



Insuring Your Home



Homeowners insurance helps pay to repair or rebuild your home and replace personal possessions lost due to theft, fire or other disasters such as storms.

Although Florida law does not require homeowners insurance, some cities and counties require liability coverage if you own certain pets or a swimming pool. Liability coverage pays for non-automobile-related injuries to other people, or damage to their property, for which you are legally responsible.

For mortgaged homes, the lending institution will require full insurance coverage on the structure, including flood (if located in a special zone), fire, liability, windstorm, etc. Some developments and subdivisions may also require insurance.

The following overview explains the basic types of coverage available and provides tips for homeowners and renters.



Basic Coverage Available



Depending on which company you choose, you may obtain one of several basic packages of homeowners insurance in Florida to protect your home and belongings (see page 12). Each package protects against a specified number of perils, or events that cause damage to property, such as fire, windstorm or theft. Your homeowners insurance policy may also cover your dependent children's belongings while they attend college, whether they live on or off campus.

You may need a separate policy to protect personal possessions for your child who attends college and no longer qualifies as a dependent (on your household tax return). Covered perils apply to four categories:

- Structure (the dwelling itself)
- Other structures (like sheds and fences)
- Personal property (the contents of the structures)
- Loss of use (also called Additional Living Expense or ALE)

The first three are defined as "property."

Property

Property coverage helps pay for damage by covered perils to your home, the contents of your home and other personal belongings owned by you or family members who live with you. 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 point out the items covered in a given policy. Your policy provides limited coverage for some personal property, such as antiques, jewelry, furs and electronics. You may need additional coverage as an endorsement, or addition to your insurance policy, to modify its original terms for an additional premium. You can insure your home and belongings for replacement cost or actual cash value (see page 7).



Note: Homeowners policies do not cover vehicles. Your agent or company can help you find coverage for cars and large boats.



Additional Living Expense (ALE)

Homeowners packages provide additional living expense coverage that will pay some extra expenses if damage to your home prevents you from living there while it is being repaired. Most policies also will provide this coverage when a civil authority (law enforcement agency, emergency management service, etc.) prohibits the use of a residence due to direct damage to neighboring homes by a covered threat.

The items typically covered – above and beyond normal expenses – include extra costs for food, housing, telephone, transportation (to and from work or school), relocation and storage, utility installation and furniture rental for a temporary residence. Be sure to check your policy to find out what is specifically covered.

This coverage applies only to differences in expenses. For example, it would apply to the cost of restaurant meals minus normal food expenses. It does not cover your mortgage, groceries and utilities or the monthly cost of a telephone in a rented space (since you normally pay for the telephone in your house).

Your policy may designate a 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 company for reimbursement.

Additional living expense coverage does not apply to your dependent children while they are away at college. It applies only to the primary insured structure in the event of a loss.

Policies generally offer ALE coverage without any deductible. Flood insurance policies, however, don't provide this coverage. For more information, contact your insurance agent or company.

Two additional types of coverage are known as personal liability and medical payments.

Personal Liability

This coverage protects you against a claim or lawsuit resulting from (nonauto) bodily injury or property damage to others. 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 plus legal fees up to the policy limits. 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 any exclusions and discuss them with your agent.



Medical Payments

Regardless of fault, this coverage pays for medical expenses, up to the medical payment limits, of persons accidentally injured at your home. It does not apply to your injuries or those of anyone living with you or to activities involving an at-home business.



Replacement Cost Versus Actual Cash Value



When buying coverage, you may insure your property and belongings for actual cash value or replacement cost.

Replacement Cost

Replacement cost is the amount needed to replace or repair 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 damage to your home after 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.

Here is how the two types of coverage work in practice.

Let's say you bought a new television in 1994 for \$700. In 2005, a lightning strike destroys the TV.

A policy for actual cash value will only pay an amount that reflects the TV's current value – say \$300.

A replacement cost policy would cover the entire cost of a new TV of the same type – say \$900. However, you initially will receive only the actual cash value for your set (\$300). When you buy a new television and present the receipt, you will receive the balance (\$600).

For this reason, it is important to keep all receipts! Replacement cost coverage is triggered only when you replace the item that was damaged or lost. Your insurer will require proof of purchase for full reimbursement.

Your agent must offer you replacement cost coverage for your dwelling. If you reject this coverage, you must sign a statement on the application form indicating that you don't want it. Standard replacement cost depends upon the dwelling limit stated on your policy. Insurance companies design most homeowners policies to require the policyholder to insure the dwelling for at least 80 percent of its replacement cost. And while it is rare, you can insure your home for less than 80 percent. If you do so, you will be charged a co-payment penalty, in addition to your deductible, when you file a claim. Some companies offer guaranteed replacement cost dwelling insurance – an option that costs only a few dollars more, and insures your home for an increased amount, even if it exceeds policy limits. Many companies will not offer guaranteed replacement benefits for older homes.



Inflation Guard

Inflation or room additions can increase the replacement cost of your home and its contents, while the actual cash value of your home may decrease over time. An inflation guard endorsement gradually increases your dwelling's coverage limit annually to keep your insurance coverage up-to-date with current prices and inflation. It also may keep the policy value in line with increases in local building costs per square foot. If your policy lacks this endorsement, you are responsible for periodically updating your coverage with your insurance agent or company.

No matter how you insure your home, you should keep track of its replacement cost evaluation. Check with your agent or company once a year to make sure your policy provides adequate coverage.

Most insurance companies cover the contents of a home (i.e., personal belongings) on an actual cash value basis. Though you can insure your belongings at replacement cost, you pay a higher premium. Be aware that even if you obtain replacement cost coverage for the contents, you may be paid only actual cash value until you provide receipts for the replaced items, at which time the difference between the replacement cost and actual cash value would be paid (see Homeowners Inventory Checklist on page 32).

Most companies limit the amount to be paid out on certain types of items. These include such things as firearms, jewelry, antiques and electronics. Make an inventory list and review with your agent to find out whether any of your items have limited amounts of coverage. You may want to buy higher limits for these items, for an additional premium.



Insurance Packages



An insurance form specifies the perils for your home and belongings that your policy covers. The following overview explains the basic insurance packages available to Florida homeowners, condominium-unit owners, mobile home owners and renters. The basic homeowners policy is a package policy that may be modified. But dwellings, adjacent structures, contents, liability and medical payments usually cannot be eliminated from the basic package.

Homeowners Insurance

The three packages offered most frequently to owners of single-unit homes include **Broad Form HO-2**, **Special Form HO-3** and **Modified Coverage Form HO-8**. These policies insure your home and belongings against a number of perils. The perils include:

1. fire or lightning
2. windstorm or hail
3. explosion
4. riot or civil commotion
5. aircraft
6. vehicles
7. smoke
8. vandalism or malicious mischief
9. theft
10. falling objects
11. weight of ice, snow or sleet
12. accidental discharge or overflow of water or steam
13. sudden and accidental tearing apart, cracking, burning or bulging
14. freezing
15. sudden and accidental damage from artificially generated electrical current
16. volcanic eruption

The more perils your policy covers, the more you will pay for it. Homeowners policies vary in their broad coverage; they may also differ in price and customer service between companies. It is important to review your insurance needs and compare them to the coverage offered before making a decision.

Broad Form (HO-2) covers all 16 perils.

Special Form (HO-3), the most popular homeowners form, covers the home for everything not specifically excluded. It also covers personal property for all 18 perils listed on page 34.

Modified Coverage Form (HO-8) insures your property against the first nine perils listed previously, and volcanic eruption.

Florida law also mandates coverage for sinkhole damage (see page 15).

All homeowners policies provide liability coverage.

For a complete chart of the types of insurance forms and the perils covered, see page 34.

Renters Insurance

Renters or Tenants Insurance (HO-4) insures your household contents against the perils included in the Broad Form (HO-2). It also includes personal liability coverage.

Condominium Insurance

The Florida Legislature passed a law in 2003 affecting condo association and unit owners' policies issued or renewed after Jan. 1, 2004. The changes apply to every condominium policy regardless of declaration date. The association may choose to cover some items in its policy, so make sure you are thoroughly familiar with its bylaws and policy to know 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 Land Sales, Condominiums and Mobile Homes, at 1-800-226-9101.



Under the new law, the condo association policy no longer covers:

- Floor, wall and ceiling coverings
- Electrical fixtures
- Appliances
- Air conditioning and heating equipment
- Water heaters
- Water filters
- Built-in cabinets and countertops
- Window treatments, including drapes, blinds and hardware replacement
- Air conditioning compressors that serve only one unit, no matter where they are located

Condo associations can also require unit owners to insure items such as front doors and screened porches. In addition, unit owners should continue to insure interior additions or upgrades which are not the same kind or quality as the original building items.

Condo unit owner policies issued after Jan. 1, 2004 shall provide coverage that is more than any other policy covering the same property. This means that if an item is covered under an association's policy, that policy pays first, followed by the unit owner's policy.

This change also affects the amount of coverage needed for the building under the unit owner's policy, so it is important to review your existing policy with your agent to make sure you are adequately covered.

Condominium-Unit Owners Form (HO-6) covers property or certain items not insured by the association's policy against the perils included in Broad Form (HO-2). It also includes personal liability coverage.

Mobile Home Insurance

Typical mobile home policies provide basically the same coverage as Broad Form (HO-2) or Special Form (HO-3) policies. Check your individual policy for any exclusions. If you own a mobile home, you can select from three coverage forms (which are still subject to the limits of your policy) to insure your dwelling:



- 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. These policies usually feature lower premiums.
- A replacement cost policy will pay for the replacement of a damaged or destroyed home without deducting for depreciation.

Glossary

The following definitions will help you make a more informed decision when buying homeowners insurance.

Actual Cash Value

Actual cash value is the amount needed to repair or replace damaged areas of your home after 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.

Additional Living Expense (ALE)

Additional living expense (also called loss-of-use) is coverage that pays for certain extra, above-normal expenses, such as food and lodging, while the policyholder's home undergoes repair (not applicable to children living away at college).

All-Risk or Special-Form Policy

An all-risk or special-form policy is one that covers the loss of property or damage that results from any peril, except those specifically excluded in the contract.

Cancellation

Cancellation is the termination of an insurance policy by the insurance company or policyholder before it expires.

Claim

A claim is a request for reimbursement for a loss covered by the policy. For example, the insured may file a claim for items stolen from his or her home.

Deductible

A deductible is the amount a policyholder must pay per claim or loss before the company will begin paying. Deductibles are fixed amounts specified in the policy. Some companies offer percentage deductibles for certain perils, such as windstorm, hurricane or hail.

Depreciation

Depreciation is the decrease in the value of your home or personal property due to normal wear and tear from the time your home was built or the personal property was purchased.

Endorsement

An endorsement is a change added to an insurance policy that modifies the original terms.

Exclusions

Exclusions are persons, property, perils or situations not covered under a standard homeowners policy. Some common examples in Florida include flood damage, hurricanes, sewer backup and mold damage.

Insured Loss

Insured loss is a loss (to theft, damage, etc.) the insurance policy will pay for in full or in part.

Liability

A liability is a legal obligation.

Licensed Agents and Companies

Licensed agents and companies are approved and monitored by the Department of Financial Services to sell insurance in Florida.

Limit

A limit is the maximum amount of benefits an insurance policy will pay in the event of a loss.

Named Perils

Named perils are perils specifically covered by and named in a policy, such as lightning and vandalism.

Package Policy

A package policy is an insurance policy that includes several kinds of coverage. For example, homeowners policies usually include property damage, additional living expenses, personal liability and medical payments.

Peril

A peril is the cause of a loss to a policyholder, such as fire or theft. An insurance policy will specify the types of losses covered.

Premium

A premium is the amount a policyholder pays for an insurance policy. Premiums can be paid monthly or annually, depending upon the payment plan offered by the company.

Replacement Cost

Replacement cost is the amount needed to replace or repair your damaged property with materials of similar kind and quality, without deducting for depreciation.



 Notes

Lined area for taking notes, consisting of 20 horizontal lines.