

## **Homeowners Insurance FAQ**

### **What factors can affect homeowners insurance premiums?**

The following factors can affect your homeowners insurance premium:

#### **Home Features and Characteristics**

Your home's age, type of structure, wiring, roof, garage, etc., can affect your homeowners insurance premium. Older homes can often cost more to insure, and those costs can differ depending on whether your home is brick, frame, stone or has synthetic siding.

#### **Location**

Where your home is located can change your homeowners insurance premium. For instance, your home insurance rate can be affected if your home is in close proximity to a fire station; is exposed to extreme weather, such as hurricanes, tornadoes or earthquakes; or is in a neighborhood more prone to theft.

#### **Protective Devices**

Burglar alarm systems, smoke detectors, fire extinguishers, sprinkler systems and deadbolt locks can lower your homeowners insurance premium.

#### **Personal Factors**

What you do can affect your homeowners insurance premium, too. For instance, smokers may pay more for home insurance than nonsmokers. A good credit history also can lower what you pay for home insurance.

#### **Claims History**

If you have a history of claims on a homeowners insurance policy, you may pay a higher premium.

### **Am I required to have homeowners insurance if I own a home?**

Unlike driving a car, you can legally own a home without homeowners insurance. However, if you finance your home with a mortgage, your lender most likely will require you to have home insurance coverage to protect your home in case of damage caused by unforeseen circumstances, such as fires or natural disasters.

If you live in an area that is prone to flooding or earthquakes, your lender may also require you to purchase flood insurance or earthquake insurance.

If you purchase a condominium or co-op, your board may require you to buy condominium insurance or home insurance. Be sure to check with your board to see what type of policy is required.

After you pay off your mortgage, you aren't required to have home insurance. However, you should keep your home insurance policy active to avoid risking what you've invested in your home.

### **Why should I complete a home inventory?**

When you purchase a home and a homeowners insurance policy, you should create an up-to-date home inventory to expedite a claim settlement if you ever need to make one. With a complete home inventory, your insurance company can verify property easier, which makes settling your claim easier. Plus, you can easily verify losses for your income tax return with an updated home inventory.

### **How do I complete a home inventory?**

Start your home inventory by making a list of your possessions, describing each item, and noting the make and model and where each item was purchased. Include sales receipts, purchase contracts and appraisals if you have them, too. Organize clothing into categories for easier reference.

A few home inventory organization tips:

- Remember to list big-ticket items like jewelry, artwork and collectibles.
- Take pictures of rooms and important individual items.
- Videotape your home by walking through it and describing the contents throughout the house.
- Save an inventory list on your personal computer and store it on a separate disk or drive.
- Put all your photos, lists and videotape documentation in a safe deposit box.

### **What's the difference between canceling and nonrenewing a homeowners insurance policy?**

Canceling a homeowners insurance policy and choosing not to renew it are two very different actions an insurance company can take.

Typically, insurance companies can only cancel an active policy if one or all of the following occurred:

- The policy has been in force less than 60 days

You fail to pay the premium

You commit fraud or made serious misrepresentations on your application

Non renewing a homeowners insurance policy is a decision you or your insurance company can make to discontinue coverage at the end of a policy term. Depending on your state, if your insurance company chooses to non renew your policy at the end of the policy term, it must notify you and provide an explanation within a specified time period. You can contact your company's consumer affairs division if you disagree with the reason or want further explanation.

### **What parts make up a homeowners insurance policy?**

Although homeowners insurance policies differ in their actual structure, most contain the same basic components:

#### **Declarations Page**

Usually the first page of your homeowners insurance policy, it typically contains the following summary information:

- Name and address of the insured
- Dollar amount of coverage in the policy
- Description of the insured property
- Cost of the insurance
- Name of the insurance company insuring the risk
- Contact information

#### **Definitions**

Explain the meaning of terms used in the policy.

#### **Coverage**

Details the extent of protection for both property (house, structures, contents) and liability (bodily injury or property damage to others for which you are liable) in your homeowners insurance policy.

#### **Exclusions**

Explanation of what is not covered by your homeowners insurance policy, under both property and liability coverage.

**Conditions**

Outline the responsibilities of both the insured and insurance company under the policy. Your duties in the event of a loss and also the procedures the company will follow to settle any losses are detailed here.

Endorsements — Riders, amendments or attachments that alter the standard coverage provided by your home insurance policy. If you choose endorsements for your policy, you may pay an additional premium for them.