

# Insuring your Home

A guide for consumers



**ALEX SINK**  
**CHIEF FINANCIAL OFFICER**  
**STATE OF FLORIDA**

Florida Department of Financial Services



## Dear Fellow Floridian

Insurance coverage is an integral part of a solid financial foundation. Insurance can help us recover financially after illness, accidents, natural disasters or even the death of a loved one. But with the wide variety of insurance products available, choosing the correct type and amount of coverage can be a challenge. The policies and laws that regulate financial matters often change, so it is essential to be aware of new developments.

The Florida Department of Financial Services(DFS) publishes a variety of consumer guides to help you understand how different types of insurance policies work. These publications define some of the industry's terminology and outline your rights and responsibilities. Each guide also contains basic information and tips on selecting an insurance agent and company.

Topics include homeowners, automobile, life, health, small-business and many other types of insurance. The Department also publishes guides and brochures covering other financial issues such as mortgages, securities and identity theft.

You can receive any of our publications by calling the DFS Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236). They may also be downloaded from our Web site at [www.MyFloridaCFO.com](http://www.MyFloridaCFO.com). Spanish versions of these guides are often available: please check the Web site.

If you have questions after reading this guide, please call our Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236) between 8 a.m. and 5 p.m. (Eastern time), Monday through Friday. The hearing impaired may use a TDD to call 1-800-640-0886 during these hours.

Sincerely,

A handwritten signature in black ink that reads "Alex Sink".

Alex Sink  
Chief Financial Officer  
State of Florida

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## NOTE:

Most insurance rates and forms in Florida are regulated by the Office of Insurance Regulation (OIR). Other financial services are regulated by the Office of Financial Regulation (OFR). Although both are administratively housed within the Department of Financial Services (DFS), they are separate entities that report to the Florida Cabinet. Because DFS handles consumer-related matters, consumers should remember that DFS is their point of contact for all problems and questions.

The Florida Department of Financial Services distributes this guide for educational purposes only; it does not constitute an endorsement for any service, company or person offering any product or service.

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## Consumer Helpline

**1-877-MY-FL-CFO**  
(1-877-693-5236)



or visit our Web site at:  
[www.MyFloridaCFO.com](http://www.MyFloridaCFO.com)

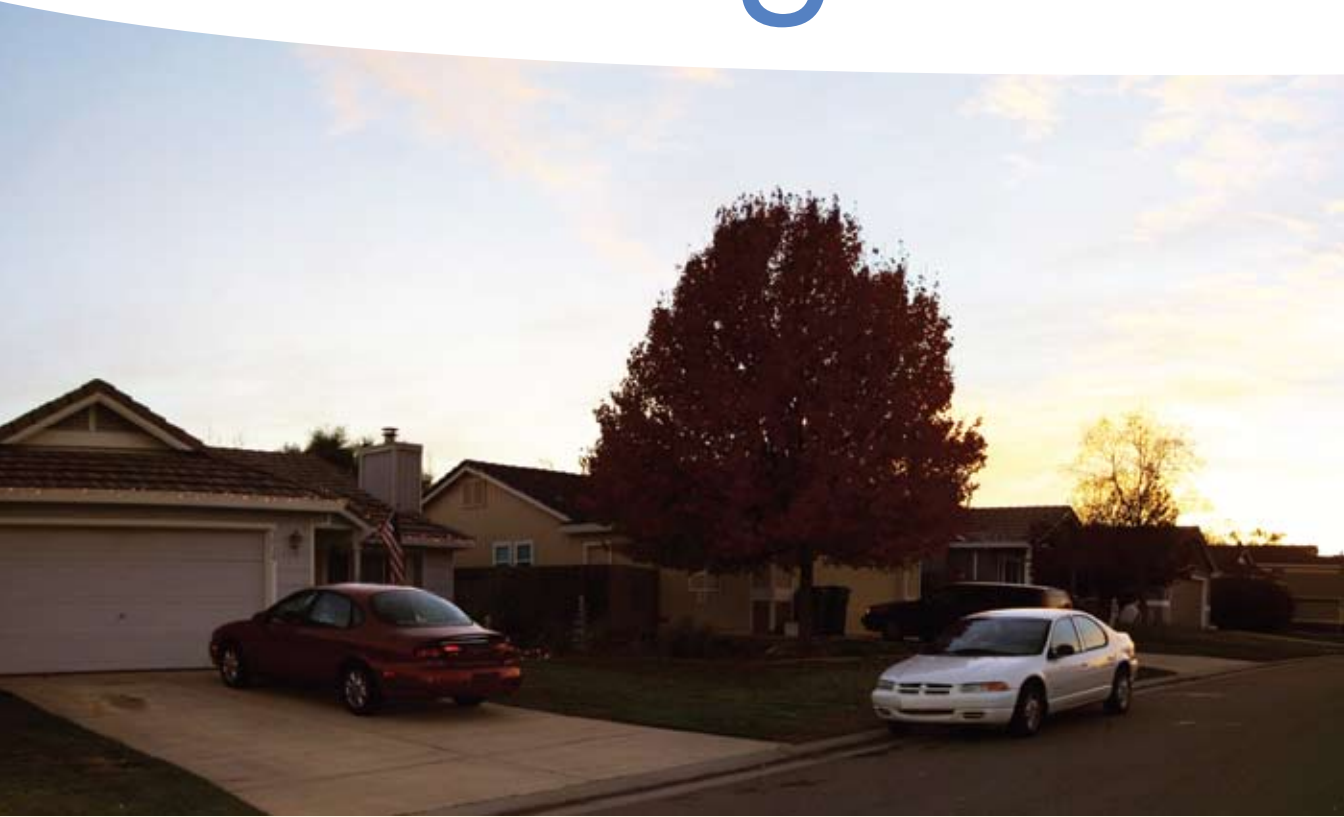


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# Insuring Your



## **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.**

Florida law does not require homeowners' insurance, but if you own certain pets or a swimming pool, some cities and counties require liability coverage, which would pay for nonautomobile-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.

# Home



## 🏠 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. Each package protects against a specified number of perils, or events that cause damage to property, such as fire, windstorm or theft.

Four categories apply to covered perils:

- 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 covering 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, firearms, 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.

*Notes: Your homeowners' insurance policy may also cover your dependent children's belongings while they attend college, whether they live on or off campus. Check with your agent or company representative concerning coverage for children living away from home. You may need a separate policy.*

Homeowners' policies do not cover vehicles. Your agent or company can help you find coverage for items not included in your policy.

### Additional Living Expense (ALE)

Homeowners' policies 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 limited 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 (non-auto) 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 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 \$700 television in 2000. 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, however, would cover the entire cost of a new TV of the same type – say, \$900. Legislation passed in 2005 requires full payment without a depreciation hold-back for personal residential policies in some cases. Call the Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236) for further information.

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.

For more information, please call the DFS Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236), or visit the DFS Web site at [www.MyFloridaCFO.com](http://www.MyFloridaCFO.com).

# Sample Declarations Page

## Where to Locate Policy Information

- 1 Policyholder name and location of insured dwelling
- 2 Company name
- 3 Policy number
- 4 Premium
- 5 Mortgage holder name and address
- 6 Summary of basic coverages and limits
- 7a Deductible (amount policyholder must pay per claim or accident)
- 7b Hurricane deductible
- 8 Liability protection
- 9 Type of policy (in this case, HO-3)
- 10 Optional coverage (called an endorsement) for special items such as jewelry or silverware
- 11 Coverage offered or required under Florida law
- 12 Name of agent or company representative

**PROTECTORS FIRE & CASUALTY CO.**

**THIS IS NOT A BILL**      3      POLICY NUMBER 10-91-8880-4

HOMEOWNERS RENEWAL DECLARATIONS POLICY

1 NAMED INSURED AND MAILING ADDRESS:      POLICY PERIOD:  
**SMITH, JOE AND JANE**      1201 A.M. STANDARD  
 123 OAK STREET      TIME AT THE INSURED RESIDENCE  
 MCNETOWN, FL 12345-6789      FROM: 6/1/06 TO: 6/1/07

THE RESIDENCE COVERED BY THIS POLICY IS LOCATED AT THE ABOVE ADDRESS UNLESS OTHERWISE INDICATED

2 PROTECTORS FIRE & CASUALTY COMPANY      RENEWAL CERTIFICATE  
 P.O. BOX 12345      PREPARED MAR 11 2006  
 BOSTON MA 01234

DATE DUE 6/1/06	PLEASE PAY THIS AMOUNT \$479.53
--------------------	------------------------------------

4

IF YOU HAVE MOVED, PLEASE CONTACT YOUR AGENT

FULL PAYMENT BY DATE DUE  
 EXTENDS POLICY PERIOD TO JUNE 1, 2006

POLICY NUMBER  
10-91-8880-4

5 MORTGAGEE: TRUST BANK  
 P.O. BOX 000  
 TALLAHASSEE FL  
 34567-8910

6 SECTION I  
 A DWELLING \$100,000  
 OTHER STRUCTURES \$10,000  
 B PERSONAL PROPERTY \$50,000  
 C LOSS OF USE ACTUAL LOSS SUSTAINED

7a DEDUCTIBLES-SECTION I  
 COVERED LOSS \$500

7b HURRICANE: SPECIAL 2% DEDUCTIBLE  
 THIS POLICY CONTAINS A SEPARATE DEDUCTIBLE FOR HURRICANE LOSSES, WHICH MAY RESULT IN HIGH OUT-OF-POCKET EXPENSES TO YOU.

8 SECTION II  
 L PERSONAL LIABILITY \$100,000  
 DAMAGE TO PROPERTY OF OTHERS \$500  
 10 M MEDICAL PAYMENTS \$1,000 TO OTHERS (EACH PERSON)

9 FORMS, OPTIONS AND ENDORSEMENTS:  
 SPECIAL FORM 3 FP-7923  
 JEWELRY AND FURS \$2,500/\$5,000 OPT JF  
 SILVERWARE TRUST \$5,000 OPT SILG  
 HOME COMPUTER \$10,000 OPT MC  
 REPLACEMENT COSTS/CONTENTS OPT RC

11 FLORIDA-SPECIFIC ENDORSEMENTS  
 SINGLE FL 7210.4  
 ORDINANCE/LAW FE 7310.4

\*SPECIAL DISCOUNTS:  
 SMOKE DETECTORS  
 DEAD-BOLT LOCKS  
 FIRE EXTINGUISHERS  
 BURGLAR ALARM  
 APPROVED STORM SHUTTERS  
 \* TOTAL DISCOUNTS:  
 20% OR \$176 PER YEAR

SURCHARGES (REQUIRED BY FLORIDA LAW):  
 EMERGENCY MANAGEMENT SERVICES \$2.00  
 FLORIDA HURRICANE CATASTROPHE FUND \$4.53

12  
 Thanks for letting us serve you...  
 Agent: BROWN, BONNIE  
 Telephone: 904-555-1234



## Additional Coverages

### Ordinance or Law Exclusion

Your agent must offer you ordinance or law coverage. If you do not wish to buy this coverage, you must sign a form stating that you reject it. Some companies automatically include this coverage for a limited amount.

If a local building ordinance or law increases the cost of repairing or replacing your dwelling, the insurance company will not pay that extra amount, unless you had added ordinance or law coverage to your policy.

For more information, please call the DFS Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236), or visit the DFS Web site at [www.MyFloridaCFO.com](http://www.MyFloridaCFO.com).

### Windstorm Coverage

Most homeowners' policies cover damage caused by windstorms, hurricanes and hail, but insurance companies may exclude this coverage in some high-risk areas. The Citizens Property Insurance Corporation provides homeowners with insurance in high-risk situations (like a home on the beach), and to consumers who can't find coverage in the private market. The Citizens policy may have special coverage restrictions during hurricanes for lawn furniture, grills, fences and other such items.

### Hurricane Deductibles

The Hurricane Insurance Affordability and Availability Act offers homeowners a broader selection of deductible amounts. These deductibles depend on the value of the insured property and apply only to hurricane claims (i.e., resulting from a hurricane declared by the National Weather Service). Consequently, you may owe extra out-of-pocket costs for damage that occurs:

- Any time a hurricane watch or warning is issued for any part of Florida
- Up to 72 hours after such a watch or warning ends
- Any time when hurricane conditions exist throughout the state



New legislation passed following the 2004 hurricane season – when many homeowners had damage from multiple storms and faced multiple deductible payments – limits the number of times a hurricane deductible must be paid to once per calendar year, per insurance company. (If you change companies, you could pay two deductibles.) Once the hurricane deductible has been met, subsequent hurricane losses are subject to the “other perils” deductible.

Recent legislation eliminates maximum allowable deductibles, but requires a written statement, approved by the mortgage holder, if the deductible requested is in excess of 10 percent for a home valued at less than \$500,000. This legislation also requires insurers to allow the insured to exclude windstorm coverage. Again, a written statement is required from the insured that is approved by the mortgage holder.

For more information about high-risk insurance options, see “Options If You Can’t Find Coverage” in this guide. You may also contact the DFS Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236); visit the DFS Web site at [www.MyFloridaCFO.com](http://www.MyFloridaCFO.com); call Citizens at 1-888-685-1555; or visit [www.citizensfla.com](http://www.citizensfla.com).

## Mold Exclusion

Mold can adversely affect homes in Florida’s humid climate. As an insured homeowner, you must take appropriate and swift action to minimize damage from unexpected water intrusion, and prevent further problems caused by mold.

Water damage that can cause mold may come from anywhere—a burst pipe, storm damage to a roof or window, or rising water from a flood. Regardless of the source, insurance coverage for water and mold damage varies with individual policies.

Most insurers now offer limited levels of mold-related property damage coverage within the basic policy. Many insurers offer \$10,000 of limited coverage with the

opportunity to purchase additional coverage for an additional premium. Other insurers exclude mold-related property damage entirely, but offer coverage in amounts of \$10,000, \$15,000, \$25,000, \$50,000 and policy limits for an additional premium. Any changes in mold-related property damage coverage must be approved by the Florida Office of Insurance Regulation.

Most policies indicate that you should take the necessary steps to prevent further damage, including:

- Immediately stop the source of water intrusion, if reasonably possible.
- Make reasonable and necessary repairs to protect the property.
- Remove excess water. If the damage is significant, consider using a water extraction company for immediate help.

Be sure to keep an accurate record of all repairs, cleaning expenses, etc., including receipts. Take photographs to document the damage, and don’t throw away any damaged materials until instructed to do so by your insurance company.

Contact your agent or insurer and give verbal and written notice of the facts relating to the damage. Ask what is required of you. Begin the process of determining if your loss is covered and to what extent, and keep a detailed activity log, including a record of your contacts with the insurance company documenting all dates when requests for additional information were made to you, and dates the additional information was provided.

Also:

- Whenever reasonably possible, move wet items to a secure, dry and well-ventilated area.
- Protect repairable and undamaged items from further damage.
- Move rugs and pull up areas of wet carpet as soon as possible.
- Increase air circulation around wet areas by opening closet and cabinet doors, moving furniture away from walls and running fans.



*Water damage claims that include active mold growth often involve significantly higher costs than claims without mold.*

- For typical water damage claims, your insurance company should make written or verbal contact within 72 hours or one business day of notice of claim, and share information regarding emergency repairs and mold prevention.
- In the case of water intrusion, your insurance company may verify that you have shut off the water and advise you to contact a qualified specialist such as a plumber or water extraction service.
- Your company may provide a list of qualified specialists who can address the problem immediately. However, you have the right to select any vendor — including companies not on the list. If you do choose another company, you should contact your insurance company BEFORE repairs are made to verify that it will pay the claim.
- The insurance company should provide you with the name and contact information of a company representative who will oversee your claim and answer questions. Insurers must acknowledge a homeowner's claim within 14 days, and the representative should determine if your claim is covered and provide an initial damage estimate within seven to

14 days after the initial visit.  
(Note: this estimate is subject to change, and may not be feasible in the event of a major disaster that prevents timely response).

For covered water damage claims, homeowners policies provide “additional living expense” (ALE) coverage to pay some extra expenses if damage to your home prevents you from living there. This typically covers extra costs for food, housing, telephone, transportation to work or school, relocation and storage, and utility installation and furniture rental for a temporary residence. Refer to your individual policy for specific information. ALE costs, due to mold, will be applied to the mold limit.

At this time there are no standards or certification for mold remediation specialists, so be sure to use the same care that you would employ when selecting any contractor. Get several estimates and references, verify that the contractor is licensed, and obtain a written contract with prices and estimated completion dates for stages of the work.

In the event of a dispute between you and your insurer, contact a DFS consumer insurance specialist to help resolve your complaint. Mediation may also be an option.

If you cannot resolve the dispute directly with your company, file a complaint with DFS: Florida Department of Financial Services, Consumer Services, 200 East Gaines St., Tallahassee, FL 32399-0322.





## Sinkholes and Catastrophic Ground Collapse

Recent legislation does not require Florida insurance companies to include sinkhole coverage on new homeowners' insurance policies. However, they are required to inform homeowners that sinkhole coverage is available as an additional coverage, at an additional premium.

Also, legislation passed in 2007 requires insurance companies to include "catastrophic ground collapse" coverage in all homeowners' policies. Catastrophic ground collapse is defined as "...geological activity that results in...the abrupt collapse of the ground cover; a depression in the ground cover clearly visible to the naked eye; structural damage to the building, including the foundation; and the insured structure being condemned and ordered to be vacated by the governmental agency authorized by law to issue such an order for that structure."

*For more information regarding sinkhole damage, you may order our publication "Sinkholes and Catastrophic Ground Collapse," or view it online.*

## How Much Insurance Should You Buy?

Do not rely on the purchase price of the home, the amount of the mortgage loan, or the amount set by the property tax appraiser or insurance agent. In order to be adequately covered, your home must be insured for the amount it will take to rebuild the home at current prices for building materials and labor costs, including the amount necessary to bring it into compliance with current building codes. Please contact your insurance agent, and consult a licensed contractor or certified property appraiser who will provide you with a detailed estimate. This is the only way to ensure that you have adequate coverage at the time of a loss.

If your home is underinsured at the time of a loss, there may be a penalty or reduction in the amount the insurance company will pay for the loss.

Please ask your agent about limits and exclusions.

## Insurance Packages

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 owner-occupied, single-family 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 (examples listed below are not inclusive), and the more perils your policy covers, the more you will pay for it.

Perils may include:

- Fire or lightning
- Windstorm or hail
- Explosion
- Riot or civil commotion
- Aircraft
- Vehicles
- Smoke
- Vandalism or malicious mischief
- Theft
- Falling objects
- Weight of ice, snow or sleet
- Accidental discharge or overflow of water or steam
- Sudden and accidental tearing apart, cracking, burning or bulging
- Freezing
- Sudden and accidental damage from artificially generated electrical current
- Volcanic eruption

Florida Statute also requires insurers to make available to policyholders the option to exclude coverage for contents (your personal property inside the dwelling), if the policyholder personally writes a statement that he does not want such coverage.

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 with your agent or company representative and compare them to the coverage offered before making a decision.

Special Form (HO-3), the most popular, and most comprehensive homeowners' form, covers the home for everything not specifically excluded.

All homeowners' policies provide liability coverage.

### 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

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

A condominium 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 Florida Land Sales, Condominiums and Mobile Homes, at (850) 488-1122.

A condo association policy does not cover:

- 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.

If an item is covered by both policies, the association's and unit owner's policy, then the association's policy pays first.

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.

Condo associations may assess individual unit owners for damages to the commonly owned areas that are not covered by the association's policy. Your unit-owner's policy may provide limited coverage for such a "loss assessment." **An assessment by the condo association for the association's policy deductible isn't covered by your unit-owner's policy.** The extent and amount of "loss assessment" coverage varies by insurance company, so you should review your coverage with your agent or insurance company.

## 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, there are 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.



## 🏠 Other Factors to Consider

Because policies vary, some additional factors should be considered when determining your coverage needs. Please check with your agent. Additional factors include:

### Coverage Availability When Storms Threaten

You cannot obtain immediate coverage when a tropical storm or hurricane reaches a certain distance from Florida. Insurance companies generally refer to this as the storm being “in the box.” This applies to new applications or requests to increase coverage. Don’t wait until the last minute to buy your policy, especially during hurricane season (June 1 through Nov. 30), when several storms can form simultaneously.

### Flood Insurance

Typically, homeowners’ policies exclude flood damage (rising water). Depending on your home’s location, however, you may qualify for flood insurance through the National Flood Insurance Program. You also may qualify for a discount if you include a special elevation report with your application. For more information, contact the National Flood Insurance Program at 1-888-FLOOD29 (1-888-356-6329) or your local agent.

The coverage involves a 30-day waiting period before the policy becomes effective, unless flood coverage is purchased at the same time you buy your home. Some insurance companies also offer flood insurance. Generally, you will get separate coverage for your home and personal property. Your insurance agent or company can assist you with application forms for flood coverage.

### Home Rental or Dwelling Insurance

If you rent your home to others, insurance companies offer landlord coverage to suit your situation. If you rent a room or a portion of your home, ask your agent what coverage you may need. Most companies write up to four rentals on personal dwelling fire policies.

### Building Materials

The building materials used in the construction of your home can affect the cost to insure it. For example, it’s more expensive to insure a frame house than a brick one.

### Home-Warranty Plans

Homeowners’ insurance can protect your home from losses due to fire, theft and other perils. A home-warranty plan, though, offers a service contract that can pay for unexpected repairs to the home’s plumbing, electrical system, appliances, etc., during the warranty period, which typically ranges from one to 10 years. Such plans offer no substitute for homeowners’ insurance or a lack of quality construction for a new home. Carefully research your insurance needs and the qualifications of your homebuilder. Also read and understand any home warranty plan under consideration. Read the exclusion section of the warranty.

### Help for Consumers

Call the DFS Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236) if an unresolved problem or question remains even after you talk with your insurance company or agent.



## ↑ How to Select an Insurance Agent

When selecting an agent, choose one who is licensed to sell insurance in Florida. Some agents have professional insurance designations such as the following:

- CEBS - Certified Employee Benefits Specialist
- CFP - Certified Financial Planner
- ChFC - Chartered Financial Consultant
- CIC - Certified Insurance Counselor
- CLU - Chartered Life Underwriter
- CPCU - Chartered Property and Casualty Underwriter
- LUTCF - Life Underwriting Training Council Fellow
- RHU -Registered Health Underwriter

Make sure you select an agent with whom you feel comfortable and who will be available to answer your questions. Remember: An agent may represent more than one company. To verify whether an agent is licensed, call the Consumer Helpline toll-free at 1-800-342-2762. You can also go to [www.MyFloridaCFO.com](http://www.MyFloridaCFO.com) and click on the “Verify Before You Buy” button at the bottom of the page to search for licensing information.



[www.MyFloridaCFO.com](http://www.MyFloridaCFO.com) and click on the “Verify Before You Buy” button at the bottom of the page to search for licensing information.

### How to Select an Insurance Company

When selecting an insurance company, it is wise to know that company’s rating. Several organizations publish insurance company ratings, available in your local library and on the Internet. These organizations include: A.M. Best Company, Standard & Poor’s, Weiss Ratings, Inc., Moody’s Investors Service and Duff & Phelps. Companies are rated on a number of elements, such as financial data (including assets and liabilities), management operations and the company’s history.

Before buying insurance, verify whether a company is licensed to sell insurance in Florida by calling the DFS Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236). Be sure to have the full, legal name of the insurance company when you call. You can also go to

## ↑ Options if You Can’t Find Coverage

Hurricane Andrew, the major storms of 2004-05, and other disasters created serious problems in the insurance industry and caused a significant disruption of Florida’s residential insurance marketplace. Many Floridians experienced homeowners’ insurance rate increases; others were dropped or otherwise left without coverage. Fortunately, help is available.

### Florida Market Assistance Plan (FMAP)

The Florida Market Assistance Plan can offer help if you can’t find coverage. FMAP will supply names and phone numbers of agents and agencies that represent insurance companies accepting new business in your county. For more information, call your agent or FMAP at 1-800-524-9023 ([www.fmap.org](http://www.fmap.org)).





Thoroughly read any surplus lines policy, if purchased, since DFS does not regulate the rates these companies charge or the forms they use. These policies frequently involve differences in coverage and deductibles not found in other policies – for example, sinkhole or mold damage. Surplus lines companies must give a 45-day notice of cancellation.

For more information regarding surplus lines insurers, you may order our publication “Surplus Lines Insurance: Insuring the Uninsurable,” or view it online at [www.MyFloridaCFO.com](http://www.MyFloridaCFO.com).

### Insurance of ‘Last Resort’

If you are having trouble finding coverage, there is help. The 2002 Florida Legislature merged the Florida Windstorm Underwriting Association and the Florida Residential Property and Casualty Joint Underwriting Association to form Citizens Property Insurance Corp., which writes coverage for consumers who can’t find it elsewhere. (See the “Windstorm Coverage” section of this guide for more details on Citizens, or visit [www.citizensfla.com](http://www.citizensfla.com).)

## Surplus Lines Companies

The standard insurance market does not necessarily insure every risk. Standard companies often reject risks that do not meet their underwriting requirements for type and date of construction, location and other conditions.

Surplus lines insurers can help fill this need for consumers who can’t obtain coverage from licensed standard companies. Before turning to a surplus lines insurer, your agent must apply for and receive rejections from at least three licensed insurers.

Freedom from some insurance regulation, such as coverage and rate filings, allows surplus lines insurers to respond to unmet needs of insurance consumers. The Florida Insurance Guaranty Association does not provide any coverage for claims if a surplus lines company goes bankrupt. A Surplus Lines policy shall have stamped or written on the first page of the policy the words:

***This insurance is issued pursuant to the Florida surplus lines law. Persons insured by surplus lines carriers do not have the protection of the Florida Insurance Guaranty Act to the extent of any right of recovery for the obligation of an insolvent unlicensed insurer.***

## 🏠 Your Lending Institution

Most financial institutions that offer mortgages require insurance coverage in the loan contract to protect their interest in the property. It may also require your insurer’s financial stability to be rated above a specific level by one of the many rating services, and the lender becomes a co-payee (with you) in case of loss, and will remain one as long as it has a vested interest in your home.

This means your insurance company will generally make any checks for home-repair claims payable to you (the insured) and your financial institution. The lender gets equal rights to the insurance check to ensure that you make any necessary repairs. For this reason, an official at the financial institution will also need to endorse the check. The lender will inform you of its stipulations.

To protect its financial interests, the lender will generally place the money in an escrow account. (This means a third party holds the money until certain requirements are met.)

During the process, the lender will pay for repairs as you complete the work. Show the lender your contractor's bid and how much it will cost to start the job. Make sure you ask for and save receipts.

When repairs are completed, financial institutions can't keep remaining settlement proceeds to cover the balance of your loan. Any funds that exceed the mortgage's balance should be released to you.

You may also receive a separate check from your insurance company for your home's contents and other expenses. If you don't, the lender should send you the insurance payments that don't relate to the dwelling.

If you feel your financial institution is withholding funds that are rightfully yours, call the Office of Financial Regulation toll-free at 1-800-848-3792.

### **Force-Placed Homeowners' Insurance**

If you fail to obtain homeowners' insurance, your lending institution may buy it for you, since loan contracts usually require it. This is called "force-placed" insurance. Warning: The premium for this coverage is very costly. Such a policy will usually only cover the structure and not your personal property, or the policy may only cover the loan's outstanding balance.

### **What About Private Mortgage Insurance?**

Most homeowners know this type of coverage by its initials: PMI. This insurance helps protect lending institutions from default by borrowers. The mortgage company may require this type of insurance if you pay for a mortgage on a high-ratio loan. This is when your mortgage down payment is less than 20 percent of your property's value. This insurance allows you to qualify for a larger mortgage than is otherwise available with a small down payment.

### **Mortgage Life Insurance**

This insurance pays off your home in the event of your death. The cost depends upon the mortgage amount, payoff time and a special calculation table. The loan principle and mortgage interest decrease with each monthly payment. Your mortgage-insurance amount may exceed your mortgage amount.



You may obtain this coverage for both spouses under one contract on a first-to-die basis. This means that the surviving spouse becomes the beneficiary.

Mortgage life insurance may prove economical for its specific purpose, but you may need a good health record to buy a policy. As with all policies, it is a good idea to do research in order to choose the mortgage life insurance policy that is right for you.

### **What About Building a New Home?**

It pays to know about builders' risk coverage, if you plan to build your own home or hire a contractor to build one for you.

A typical builders' risk policy is in effect from the beginning of construction, remodeling or alteration to the completion of the project. Insurance companies offer coverage for items such as a home under construction, lumber and other materials, machinery, equipment, permanent fixtures, debris removal, pollutant cleanup, plans, blueprints, valuable records or papers, landscaping and so on. This coverage can help ensure that you or your contractor can obtain funds to repair or rebuild in case of loss. In addition, the insurance company may assume risk for certain legal actions taken due to the negligence of anyone connected with the construction. This may require a special endorsement to your policy.

Before you begin any home-construction project, find out whether you or your contractor need this type of coverage.

Potential homeowners often require contractors to obtain such coverage as part of construction contracts. Also, you may be able to buy a permanent homeowners' policy that covers the building during construction.

Before you obtain a policy, find out if it includes any exclusions for faulty or improper workmanship, or other factors that could increase your construction costs or risks.

Some insurance companies will add builders' risk coverage to a policy for an additional premium – with no need for a separate policy. Contact your insurance agent or company for more information.

## 🏠 In Case of Loss

Immediately report property damage to your agent and insurance company. Your agent should provide claim forms if required, and report your loss to the insurance company. The company will arrange for an insurance adjuster to visit your property and assess the damage.

Take precautions if the damages require you to leave your home. Secure your property. Remove valuable items. Lock windows and doors. Contact your agent or insurance company and leave a phone number and address where you can be reached.

Florida Statute requires property insurers to pay or deny a claim within 90 days of the receipt of the claim, unless the failure to pay the claim is caused by factors beyond



the control of the insurer that reasonably prevent payment.

Make emergency repairs and document them – keeping a file with all of your receipts. Your policy requires such repairs to prevent further weather-related damage to your home and its contents.

Keep all receipts and take photographs of the damages – before and after temporary repairs – to submit with your claim. Your insurer should reimburse these costs later.

Don't make extensive repairs before the claims adjuster arrives or throw out damaged furniture and other expensive items; the adjuster will want to see them.

Make a list of everything you want to show the adjuster when he or she arrives.

### Adjusters

An adjuster is a person professionally trained to determine the amount of any claim, loss or damage payable under an insurance contract. An adjuster often participates in the settlement of the claim, loss or damage. Insurance adjusters must be properly licensed by DFS to work in Florida. All insurance adjusters are required to adjust claims strictly in accordance with your insurance contract, and in compliance with the Florida Insurance Code. In addition, all adjusters must comply with the Adjusters' Code of Ethics to maintain their licensure.

There are three kinds of adjusters:

- Company adjusters, who work as employees of insurance companies.
- Independent adjusters, who are usually employed by independent adjusting firms contracted by insurance companies to handle claims.
- Public adjusters, who do not work for insurance companies or independent adjusting firms.



Most public adjusters are self-employed, or work in association with public adjusting firms.

Public adjusters contract with the policyholders to help them settle their claims with insurance companies. You have the right to negotiate an agreed-upon fee should you elect to use the services of a public adjuster.

This means that if you use a public adjuster, you must share a negotiated portion of your settlement with that public adjuster. Public adjusting fees are set by the state. For example, during the 2004 hurricane season, an emergency order capped adjuster fees at 10 percent of the insurance settlement. For non-hurricane claims beginning Oct. 1, 2008, the fees are capped at 20 percent.

No matter which type of adjuster you use, be sure he or she is properly licensed to conduct business in Florida. Ask to see license information and personal identification. Also be sure to write down contact information, including phone numbers and addresses for the adjuster and the firm he or she may work for. If you have any questions about the license status of an adjuster, or the way your claim was handled, call the DFS Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236).

## Property Mediation

Anyone with a disputed residential property damage claim qualifies for mediation, if the claim exceeds \$500, not including the deductible. Mediation offers an alternative if you and your company cannot reach an agreement. In this informal process, a trained, neutral mediator tries to help resolve the dispute without dictating the outcome. Mediation can help disputing parties reach a mutually acceptable agreement. It is important to remember that mediation is nonbinding.

Homeowners, renters, condominium-unit owners and commercial residential owners may participate in the Personal Property Insurance Mediation Program. This program does not apply to claims involving liability coverage or damage to private passenger motor vehicles (see Automobile Claims Mediation Program).

For more information about mediation, call the DFS Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236), order our publication "Mediation," or view it online at [www.MyFloridaCFO.com](http://www.MyFloridaCFO.com).

## Appraisal and Settlement

You may settle personal property and structure claims at separate times, although your adjuster may suggest that you file the claims together. Filing separately allows you to take more time, if necessary, to determine the full extent of your losses.

If you and your company representative cannot reach a satisfactory settlement, you may hire an appraiser to reach a compromise figure. You and the company split the cost. If you both still disagree, you may hire a second appraiser, called an umpire. The decision of any two of these people is binding.

## Policy Termination

Licensed insurance companies can take up to 90 days to decide whether you meet their underwriting guidelines. Within this 90-day period, a company must give you a 20-day notice if it intends to cancel the policy, except for nonpayment of premiums, which requires a 10-day notice.

After 90 days, your company may cancel your policy if:

- You don't pay your premium
- You deliberately provide false information on your application
- You fail to follow the company's requirements or
- You increase your risks through new activities or home improvements

For reasons other than nonpayment of premiums, the company must provide a 90-day notice before it may cancel your policy.

Companies can always opt for non-renewal of your policy. This process also requires a 90-day notice.

However, recent legislation requires an insurer that issues a Notice of Non-Renewal which becomes effective between June 1st and November 30<sup>th</sup>, to issue that Notice of Non-Renewal 180 days prior to the effective policy termination date, or June 1st if the policy has been in effect for five years or more. If the policy has been in effect for less than five years, the Notice of Non-Renewal shall be issued 100 days prior to the effective policy termination date, or by June 1st. This legislation is only effective for personal or commercial residential insurance policies.

You may cancel your policy at any time. You will receive a refund of unearned premiums, usually minus a 10-percent penalty. However, canceling your insurance may violate the terms of your mortgage contract.

If you are changing insurance policies or companies, make sure that previous insurance does not expire and leave a gap before the new policy takes effect.



## 🏠 Your Rights and Responsibilities

- **You have the right** to choose your own insurance agent and company. You do not have to buy your insurance from the lending institution financing your home, though if you fail to obtain or keep your own coverage, your lender may obtain a force-placed policy for you.
- **You have the right** to a fair quote for coverage, and you are entitled to a refund of the excess if your agent quoted your premium incorrectly and you paid too much for your policy.
- **You have the right** to a proper and timely investigation of legitimate insurance claims.
- **You have the right** to receive copies of all forms and applications signed by you or your agent.
- **You are responsible** for verifying licenses. Call the DFS Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236) to verify the license of an insurance agent, customer representative or insurance company.
- **You are responsible** for reporting suspected fraud to DFS. Call our Fraud Hotline toll-free at 1-800-378-0445.
- **You are responsible** for filling out a complete and accurate insurance application and reading what you sign. Avoid signing any blank, incomplete or inaccurate form.
- **You are responsible** for reading and keeping copies of all forms and applications signed by you or your agent.
- **You are responsible** for obtaining a binder (i.e., proof of coverage) from your agent or company once you sign the application and pay for coverage.
- **You are responsible** for reporting to your company or agent any changes affecting your policy (like home improvements or the purchase of additional personal property).
- **You are responsible** for keeping insurance records, letters, claim-reporting information, advertisements and other papers sent by your agent or company. Keep copies of your important insurance records in more than one safe place, if possible. For example, you could keep backup copies in a safe deposit box or with a trusted and responsible relative or friend. You may need quick access to such information if you must leave your home.
- **You are responsible** for contacting your agent or company immediately after a home or property loss occurs.

## 🏠 Insurance Fraud Costs Us All

Insurance fraud costs each Florida family an additional \$1,500 a year in increased premiums.\* In fact, it can inflate your premiums by as much as 30 percent, according to the National Insurance Crime Bureau. This includes the money you pay for life, auto, health, homeowners' and other types of insurance.

You can protect your personal and family pocketbook by learning about the many different types of insurance scams. Some common examples include:

**F**ictional theft – A homeowner files a false claim of stolen property or exaggerates the value of missing items.

**R**ogue agent “pockets” premiums – An insurance agent convinces a consumer to pay premiums by a check written directly to the agent or in cash. The agent then pockets these payments, leaving the consumer without coverage.

**A**rson for profit – A financially strapped homeowner intentionally sets fire to an unmarketable home in hopes of collecting the insurance claim.

**U**nlicensed public adjuster – A public adjuster who lacks a valid Florida license solicits a distraught homeowner during the claim-settlement process after a loss.

**D**uplicate policies for profit – A consumer buys multiple policies covering the same home and plots its destruction for financial gain.

There are many other types of insurance fraud. If you suspect such a crime has occurred, call the Department's Fraud Hotline toll-free at 1-800-378-0445.

\*Source: *The Coalition Against Insurance Fraud*





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**ALEX SINK**  
**CHIEF FINANCIAL OFFICER**  
**STATE OF FLORIDA**

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