- Landslide
- Mudslide
- Sewer backup
- Septic tank backup
- Identity theft

And maybe this ...

- Dog bites
- Swimming pools
- Trampolines
- Operating a business from your home

And limits on this ...

- Mold
- Jewelry, guns, electronics, collectibles, and antiques
- The costs of meeting updated electrical, fire, plumbing, and building codes

Actual cost value vs. Replacement cost value

If your home is insured on a replacement cost basis, then claims are paid based on the cost to replace your loss, not its market value.

The replacement cost is usually greater than the market value. If your policy is based on replacement cost, you must replace your property to be reimbursed; there are limits on the amount you can be reimbursed for your home.

How do I get flood insurance ... and coverage for limited items?

Many agents can sell you a flood insurance policy. The company that the agent represents may administer the policy, but the policy is backed by the National Flood Insurance Program, which is a division of the Federal Emergency Management Agency.

Most companies will sell additional coverage to cover earthquakes, or coverage for personal property such as jewelry, guns or luxury items.

Some basic questions to ask your agent

- Are you licensed by the Alabama Department of Insurance?
- For how long?
- Have you ever been the subject of a disciplinary action by the Department?
- Is the company you are representing licensed by the Alabama Department of Insurance?
- How can I find out the claims history of the home before I buy it?
- If I submit a claim, how will it affect my premium when I renew the policy?
- What discounts are available?
- What does the policy cover?
- What does it not cover?
- What are the limits to the coverages?
- How much coverage for my personal property do I need?
- Should I buy flood insurance or earthquake coverage?

How the premium is determined

Many factors determine the premium you will pay. Different insurance companies charge different premiums for similar coverage.

Shop around: getting three or more comparison quotes is worthwhile.

Be prepared to give your agent information about the following items that are commonly used to determine your premium:

- The amount of your deductible
- The cost to rebuild your home. This is *not* the same as the purchase price (which includes the cost of the land). The agent may help you estimate the replacement cost using information about your home and its contents.
- Whether your home is made of brick or wood
- The distance from your home to a fire hydrant or fire department
- The age of your home
- Whether you also insure your auto, life or some other type of insurance with the same insurance company
- Your credit history – the agent may ask you for your Social Security Number
- Whether you currently have homeowners insurance
- Your previous homeowners insurance claims history such as fire, theft, or liability
- The claims history of the home such as water damage or roof damage
- The types of pets you have
- Whether you have a swimming pool or trampoline
- Whether you have protection devices such as smoke detectors, burglar alarm, or sprinkler system
- Whether you have a wood furnace or wood stove
- Whether you operate a home business

I rent my home ... what about me?

Your landlord's homeowners' insurance does **NOT** cover your belongings, nor your actions.

How much renter's insurance do you need? Talk to your insurance agent or company about the property you want to protect and the property hazards you would like to be insured from. They will answer any important questions you have about:

- What hazards are included in your plan and if you need a separate policy for specific circumstances?
- If your insurance plan affects your roommate(s), if any.
- How you should determine value for your items.
- What some of the insurance terms mean or what they include.
- What optional coverage might be available to you.
- How much liability coverage is included in your plan

Can you get a discount on renter's insurance if your residence has particular safety features, like a burglar alarm? Many insurers will reduce your premiums if you have fire or burglar alarms, fire extinguishers, sprinkler systems and/or deadbolts on exterior doors. Some companies might also offer discounts if you have more than one policy with them. Be sure to ask about any discount you might be entitled to.

Are you covered in the case of a flood or earthquake? Same as a homeowners policy, these are not covered events.

Could owning a pet cause your premium to be higher? Certain municipalities require that owners of select breeds of pets have insurance policies to cover damages and/or injuries caused by the animal.

This liability might be covered under a standard renter's insurance policy, but some insurance companies might require the purchase of additional coverage. Talk

with your insurance agent or company about the options and how they might affect your premium costs.

Does renter's insurance only cover you when you're at home? Many policies do not limit protection to home-based situations. For example, items you have insured often are covered if they are stolen by someone who breaks into your car or if they are damaged while not on your property.

Is personal liability included? A renter's insurance policy covers your property and your personal legal responsibility (or liability) for injuries to others and/or their property while they are on your property.

Will you receive additional living expenses if you have to live somewhere else while your apartment is being repaired? If there is damage to the building you are renting and you must live elsewhere while the building is being repaired, you will have coverage for additional living expenses incurred during the reconstruction period.

What do I do now?

- Pay the premium on time. Most insurers don't offer a grace period for paying the premium – the due date is the due date.
- **Make an inventory.**
 - Go through each room; write down and take pictures or videos of everything in the room.
 - Inventory everything, including valuable items such as antiques, electronics, jewelry, collectibles, and guns.
 - Store your inventory in a secure place at another location such as your workplace, a safe deposit box, a relative's house, or online.
 - Annually review and update your inventory,

including your pictures/videos. Also update your inventory when you buy new items.

- Keep receipts with your inventory for all repairs and new items you buy for proof if you file a claim.

- **Maintain your home.**

- A homeowners policy isn't a maintenance contract; it insures against things such as fire, wind, and hail. It doesn't pay to repair items that simply wear out, like rotted porch railings.

You're responsible for the upkeep of your home such as repairing your roof when it begins to leak or cleaning your chimney flue so it doesn't catch fire.

Making a claim

- Call the insurance company and speak to the claims person (adjuster). The adjuster will probably want to meet with you at your house to inspect the damage. Jot down notes and keep track of the dates of any conversations you have with your agent or adjuster.
- You are required to protect your home from further damage. For example, you may need to board up your home or use tarps if there was damage to the building, or clean up water from a backed-up drain.
- Don't feel rushed or pushed to agree with something you aren't comfortable with. It might help to have your contractor meet with you and the insurance adjuster.
- You must document your loss; receipts and pictures will help.
- If you and the insurer disagree about the value of the claim, check your policy for an appraisal clause.

I live on the coast: what about wind-related coverage?

Many insurers have excluded wind coverage in Mobile and Baldwin counties, forcing consumers to find coverage through non-traditional means, such as the surplus lines market or the Alabama Insurance Underwriting Association (AIUA).

Ask your agent whether your policy covers wind-related events. If your policy does not cover wind-related events, then ask your agent help you obtain

wind-related coverage, as it is required by your mortgage company and is a important protection of your property.

Many agents in the coastal counties are qualified to write surplus lines policies or policies with the AIUA. If they are not, then ask your agent to refer you to one who is, or engage in a search of your own to find such an agent.

Alabama Department of Insurance ... how we work for you

We can answer questions about any type of insurance.

We can research whether an agent or a company has had disciplinary issues.

We can investigate your complaints regarding an agent or a company.

If you have an old life insurance or burial policy and you cannot locate the company, we can help find that company, or its new owner.

We enforce state laws and regulations regarding insurance companies and their agents.

We examine the finances of insurance companies to ensure that they are financially sound and able to pay claims.