



How to Read Your Insurance Policy

Understanding What You Bought & How it Works

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Insurance is an agreement – a contract.

For a specific payment (the ***premium***),
one party (the ***insurer***) agrees to pay the other party
(the ***policyholder*** or designated beneficiary) a
defined amount (the ***claim payment*** or benefit)
upon the occurrence of a specific loss during a specific
period of time..

Q: Why does my insurance policy read like some type of legal document?

A: Because it is a legal contract.

- **Rates are based on the risks where you live.**
 - ◆ To charge the right premium, insurers consider the annual losses expected – and potential variation.
- **Losses are paid out of the premiums collected from the pool of policyholders.**
 - ◆ The entire pool compensates the few policyholders who experience losses.

Q: Is “everyone in the pool” or are there parameters?

A: Some companies may segment risks to give better rates to those who earn them.

Why property insurance rates have not dropped in hurricane-free years

- **Insurers must have money on hand in advance to pay anticipated claims.**
 - ◆ Private insurers do not borrow money to pay claims, nor can they charge rates to make up for past losses.

Tips for lowering costs

- **Shop Around**
- **Check on multi-policy discounts if you buy several policies from one company.**
- **Ask about credits for:**
 - ◆ Smoke detectors and sprinkler systems.
 - ◆ Burglar and fire alarms.
 - ◆ Deadbolt locks.
 - ◆ Long-time policyholder discounts.
 - ◆ Upgrades to roof, plumbing, heating and electrical systems.
 - ◆ Wind-resistant features, such as windows and garage doors.

- **Insurance is regulated at the state level.**
 - ◆ Every state has its own rules and statutes.
- **State regulators oversee insurer solvency, review market conduct, rule on rate increase requests, to name a few of the duties.**
- **Model rules and regulations for the insurance industry are developed by the National Association of Insurance Commissioners.**
 - ◆ Before these rules are implemented, they must first be approved by state legislatures.

■ Risk transfer.

- ◆ The risk of an unanticipated loss is transferred from the policyholder to the insurance company.

■ Frequency & Severity.

- ◆ The number of losses that occur over a specified period & the size of the loss.

■ Indemnity.

- ◆ Provide financial compensation to return the policyholder to pre-loss condition.

Q: Does the frequency & severity of loss change?

A: Yes. More people and more expensive homes are being built in coastal areas, and storms are more intense.

How much insurance do you need?

- **Enough to rebuild your home, if it is destroyed.**
 - ◆ Find out what rebuilding costs are in your area.
 - Rebuilding costs do NOT usually decrease!
 - Rebuilding costs are not the same as real estate value.
- **Enough to rebuy personal possessions and replace assets if sued.**
- **Shop around, but don't select an insurer on price alone.**

Q: What if I insure my house for less than rebuilding costs?

A: It means more out-of-pocket costs for you, slower recovery or only partial recovery.

“Must read” information in your policy

■ Important Messages section.

- ◆ Policy changes.
- ◆ Regulatory changes and mandated language, such as:
 - Your policy does not cover flood damage,
 - Assessments have been charged, or
 - There is a separate deductible for hurricane losses.

TIP: Note the sentences in BIG TYPE.

These are.....IMPORTANT!

Typically, state regulators dictate the language and size of these messages so you are informed.

■ **Declarations page.**

- ◆ Shows coverage and limits of liability.
- ◆ Displays any credits you are getting, such as for a burglar alarm.
- ◆ Details your deductibles. This includes special wind, hurricane and hail deductibles.
- ◆ Lists your premium amount.
 - Check to see if there are surcharges, which some states have for state-run insurance pools.
- ◆ Identifies your mortgage company, in some states
- ◆ Outlines separate endorsements and additional coverage you may have purchased.
- ◆ Lists your total annual premium.

Coverage types in a homeowners policy

■ Damage to Property

- ◆ Coverage A – damage or destruction to residence.
- ◆ Coverage B – damage or destruction to detached structures.
- ◆ Coverage C – damage, destruction or theft of personal property.
- ◆ Coverage D – Additional living expenses as a result of losses under Coverage A, B or C.

■ Damage to People

- ◆ Coverage E – personal liability.
- ◆ Coverage F – medical payments to guests.

Coverage A – damage or destruction to residence.

- **Insurance should be sufficient to cover the cost to repair or rebuild your home.**
 - ◆ Replacement cost of your home is not the same as its real estate value.
- **Coverage included for attached structures, such as a garage or deck.**
- **Older homes may need to be brought up to current building code if damaged. Consider:**
 - ◆ Inflation guard coverage.
 - ◆ Building Ordinance and Law coverage.

Coverage B – damage or destruction to detached structures

- **Covers an unattached garage, shed and your pool.**
 - ◆ Most insurers provide discounts for detached garages, due to the reduced fire hazard.
 - ◆ Some companies may exclude coverage for pool enclosures.

Q: Why are detached garages less expensive to insure than one that is attached?

A: The risk of fire is considerably less when gasoline-powered cars and tools are not stored in places that connect to living quarters.

Coverage C – damage, destruction or theft of personal property.

- **This is for your “stuff,” and it typically is 50 – 70 percent of the amount of coverage on the structure of your home.**
 - ◆ If your house is insured for \$200,000, you may have \$100,000 coverage on the contents.
 - ◆ Some insurers allow you to increase or decrease the amount of coverage for contents.

- **Coverage travels wherever your stuff goes and is not limited to your property while it is inside your home.**
 - ◆ It also applies to your guest’s “stuff” while it is at your home. on your residence premises as well.

Conduct a home inventory

It helps ensure you select the right amount of coverage – and it speeds the claim process.

Free home inventory software at:
www.KnowYourStuff.org



TIP: Store your home inventory some place other than your residence.

■ **Actual cash value.**

- ◆ This takes depreciation into account.

■ **Replacement cost coverage.**

- ◆ Repairs or replaces your damaged property with materials of similar kind and quality, without deducting for depreciation.

■ **Extended or Guaranteed Replacement Cost.** This would provide financial protection over and above the cost to replace the structure.

■ **Most companies require the policyholder to insure for at least 80 percent of replacement cost.**

Coverage D – Additional living expenses as a result of losses

- **If your home is damaged so badly that you cannot live there due to an insured catastrophe, this coverage pays the extra expenses you incur to live away.**
 - ◆ Pays for costs above the normal expenses, such as the costs of eating out since you cannot eat at home, relocation and storage costs, furniture rental and additional transportation costs.
- **Check your policy to see the limits of this coverage. It is usually a percentage of the amount of coverage for the structure. The policy may also dictate a specific amount of time.**

Coverage E – personal liability.

- **Protects you against a claim or lawsuit resulting from bodily injury or property damage to others, which could be considered your “slip and fall” coverage. There is also no-fault medical coverage.**
- **It applies to damage to people, rather than property.**
- **Coverage is for all family members in the household.**
 - ◆ Intentional damage by you or family members is not covered.

Coverage F – medical payments to guests

- **Provides for reasonable medical care to people who are not insured under the policy.**
 - ◆ Differs from Coverage E in that it pays claims when the insured is not necessarily “at fault,” such as when a neighbor falls over your front stairs and breaks an arm.
 - If the neighbor sued because your crooked stairs caused the fall, Coverage E applies because the neighbor is saying you were at fault.
- **Medical payments under a homeowners policy are different from those under an auto policy.**
 - ◆ Med pay for auto policies cover all passengers who are injured, including people insured on the policy (first party), while medical payments on a homeowners policy only go towards people not insured on the policy (third-party coverage).

- **Always consider insuring for 100 percent replacement cost.**

- **Consider the following coverage:**
 - ◆ Extended or guaranteed replacement costs.
 - ◆ Building ordinance and law.
 - ◆ Inflation guard.
 - ◆ Umbrella or excess liability.
 - ◆ Sewer back-up.

- This is a type of home insurance policy that includes coverage for personal possession, liability coverage and additional living expenses.
- Provides very important financial protection..

■ Master policy vs. individual coverage.

- ◆ Unit owner covers own belongings, PLUS whatever is not covered in the master policy.

■ Loss assessment and deductible assessment coverage.

TIP: Always get a copy of the condo's master insurance policy so you can identify any gaps in coverage that you may need to fill for your own protection and peace of mind.

Exclusions and coverage

- **Deductibles for hurricanes/other perils.**
 - ◆ Take the highest deductible you can afford.
- **Most standard homeowners insurance policies do not cover flood damage.**
 - ◆ Flood insurance is from the federal government's National Flood Insurance Program, and from some private insurance companies. Excess flood insurance is also available.
 - ◆ Check costs at www.floodsmart.gov

Q: What if I don't live in a flood zone?

A: Keep in mind that 25% of floods occur in "low-risk" zones.

Estimating your flood risk

Floodsmart.gov: Your premier resource for flood insurance information - Windows Internet Explorer

http://www.floodsmart.gov/floodsmart/

File Edit View Favorites Tools Help

AOL Search Mail AIM News Investing Games AOL Radio Weather


Google Search

Bookmarks Check AutoFill Sign In

Favorites Congressional hearing on ... Suggested Sites Get More Add-ons

Floodsmart.gov: Your premier resource for flood ...

Page Safety Tools



FloodSmart.gov
The official site of the NFIP

HOME

- FLOODING AND FLOOD RISKS
- ABOUT THE NATIONAL FLOOD INSURANCE PROGRAM
- CHOOSE YOUR COVERAGE
- PREPARATION & RECOVERY

ONE-STEP FLOOD RISK PROFILE

How can I get covered?

- Rate your risk
- Estimate your premiums
- Find an agent


Address:

City:

State: Zip code:

Residential: ☐ Yes ☐ No

Hurricane season is flood season. [Learn more](#) about the risks of flooding caused by hurricanes now.



Real Flood Stories:
A STORM, A HURRICANE
AN EXPERT'S FIRSTHAND ENCOUNTER

Meteorologist Frank Billingsley had been providing hurricane and tropical storm information to viewers for years. But it was only after Tropical Storm Allison hit that he learned the importance of having flood insurance himself.

[See His Story](#) [Transcript](#)

[See all Flood Stories >>](#)

WHAT WOULD FLOODING COST ME?

Two inches of water can cost you \$7,800. This [interactive tool](#) shows the real cost of a flood to your home, inch by inch.

GET COVERAGE STARTING AT \$119 PER YEAR.

Find out about our [Preferred Risk Policy](#) for homes in low-to-moderate risk areas.

Call toll free: **1-888-379-9531**


Search: [Go](#)

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HURRICANE SEASON IS UNDER WAY

43 : 12 : 52 : 17

DAYS HRS MIN SEC



In July 2005, Hurricane Dennis hit the FL coast, causing \$2.33 billion in damages

Hurricane season is flood

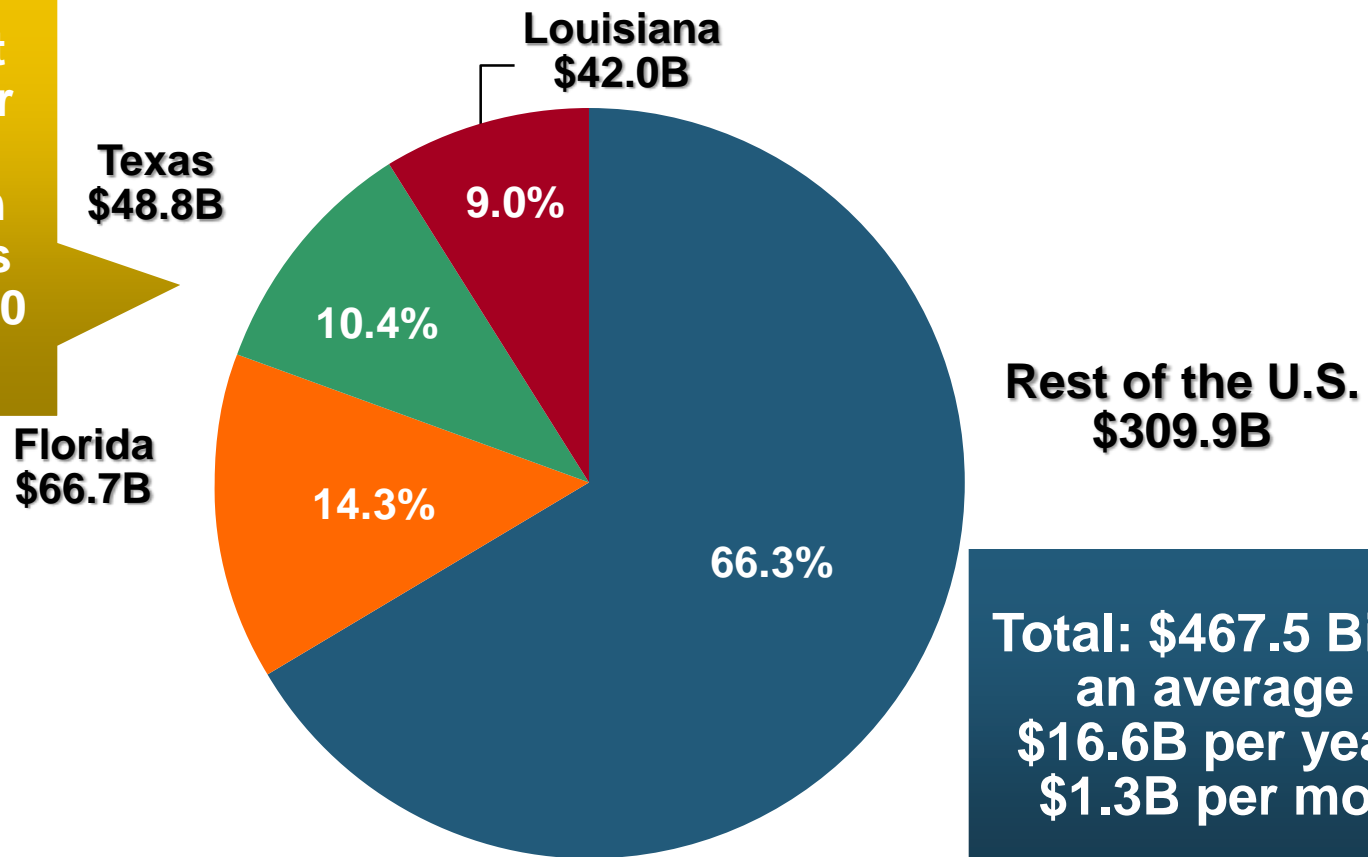
Internet | Protected Mode: On 100%

Inbox - Micros... Insuring Florid... Web Mail Mess... Floodsmart.go... Presentations Microsoft Pow... PowerPoint He... 12:52 PM

Top States by Inflation-Adjusted Insured Catastrophe Losses, 1983–2012

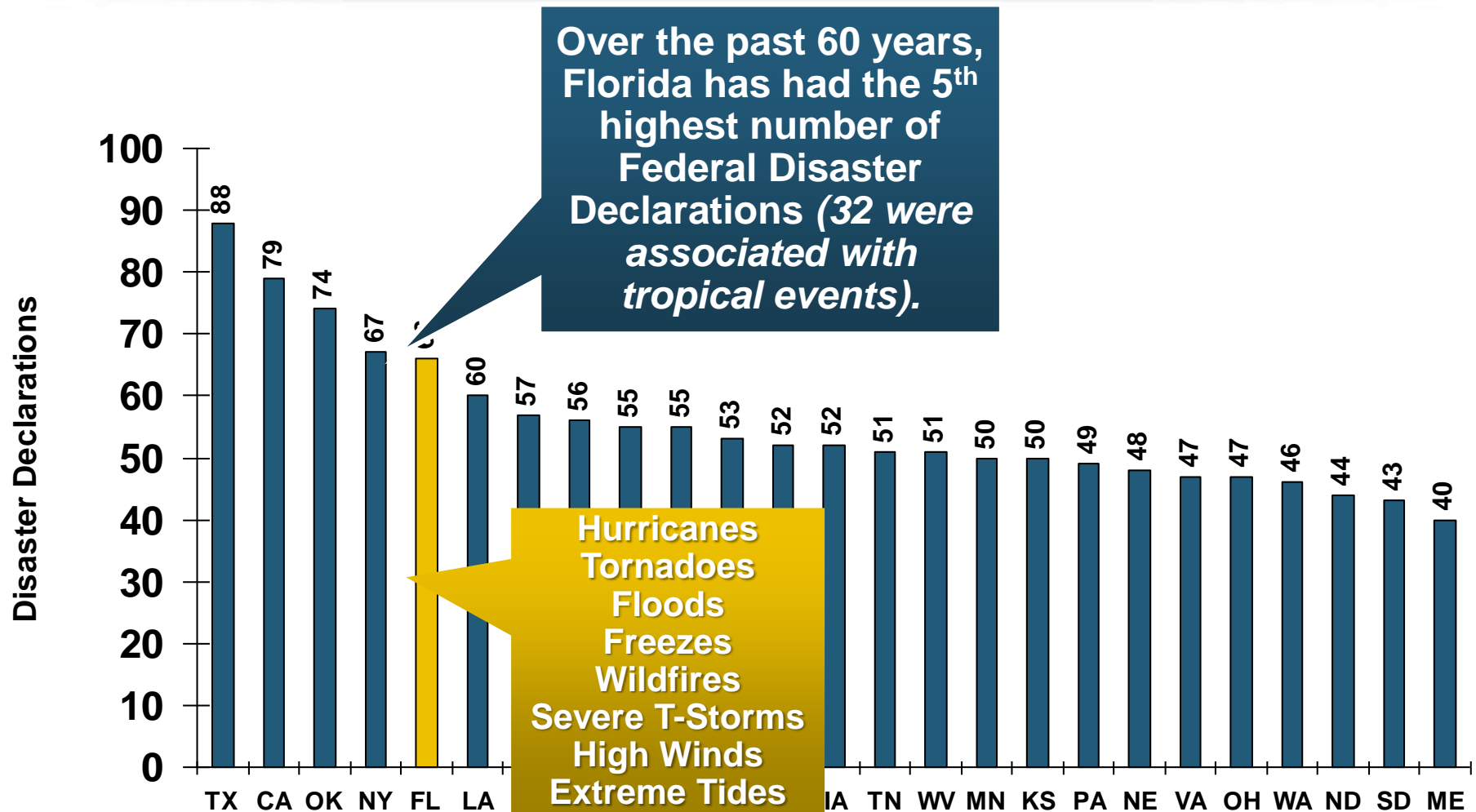
Over the Past 30 Years Florida Has Accounted for the Largest Share of Catastrophe Losses in the U.S., Followed by Texas and Louisiana

FL is the most costly state for CATs, with nearly \$67B in insured losses over the past 30 years



Total: \$467.5 Billion,
an average of
\$16.6B per year or
\$1.3B per month

Federal Disasters Declarations by State, 1953 – 2014: Highest 25 States*

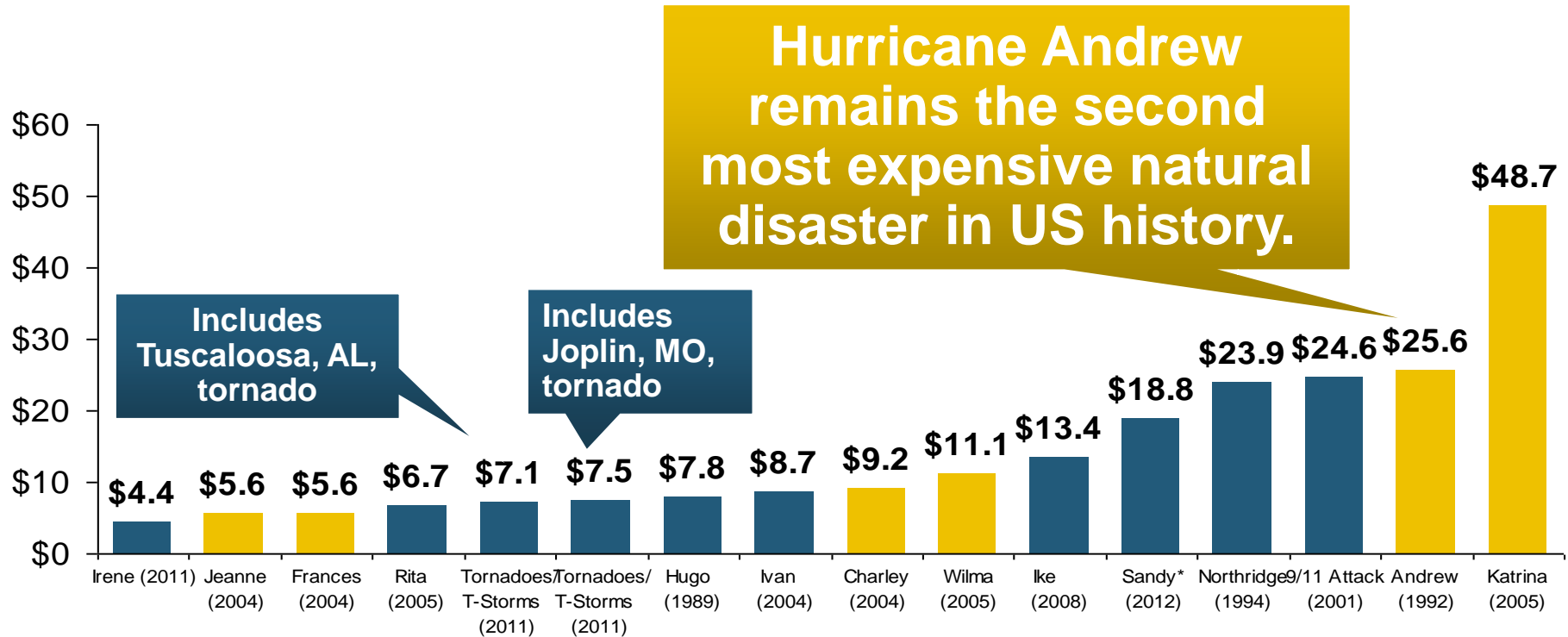


*Through Jan. 25, 2014. Includes Puerto Rico and the District of Columbia.

Source: FEMA: http://www.fema.gov/news/disaster_totals_annual.fema; Insurance Information Institute.

Top 16 Most Costly Disasters in U.S. History

(Insured Losses, 2012 Dollars, \$ Billions)



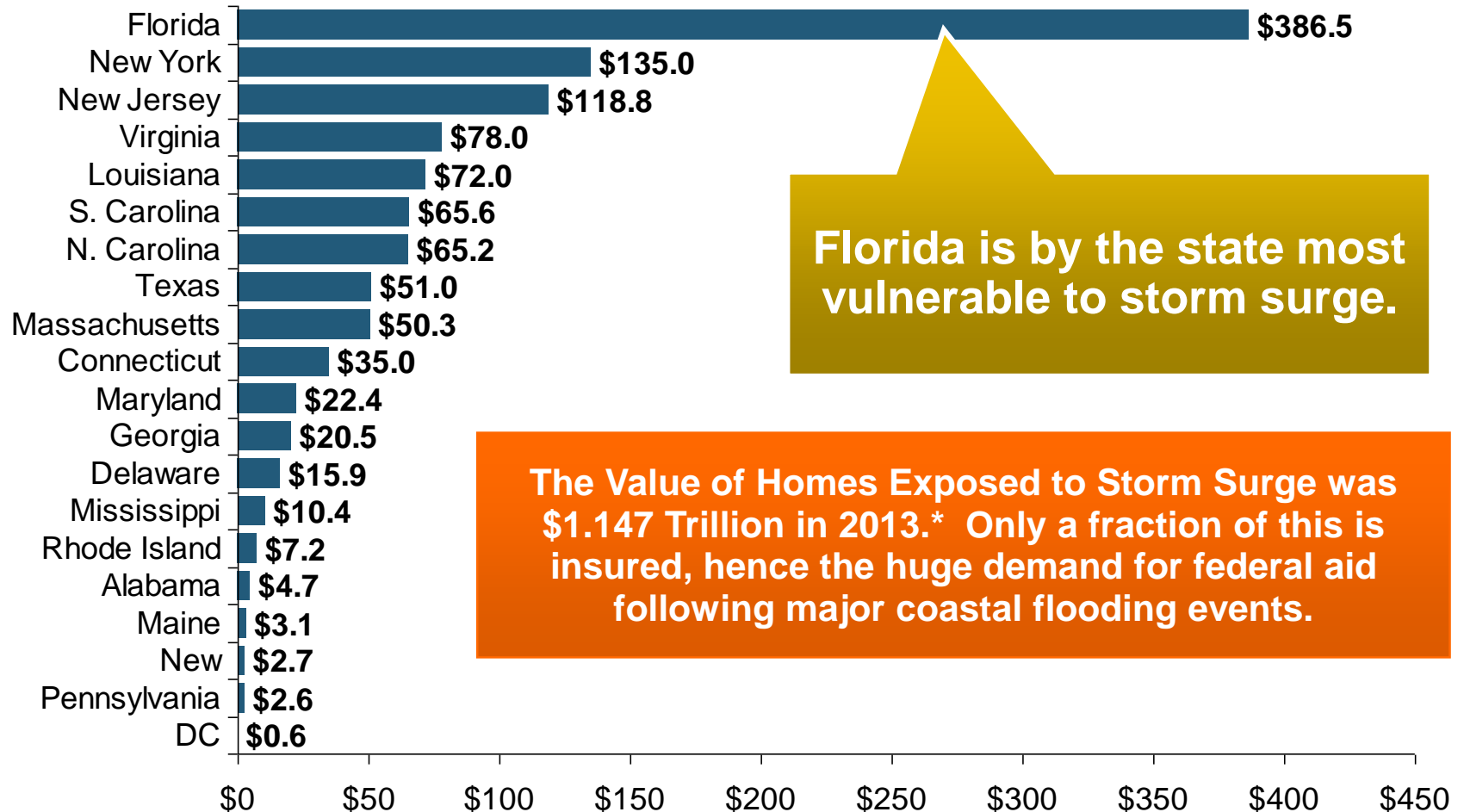
12 of the 16 Most Expensive Events in US History Have Occurred Over the Past Decade.

*PCS estimate as of 4/12/13.

Sources: PCS; Insurance Information Institute inflation adjustments to 2012 dollars using the CPI.

Total Potential Home Value Exposure to Storm Surge Risk in 2013*

(\$ Billions)

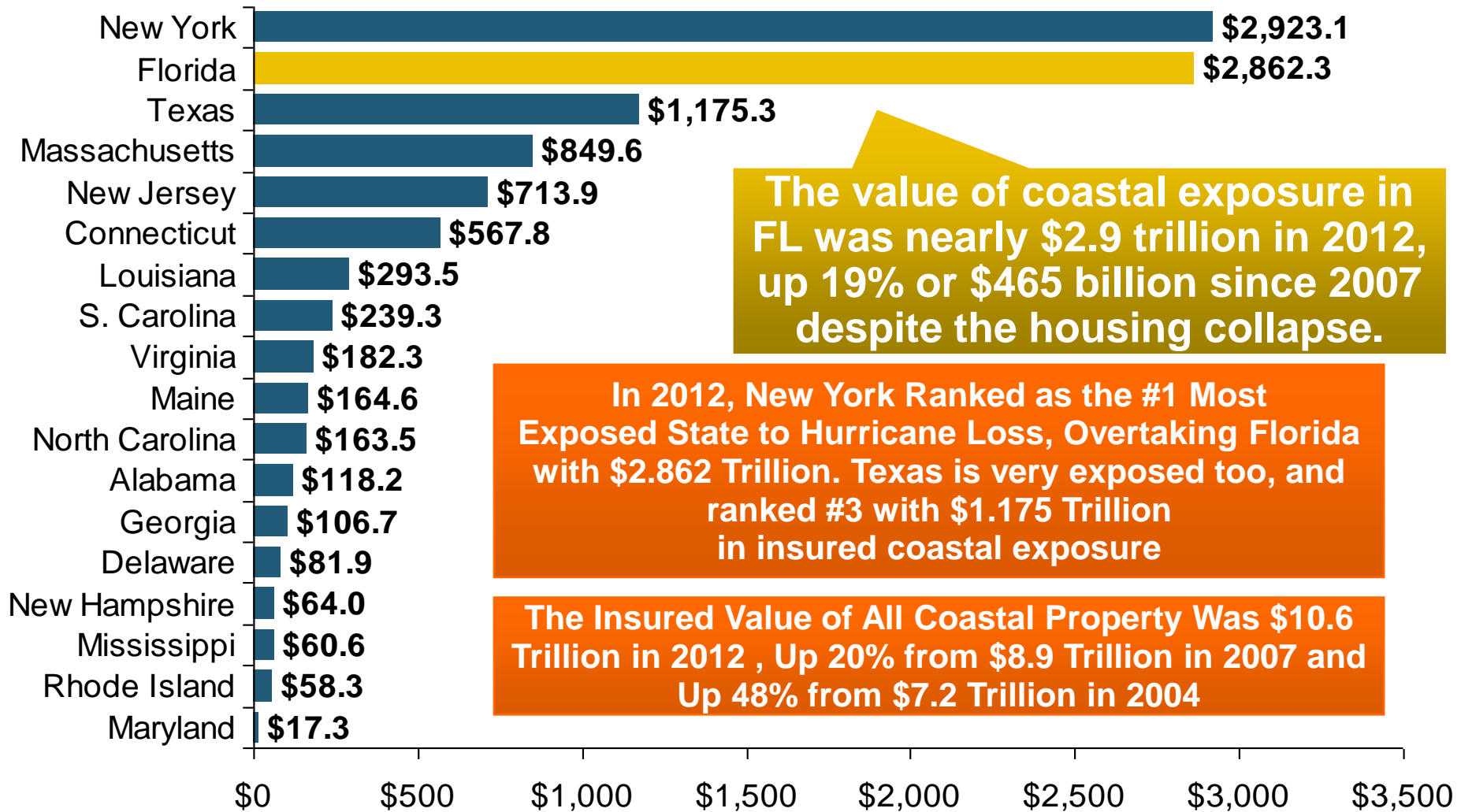


*Insured and uninsured property. Based on estimated property values as of April 2013.

Source: *Storm Surge Report 2013*, CoreLogic.

Total Value of Insured Coastal Exposure in 2012

(2012, \$ Billions)



The iiiToolkit: Putting Insurance Tools into the Hands of Consumers

- The iiiToolkit is a free mobile app suite that can help users put together a disaster plan, learn about selecting the right insurance for their needs and budget, and create and maintain a home inventory database.

- Takes an action oriented approach: make a checklist; create an inventory; have a conversation with your insurance professional.



YouTube: The I's on Insurance New Consumer Education Video Series



The first in a series of animated videos on insurance basics starts with homeowners; next up: auto insurance, small business insurance; claims filing.



The I's on Insurance:

Your Homeowners Coverage

Know Your Stuff® - Home Inventory Software & App



Know Your Stuff® HOME INVENTORY

Email:
Password: [Forgot Password](#) [LOGIN](#)

Welcome

to Know Your Stuff® - Home Inventory, the Insurance Information Institute's free online home inventory software. This application makes creating and updating your home inventory easy and efficient. And with our free, secure online storage you will have access to your inventory anywhere, any time. You never know when a disaster may strike, but you can be prepared with an up-to-date home inventory.



Sign Up

Are you a new user?

[START NOW](#)



Guided Tour

See an overview of how to use the Know Your Stuff® software.

[VIEW](#)



Taking Inventory

Watch a video and read our guide about the important "Taking Inventory."

[VIEW](#)



Know Your Stuff App

Adding information to your inventory is easier than ever on our new iPhone and Android apps.

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Know Your Stuff is a free, online home inventory software—and integrated mobile app—that is highly regarded by the public and media, and represents the type of outreach by the industry that generates great PR.

We are planning a complete update of the software and app later this year.



III Inventory
By Insurance Information Institute
Open iTunes or play and download apps.

Description
Know Your Stuff® - Home Inventory, the Insurance Information Institute's free online home inventory software. This application makes creating and updating your home inventory easy and efficient. And with our free, secure online storage you will have access to your inventory anywhere, any time. You never know when a disaster may strike, but you can be prepared with an up-to-date home inventory.

What's New in Version 2.3
updated sign up process
new! drag/drop
-added it

iPhone Screenshots

at Verizon 7D 1:24 PM
at Verizon 7D 1:25 PM

Know Your Stuff® HOME INVENTORY

Welcome


Add Home View Items Add Room

Take / Add Photo Search Settings

ADD PHOTO



Add to New Item

“Check20” Campaign



A few minutes go a long way toward protecting what matters most.

Sign up to learn more about your insurance and how it works.


 **CHECK:20**

Check 20: April 2014 - Message (HTML)

From: Insurance Information Institute
To: Lewis, Shoma
Cc:
Subject: Check 20: April 2014

Sent: Fri 4/10/2014 7:27 AM

Is this email displaying correctly? [View in your browser.](#)

April 2014  **CHECK:20**



It's not *Just* in Kansas Anymore

Have at least a 5 to 7 day Disaster Supplies Kit assembled. Obtain a NOAA Weather Radio to monitor severe weather. If you do not have a weather radio, stay tuned to local radio or television. Learn the early warning systems available locally. Conduct tornado drills at least annually and practice your response to a tornado threat.

Learn what the terms tornado watch and tornado warning mean so that you clearly understand the risk to your family and your community. A "Tornado

Know what's covered before trouble happens.



Sign up to learn more about your insurance and how it works.

  **CHECK:20**

Check20 will reach consumers via:

- Targeted email updates
- Dedicated Check20 homepage
- Videos
- Banner & display ads
- Social—#Check20 tweets, Facebook tab, Pins, YouTube channel

- **Most insurers have preparedness information on their websites.**
- **Insurance industry resources include:**
 - ◆ Insurance Information Institute
 - www.INSURINGFLORIDA.org
 - www.iii.org
 - ◆ Insurance Institute for Business & Home Safety
 - www.DISASTERSAFETY.org
 - ◆ Federal Alliance for Safe Homes
 - www.FLASH.org



QUESTIONS/DISCUSSION

Insurance Information Institute Online:

www.iii.org

www.InsuringFlorida.org

tcotton@hughcotton.com

***Thank you for your time
and attention!***