



# Am I Covered?

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# Am I covered?

This is a special report that we prepared for our group of family friends and clients. It consists of the answers to the 17 most frequently asked questions regarding your insurance coverage.

Our goal is to provide you with practical, common sense tips and advice on your home insurance while avoiding some of the common mistakes and pitfalls.

If a fire, flood, earthquake, or some other natural disaster were to destroy or damage your home, would you have the right insurance coverage to rebuild your home?

We will try to explain what is covered in most Standard Homeowners' Policy and what is not. Where gaps in coverage exist, it tells you how to fill them.

## We have also included:

### "12 Ways to Lower Your Homeowners Insurance Costs"

The price you pay for your homeowners insurance can vary by hundreds of dollars, depending on the insurance company you buy your policy from. Here are some things to consider when buying homeowners insurance.

Some of those ideas have a potential to save you hundreds of dollars on your yearly insurance costs

# **The Answers to 17 Most Common Questions Asked by Homeowners:**

**Question # 1: Am I covered for direct losses due to fire, lightning, tornadoes, wind storms, hail, explosions, smoke, vandalism and theft?**

Yes. Your Home provides broad coverage for these and other disasters or "perils," as they are called in the policy, including all those listed in the question. You should check the dollar limits of insurance in your policy and make sure you are comfortable with the amount of insurance you have for specific items. Ask your agent or broker about windstorm/hurricane deductibles. In areas prone to hailstorms, you may have a specific separate hail damage deductible.

**Question # 2: Are my jewelry and other valuables covered?**

Most standard policies provide from \$1,000 to \$5,000 for theft of jewelry. However, this limit may sometimes be deceiving, as often there is a separate limit per item. In other words, even though you have a total \$5,000 limit for theft of jewelry, you may only be able to claim a maximum of \$2,000 per item. In that scenario, if you had a \$3,000 ring stolen, you would only be covered for \$2,000. If your jewelry is worth a lot more, you should purchase higher limits. You may wish to add a floater to your policy to cover specific pieces of jewelry and other expensive possessions such as paintings, electronic equipment, stamp collections or silverware, for example. The floater will provide both higher limits and protect you from additional risks, not covered in your normal policy.

**Question # 3: If my house is totally destroyed in a fire and I have \$250,000 worth of insurance to cover the structure, will this be enough to rebuild my home?**

If the cost of rebuilding your home is equal to or less than \$250,000 you would have enough coverage. Most Standard Homeowner Policies pay for structural damage on a replacement cost basis. If the cost of replacing your home is, say, \$220,000, then that is all the insurance you need. On the other hand if the cost of rebuilding your home is \$280,000, then you will be short \$30,000.

If you live in an area that is frequently hit by major storms, ask your insurance company about an extended or guaranteed replacement cost policy. This will provide a certain amount over the policy limit to rebuild your home so that if building costs go up unexpectedly, due to high demand for contractors and materials, you will have extra funds to cover the bill.

If you choose not to rebuild your home, you will receive the replacement cost of your home, less depreciation. This is called actual cash value. You should make sure that the amount of insurance you have will cover the cost of rebuilding your house. You can find out what this cost is by talking to your agent or broker or builders in your area.

Do not use the price of your house as the basis for the amount of insurance you purchase. The market price of your house includes the value of the land on which the house is situated. In almost all cases, the land will still be there after a disaster, so you do not need to insure it. You only need to insure the structure.

**Question # 4: Am I covered for flood damage?**

No, most Standard Homeowner Policies exclude flood damage. So, if you live in a flood-prone area it may be wise to inquire whether additional flood insurance is available. In some parts of the country, homes can be damaged or destroyed by mudslides. This risk is also covered under flood policies.

**Question # 5: A pipe bursts and water flows all over my floors. Am I covered?**

Yes. Most Standard Homeowner Policies cover you for accidental discharge of water from a plumbing system. However it should be noted that it is usually the resulting damage that is covered, and not the plumbing itself. In addition it is important to remember that most policies have a clause which refers to the homeowner's responsibility when they are away from the home during the heating season. The wording usually refers to the need to have a competent person checking your home while you are away. It is important to read this wording and be aware of its implications in the case of a loss. Regardless, if you are going to be away from your home or not, you should check your plumbing and heating systems once a year. While you are covered for damage, who needs the mess and hassle?

**Question # 6: What if water seeps into my basement from the ground; am I covered?**

No. Water seepage is excluded under most Standard Homeowner Policies. And if the water seepage is not due to a flood you will not be covered under a flood policy. Seepage is viewed as a maintenance issue and is not covered by insurance. You should see a contractor about waterproofing your basement.

**Question # 7: Am I covered for earthquake damage?**

No. Earthquake coverage is sold as additional coverage to most Standard Homeowner Policies. To find out whether you should buy this insurance, talk to your agent or broker. The cost of this coverage can vary significantly from one area to another, depending on the likelihood of a major earthquake.

**Question # 8: A neighbor slips on my sidewalk or falls down my porch steps and threatens to take me to court for damages. Does my policy protect me?**

Yes. The policy will pay for damages, if a fall or other accident on your property is the result of your negligence. It will also pay for the legal costs of defending you against a claim. Also, the medical payments part of most Standard Homeowner Policies will cover medical expenses, if a neighbor or guest is injured on your property. You should check to see how much liability protection you have. The standard amount is \$1,000,000. If you feel you need more, consider purchasing higher limits.

**Question # 9: A tree falls and damages my roof during a storm. Am I covered?**

Yes. You are usually covered for the damage to your roof. You are also covered for the removal of the tree, generally up to a \$500 limit. You should cut down dead or dying trees close to your house and prune branches that are near your house. It's true that your insurance covers damage, but falling trees and branches can also injure your family.

**Question # 10: During a storm, a tree falls but does no damage to my property. Am I covered for the cost of removing the tree?**

Your trees and shrubs are covered for losses due to risks like vandalism, theft and fire, but not wind damage. However, if a fallen tree blocks access to your home you may be covered for its removal. Decide if you need extra insurance for the trees, plants and shrubs on your property. You may be able to purchase extra insurance, which will not only cover the cost of removing fallen trees, but will also cover the cost of replacing trees, and other plants.

**Question # 11: If a storm causes a power outage and all the food in my refrigerator or freezer is spoiled and must be thrown out, can I make a claim?**

Yes. Most Standard Homeowner Policies cover food spoilage. However, there usually is a maximum dollar limit for the

coverage. In addition, if the power loss is due to a break in a power line on or close to your property, you may be covered. You should check with your agent or broker to find out whether you are covered for food spoilage and what the limit is.

**Question # 12: I have children away at college. Are they covered by my homeowners insurance?**

If they're full-time college students and part of your household, your insurance generally provides some coverage in a dorm, typically 10 percent of the contents limit. If they live off campus, some companies may not provide this limited coverage if the apartment is rented in the student's name.

**Question # 13: My golf clubs are stolen from the trunk of my car. Does my homeowners policy cover the loss?**

Yes. Most Standard Homeowner Policies cover your personal property while it is anywhere in the world. However, if you don't have replacement cost on your policy, and if your golf clubs are old, you will only get their current value, which may not be enough to purchase a new set. Consider buying a replacement cost endorsement for your personal property. This way you will get what it costs to replace the golf clubs, less the applicable deductible.

**Question # 14: I have a small power boat. If it is stolen, am I covered? What if there is a boating accident and I get sued? Am I covered for that?**

Whether or not you are covered for either theft or liability depends on the size of the boat, the horsepower of the engine and your insurance company. Coverage for small boats under homeowners policies varies significantly. Ask your insurance representative whether you need a Boatowners policy.

**Question # 15: My house is close to the ocean. I've heard that if it is destroyed by the wind, the town's new building code requires me to rebuild the house on stilts.**

**This will add \$30,000 to the cost of rebuilding my house.  
Am I covered for this extra cost?**

No. Standard Homeowner Policies exclude costs caused by ordinances or laws that regulate the construction of buildings. You may be able to purchase an Ordinance or Law endorsement. This will cover the extra costs involved in meeting new building codes.

**Question # 16: Am I covered for "Acts of God"?**

Sometimes. The term "Acts of God" is not specifically mentioned in homeowners insurance policies. It usually refers to natural disasters like hurricanes and tornadoes, as opposed to man-made acts, like theft and auto accidents. Some natural disasters, such as damage from windstorms, hail, lightning and volcanic eruptions are covered under homeowners insurance. Damage from floods and earthquakes is not.

**Question # 17: What should I do if my policy provides less coverage than what I feel I need?**

Review your coverage with your agent or broker. Some older policies provide less coverage than the newer policies now available. They may not provide coverage for water damage, theft, or liability. They may also provide coverage for the house or its contents on an actual cash value basis, rather than a replacement cost basis; or have limits which are not realistic in today's world.

Actual Cash Value means replacement cost less depreciation. For example, if your roof is destroyed in a storm, the insurance will only pay for the cost of a new roof less the amount of depreciation of the old roof. If your roof was in great shape, this deduction will not be large. However, if the roof was old and worn out, the deduction for depreciation may be significant. You should have a policy which offers replacement cost on the structure of your home.



## **Bonus Section:**

# **12 Ways to Lower Your Homeowners Insurance Costs:**

The price you pay for your homeowners insurance can vary by hundreds of dollars, depending on the insurance company you buy your policy from. Here are some things to consider when buying homeowners insurance.

### **1. Shop Around**

It'll take some time, but could save you a good sum of money. Ask your friends, check the Yellow Pages, check consumer guides, insurance agents, companies and online insurance quote services. This will give you an idea of price ranges and tell you which companies have the lowest prices. But don't consider price alone. The insurer you select should offer a fair price and deliver the quality service you would expect if you needed assistance in filing a claim. So in assessing service quality, talk to a number of insurers to get a feeling for the type of service they give. Ask them what they would do to lower your costs. When you've narrowed the field to three insurers, get price quotes.

## **2. Raise Your Deductible**

Deductibles are the amount of money you have to pay toward a loss before your insurance company starts to pay a claim, according to the terms of your policy. The higher your deductible, the more money you can save on your premiums. Nowadays, most insurance companies recommend a deductible of at least \$500. If you can afford to raise your deductible to \$1,000, you may save as much as 25 percent. Remember, if you live in a disaster-prone area, your insurance policy may have a separate deductible for certain kinds of damage. If you live near the coast in the East, you may have a separate windstorm deductible; if you live in a province vulnerable to hail storms, you may have a separate deductible for hail; and if you live in an earthquake-prone area, your earthquake policy has a deductible.

## **3. Don't confuse what you paid for your house with rebuilding costs**

The land under your house isn't at risk from theft, windstorm, fire and the other perils covered in your homeowners policy. So don't include its value in deciding how much homeowners insurance to buy. If you do, you will pay a higher premium than you should.

## **4. Buy your home and auto policies from the same insurer**

Some companies that sell homeowners, auto and liability coverage will take 5 to 15 percent off your premium if you buy two or more policies from them. But make certain this combined price is lower

than buying the different coverages from different companies.

## **5. Make your home more disaster resistant**

Find out from your insurance agent or company representative what steps you can take to make your home more resistant to windstorms and other natural disasters. You may be able to save on your premiums by adding storm shutters, reinforcing your roof or buying stronger roofing materials. Older homes can be retrofitted to make them better able to withstand earthquakes. In addition, consider modernizing your heating, plumbing and electrical systems to reduce the risk of fire and water damage.

## **6. Improve your home security**

You can usually get discounts of at least 5 percent for a smoke detector, burglar alarm or dead-bolt locks. Some companies offer to cut your premium by as much as 15 or 20 percent if you install a sophisticated sprinkler system and a fire and burglar alarm that rings at the police, fire or other monitoring stations. These systems aren't cheap and not every system qualifies for a discount. Before you buy such a system, find out what kind your insurer recommends, how much the device would cost and how much you'd save on premiums.

## **7. Seek out other discounts**

Companies offer several types of discounts, but they don't all offer the same discount or the same amount of discount in all provinces. For example, since retired people stay at home more than working people they are less likely to be burglarized and may spot fires sooner, too. Retired people also have more time for maintaining their homes. If you're at least 55 years old and retired, you may qualify for a discount of up to 10 percent at some companies. Some employers and professional associations administer group insurance programs that may offer a better deal than you can get elsewhere.

## **8. Maintain a good credit record**

Establishing a solid credit history can cut your insurance costs. Insurers are increasingly using credit information to price homeowners insurance policies. In most states, your insurer must advise you of any adverse action, such as a higher rate, at which time you should verify the accuracy of the information on which the insurer relied. To protect your credit standing, pay your bills on time, don't obtain more credit than you need and keep your credit balances as low as possible. Check your credit record on a regular basis and have any errors corrected promptly so that your record remains accurate.

## **9. Stay with the same insurer**

If you've kept your coverage with a company for several years, you may receive a special discount for being a long-term policyholder. Some insurers will reduce their premiums by 5 percent if you stay

with them for three to five years and by 10 percent if you remain a policyholder for six years or more. But make certain to periodically compare this price with that of other policies.

#### **10. Review the limits in your policy and the value of your possessions at least once a year**

You want your policy to cover any major purchases or additions to your home. But you don't want to spend money for coverage you don't need. If your five-year-old fur coat is no longer worth the \$5,000 you paid for it, you'll want to reduce or cancel your floater (extra insurance for items whose full value is not covered by standard homeowners policies such as expensive jewelry, high-end computers and valuable art work) and pocket the difference.

#### **11. When you're buying a home, consider the cost of homeowners insurance**

You may pay less for insurance if you buy a house close to a fire hydrant or in a community that has a professional rather than a volunteer fire department. It may also be cheaper if your home's electrical, heating and plumbing systems are less than 10 years old. If you live in the East, consider a brick home because it's more wind resistant.

Remember that flood insurance and earthquake damage are not covered by a standard homeowners policy. If you buy a house in a flood-prone area, you'll have to pay for a flood insurance policy that costs an average of \$400 a year.

A separate earthquake policy is available from most insurance companies. The cost of the coverage will depend on the likelihood of earthquakes in your area.

If you have questions about insurance for any of your possessions, be sure to ask your agent or company representative when you're shopping around for a policy. For example, if you run a business out of your home, be sure to discuss coverage for that business. Most homeowners policies cover business equipment in the home, but only up to certain amount and they offer no business liability insurance. Although you want to lower your homeowners insurance cost, you also want to make certain you have all the coverage you need.

***Disclaimer - Please Read This***

This booklet is intended to provide general information on homeowner insurance for educational purposes only, and to the best of our knowledge. The material here is not intended to provide specific recommendations for any individual or business. Insurance is regulated in each province and/or state by that province's or state's Department of Insurance. Only a licensed Insurance Agent or Insurance Broker is qualified to provide you with advice on your specific business or personal insurance needs.

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