2017 Spring National Meeting

Property and Casualty Insurance (C) Committee

April 10, 2017
Denver, Colorado

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ROLL CALL

John D. Doak, Chair
Oklahoma

Mike Chaney
Mississippi

David Altmair, Vice Chair
Florida

Matthew Rosendal
Montana

Jim L. Ridling
Alabama

John G. Franchini
New Mexico

Katharine L. Wade
Connecticut

Laura Cali Robison
Oregon

Jennifer Hammer
Illinois

Teresa D. Miller
Pennsylvania

James J. Donelon
Louisiana

Raymond G. Farmer
South Carolina

Al Redmer Jr.
Maryland

Larry Deiter
South Dakota

Chlora Lindley-Myers
Missouri

AGENDA

1. Hear an Update on Flood Insurance Issues—Commissioner Teresa D. Miller (PA), Commissioner David Altmair (FL), Commissioner James J. Donelon (LA), Commissioner Jim L. Ridling (AL) and Chief Deputy Commissioner Joel Laucher (CA)

2. Consider Adoption of its 2016 Fall National Meeting Minutes—Commissioner John D. Doak (OK)

3. Consider Adoption of its Task Force and Working Group Reports—Commissioner John D. Doak (OK)
   • Casualty Actuarial and Statistical (C) Task Force—Michael McKenney (PA)
   • Surplus Lines (C) Task Force—Commissioner James J. Donelon (LA)
   • Title Insurance (C) Task Force—Director Larry Deiter (SD)
   • Workers’ Compensation (C) Task Force—Director Lori K. Wing-Heier (AK)
   • Advisory Organization Examination Oversight (C) Working Group—Timothy Schott (ME)
   • Affordable Care Act Medical Professional Liability (C) Working Group—Superintendent John G. Franchini (NM)
   • Auto Insurance (C/D) Working Group—Commissioner Allen W. Kerr (AR)
   • Catastrophe Insurance (C) Working Group—Commissioner David Altmair (FL)
   • Climate Change and Global Warming (C) Working Group—Commissioner Mike Kreidler (WA)
   • Creditor-Placed Insurance Model Act Review (C) Working Group—Commissioner David Altmair (FL)
   • Crop Insurance (C) Working Group—Director Larry Deiter (SD)
   • Earthquake (C) Study Group—Ron Dahlquist (CA)
   • Public Adjustor (C/D) Working Group—Commissioner John D. Doak (OK)
   • Risk Retention (C) Working Group—David Provost (VT)
   • Sharing Economy (C) Working Group—Commissioner Dave Jones (CA)
   • Terrorism Insurance Implementation (C) Working Group—Martha Lees (NY)
   • Transparency and Readability of Consumer Information (C) Working Group—Angela Nelson (MO)
   • Travel Insurance (C) Working Group—Commissioner Al Redmer Jr. (MD)

4. Consider an Extension for Revisions to the Creditor-Placed Model Act (#375)—Commissioner David Altmair (FL)

5. Consider Adoption of Revisions to A Consumer’s Guide to Home Insurance and A Shopping Tool for Homeowners Insurance—Angela Nelson (MO)
6. Hear a Presentation on the Insurance Services Office’s (ISO) Public Protection Classification—Steve Clarke (ISO) Attachment Four

7. Hear a Federal Update—Brooke Stringer (NAIC)


9. Discuss its 2017 Charges—Commissioner John D. Doak (OK) Attachment Five

10. Discuss Modernization of Commercial Lines Rates and Forms Regulation—Commissioner John D. Doak (OK) Attachment Six

11. Discuss State Data Calls—Robert Gordon (PCI)

12. Discuss Any Other Matters Brought Before the Committee—Commissioner John D. Doak (OK)

13. Adjournment
Attachment One
Consider Adoption 2016 Fall National Meeting Minutes
Date: 12/21/16

Property and Casualty Insurance (C) Committee
Miami, Florida
December 12, 2016

The Property and Casualty Insurance (C) Committee met in Miami, FL, Dec. 12, 2016. The following Committee members participated: Teresa D. Miller, Chair (PA); Anne Melissa Dowling, Co-Vice Chair (IL); Raymond G. Farmer, Co-Vice Chair (SC); Lori K. Wing-Heier represented by Anna Latham (AK); Jim L. Ridling and Charles Angell (AL); Katharine L. Wade represented by George Bradner (CT); Stephen C. Taylor represented by David Christhilf (DC); James J. Donelon represented by Warren Byrd (LA); Al Redmer Jr. (MD); John G. Franchini represented by Paige Duhamel (NM); John D. Doak represented by Buddy Combs and Tyler Laughlin (OK); Laura N. Cali represented by TK Keen (OR); Larry Deiter (SD); Jacqueline K. Cunningham represented by Rebecca Nichols (VA); and Michael D. Riley (WV). Also participating were: Dave Jones and Joel Laucher (CA); George Bradner (CT); and Paula Pallozzi (RI).

1. **Adopted its Nov. 3, Sept. 29 and Summer National Meeting Minutes**

Acting Director Dowling made a motion, seconded by Mr. Keen, to adopt the Committee’s Nov. 3 (Attachment One), Sept. 29 (Attachment Two) and Aug. 28 (see NAIC Proceedings – Summer 2016, Property and Casualty Insurance (C) Committee) minutes, which included the following action: 1) adopted its 2017 proposed charges; 2) adopted the 2016 Workers’ Compensation Large Deductible Study; 3) adopted a recommendation to retain as models the Medical Professional Liability Closed Claim Reporting Model Law (#77) and the Credit Personal Property Insurance Act (#365); 4) adopted the “Principles for National Flood Insurance Program (NFIP) Reauthorization” and agreed to refer the document to the Government Relations (EX) Leadership Council for consideration; and 5) heard an update from the Federal Emergency Management Agency (FEMA) on its NFIP Reinsurance Initiative. The motion passed.

2. **Adopted its Task Force and Working Group Reports**

Mr. Byrd made a motion, seconded by Acting Director Dowling, to adopt the reports of the Committee’s task forces and working groups: Casualty Actuarial and Statistical (C) Task Force; Surplus Lines (C) Task Force; Title Insurance (C) Task Force; Workers’ Compensation (C) Task Force; Advisory Organization Examination Oversight (C) Working Group; Affordable Care Act Medical Professional Liability (C) Working Group (Attachment Three); Auto Insurance (C/D) Working Group (Attachment Four); Catastrophe Insurance (C) Working Group (Attachment Five); Catastrophe Response (C) Working Group (Attachment Six); Climate Change and Global Warming (C) Working Group (Attachment Seven); Creditor-Placed Insurance Model Act Review (C) Working Group, Crop Insurance (C) Working Group (Attachment Eight); Earthquake (C) Study Group (Attachment Nine); Public Adjuster (C/D) Working Group; Risk Retention (C) Working Group; Sharing Economy (C) Working Group’s Nov. 28 minutes (Attachment Ten) and Nov. 18 Minutes (Attachment Eleven); Terrorism Insurance Implementation (C) Working Group (Attachment Twelve); Transparency and Readability of Consumer Information (C) Working Group; and Travel Insurance (C) Working Group (Attachment Thirteen). The motion passed.

3. **Adopted an Extension for Revisions to Model #375**

Commissioner Riley made a motion, seconded by Acting Director Dowling, to adopt an extension for revisions to the Creditor-Placed Insurance Model Act (#375). The motion passed.


Commissioner Jones, chair of the Sharing Economy (C) Working Group, said the Working Group began work on a home-sharing white paper in August in order to create a central resource regarding the insurance implications of short-term rental applications. He said the white paper does not have policy actions within it but provides considerations that regulators and others may wish to think about. He said the National Association of Insurance Commissioners (NAIC) will work to update consumer bulletins based on content found in the white paper.

Director Farmer made a motion, seconded by Commissioner Ridling, to adopt the Insurance Implications of Home-Sharing: Regulator Insights and Consumer Awareness (Attachment Fourteen). The motion passed.

5. **Heard a Presentation from Lloyd’s America on Surplus Lines Flood Claims**

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Commissioner Miller said most of the flood insurance business being written outside of the NFIP is being done so by surplus lines insurers. She said regulators and consumers want to ensure that the surplus lines industry is prepared to not just write private flood business but to properly respond to consumers when claims arise. She said the Committee had reached out to the National Association of Surplus Lines Offices (NAPSLO) in order to better understand how policyholders are being treated in this market.

Sabrina Miesowitz (Lloyd’s America) said the surplus lines market is an important source of capacity for residential property business in catastrophe-exposed states. She said the surplus lines insurers are leading the way in developing a private residential flood market. She said the surplus lines market also provides better prices and product choices than the NFIP. She said the surplus lines market is regulated and subject to consumer complaint regulation and unfair trade practices laws and regulations. She said Lloyd’s has had a significant volume of personal lines property claims from recent catastrophic events.

Ms. Miesowitz said compared to the NFIP, surplus lines policyholders are able to insure higher dollar risks and at replacement cost rather than actual cash value. She said the surplus lines market also is able to offer coverage for detached structures, basements and other structures not covered under the NFIP, as well as additional living expenses coverage and business interruption coverage.

Ms. Miesowitz reviewed the flood claims from the August flooding in Baton Rouge, LA, from one surplus lines broker. She said approximately 93% of 438 claims were closed as of Nov. 30. She said that every claimant was contacted by an adjuster within 48 hours of receipt of a claim and that more than 90% of claimants received advance payments. Claims payments to date are $28.5 million. She said no policies were cancelled or non-renewed.

Ms. Miesowitz also reviewed claims experience for two Lloyd’s coverholders in 2014 and 2015. These coverholders paid $8.4 million on 203 claims, for an average claim payment of $41,000, higher than the FEMA average of $35,307 for the same years. She said 70% of the claims were closed within 150 days, and some large claims took longer due to replacement cost payments where the claim is not closed until all repairs are complete. She also covered 2016 to-date claims for one Lloyd’s coverholder with $9 million of claims, with an average claim payment of $60,000. She said 98% of these claims were closed within 120 days.

Commissioner Miller asked what happened to prices upon renewal after flooding events. Ms. Miesowitz said these large claims often have an impact on the book of business, so there would be underwriting considerations. She said that there would probably be rate increases and that brokers are aware of this concern.

Acting Director Dowling asked what percentage of closed claims resulted in a payment compared with how many were denied. Ms. Miesowitz said she would have to research those figures. Director Farmer said states often issue data calls after catastrophes. He asked if the surplus lines industry participates in these data calls. Ms. Miesowitz said the surplus lines industry would participate if asked as they did following Hurricane Matthew in South Carolina. She said there is sometimes a delay in providing the data as it has to be obtained from the coverholders. Director Farmer said the surplus lines data is needed or the data will be incomplete.

Mr. Byrd said there were 29,500 NFIP claims resulting in $2 billion in losses after recent flooding in Louisiana. He said the affected areas had a 23% penetration rate for flood policies. He asked whether the claims data Ms. Miesowitz reported were first-dollar or excess policies. Ms. Miesowitz said they were all primary policies. Mr. Byrd asked about the cost of contractors needed to repair damaged structures. Ms. Miesowitz said because of the advance payments, contractors are often able to work earlier on repairing structures.

Mr. Christhilf asked how long the surplus lines industry had been writing private flood policies and whether the surplus lines insurers writing flood policies were profitable. Ms. Miesowitz said the surplus lines market has been involved with excess and commercial flood risks for many years but has been writing private flood on a primary basis mostly since 2013. She said the industry would not be writing flood risks if it were not profitable.

Commissioner Ridling asked about the distribution structure within the surplus lines industry. Ms. Miesowitz said coverholders work with retail brokers who work directly with the insureds.

Commissioner Miller asked about the concerns over cherry-picking and whether the surplus lines industry was only writing the most profitable risks. Ms. Miesowitz said underwriters have different models and look at geographic markets closely, but generally will not write policies with repetitive losses. She said some surplus lines policies do not require an elevation certificate.
Draft Pending Adoption

Birny Birnbaum (Center for Economic Justice—CEJ) asked whether any insureds had filed lawsuits. Ms. Miesowitz said she was not sure, but she said she had not seen any complaints in the Baton Rouge flooding. Mr. Birnbaum asked whether policy forms have arbitration or choice of law provisions. Ms. Miesowitz said there would be different forms for different underwriters but said she did not know of any policies with arbitration clauses. Mr. Birnbaum also asked about force-placed flood insurance data, which Ms. Miesowitz did not have.

Amy Bach (United Policyholders) asked whether coverholders use independent adjustors, to which Ms. Miesowitz responded in the affirmative. Ms. Bach asked how coverholders avoid problems the NFIP has had with relationships between independent adjustors and contractors. Ms. Miesowitz said consumers buying in the private flood market have the ability to make complaints to the state department of insurance, and some states have set up a mediation process. Ms. Bach asked if companies participated in state-sponsored mediation. Ms. Miesowitz said where it applies, the surplus lines market participates. Ms. Bach also said the NFIP had penalties for overpaying but not underpaying claims.

Mr. Byrd asked how the choice of law provision worked in Louisiana. Ms. Miesowitz said they encourage the use of the state where the policy is issued.

6. Heard a Presentation from the CNT on an Urban Flooding Study

Commissioner Miller said the Center for Neighborhood Technology (CNT) had previously reached out to her and Acting Director Dowling about a study the CNT had conducted on urban flooding. Scott Bernstein (CNT) said flooding is an increasing problem and an expensive one. He said the CNT is trying to learn more about where flooding happens and how frequently it occurs. He said the CNT operates programs to retrofit urban properties.

Hal Sprague (CNT) said flooding often happens in small, frequent events as a result of increasing runoff from urban landscapes. He said the CNT began looking at urban flooding because only about half of the states they researched had programs to deal with urban flooding issues. He said many cities have frequent flash flood warnings. The CNT began conducting research in 2012 by looking at data related to FEMA disaster relief, NFIP claims, private insurance claims and Small Business Administration (SBA) grants in Cook County, Illinois. He said the data was aggregated by ZIP code in order to map urban flooding costs.

Mr. Sprague said the CNT conducted a statewide Illinois study in 2014 and 2015, working with the Illinois Department of Natural Resources and the Illinois Department of Insurance (DOI). Mr. Sprague said this study found 92% of flood claims to be outside of any floodplains. He said the CNT found that FEMA disaster relief paid for most flood claims in Cook County over a five-year period, with NFIP contributing 8% and private insurance 24%.

Mr. Sprague said Congress has recently directed FEMA to conduct a national study that will be led by the National Academy of Sciences (NAS). The CNT is speaking with FEMA and hoping to obtain national claims data in order to increase flood risk education, contribute to local planning and increase flood insurance market penetration. He said the CNT would like to work with the NAIC to help aggregate and analyze data obtained through a national data call.

Mr. Birnbaum asked what made up the claims from insurance companies. Mr. Sprague said it was mostly sewer backup claims. Mr. Laucher asked if the CNT had identified characteristics that led to more flood damage. Mr. Sprague said there may be many factors, including topography and capacity of sewer systems, but they have only looked at claims in past studies. Mr. Bernstein said they have conducted some case studies looking at the reasons for sewer runoff. Mr. Sprague said a national data call would identify regional differences in claims.

Annalise Mannix (Fair Insurance Rates in Monroe—FIRM) asked whether water runoff from new development is affecting older homes. She said consideration should be given to whether people should pay a fee to the NFIP related to storm water losses. Mr. Bradner asked whether some cities are relying on outdated precipitation models. Mr. Bernstein said it is rare for a city to have a scientist on staff.

David Kodama (Property Casualty Insurers Association of America—PCI) asked whether there was a registry of actions initiated based on the prior CNT report. Mr. Bernstein said the Illinois Department of Natural Resources (IDNR) has made a commitment to certain actions and that information could be shared. Mr. Kodama said it would be good to see the successes that resulted from the Illinois study before moving forward with anything at a national level.
Commissioner Ridling asked whether the flood insurance data for Cook County was obtained from the NFIP, to which Mr. Sprague responded in the affirmative. Ms. Pallozzi said states previously had to obtain NFIP data from the NFIP rather than Write Your Own (WYO) companies. She said this is why the NAIC disaster data collection template excludes federal flood data. Ms. Mannix said each county has an NFIP representative. Ms. Pallozzi clarified that states are able to obtain data directly from the NFIP.

Dave Snyder (Property Casualty Insurers Association of America—PCI) said he serves on a city council, and the issue regarding urban flooding is not about data but about the large amount of money it requires to apply infrastructure solutions to respond to flooding. He said national data would be irrelevant.

Commissioner Miller asked Commissioner Altmaier whether, as chair of the Catastrophe Insurance (C) Working Group, the Working Group may wish to look into this issue further. Commissioner Altmaier said that the Working Group is actively working on issues related to NFIP claims data and that he would bring the issue of the CNT study and potential data collection to the Working Group to determine next steps.

Having no further business, the Property and Casualty Insurance (C) Committee adjourned.
Attachment Two
Consider Adoption of its Task Force and Working Group Reports
Casualty Actuarial and Statistical (C) Task Force

pending
Surplus Lines (C) Task Force

pending
Title Insurance (C) Task Force

pending
Workers’ Compensation (C) Task Force

pending
Advisory Organization Examination Oversight (C) Working Group

pending
Affordable Care Act Medical Professional Liability (C) Working Group

pending
Auto Insurance (C/D) Working Group

pending
Catastrophe Insurance (C) Working Group

pending
Climate Change and Global Warming (C) Working Group

pending
Creditor-Placed Insurance Model Act Review (C) Working Group

No materials
Crop Insurance (C) Working Group

pending
Earthquake (C) Study Group

pending
Public Adjustor (C/D) Working Group
pending
Risk Retention (C) Working Group

No materials
Sharing Economy (C) Working Group pending
Terrorism Insurance Implementation (C) Working Group

pending
Transparency and Readability of Consumer Information (C) Working Group
The Transparency and Readability of Consumer Information (C) Working Group conducted an e-vote that concluded Feb. 23, 2017. The following Working Group members participated: Joel Laucher (CA); Bobbie Baca (CO); George Bradner (CT); Brett Gerger (IL); Heather Droge (KS); Ron Henderson (LA); and Joy Hatchette (MD).

1. **Adopted the Updates to the NAIC *Consumer’s Guide to Home Insurance* and the *Homeowner’s Shopping Tool***

The Working Group conducted an e-vote to consider adoption of the XX. A majority of the members voted in favor of adopting the XX and the XX (Attachment-A). The motion passed.

Having no further business, the Transparency and Readability of Consumer Information Working Group adjourned.
Travel Insurance (C) Working Group

*pending*
Attachment Three
Consider Adoption of A Shopping Tool for Auto Insurance and A Consumer’s Guide to Auto Insurance
A Shopping Tool for
Homeowners Insurance
I need homeowners’ insurance. What do I need to do?

You probably know that homeowners insurance coverage and premiums vary by insurance company. You want homeowners’ insurance that meets your needs, whether you’re buying insurance for the first time or shopping to get better coverage than you have now. You also want to get the best price you can for the coverage you need. Informed shoppers are more likely to get the best possible coverage at the best possible price. Before you shop you need to know where to look for insurance, what questions to ask and what information you need.

The information in this guide will help you be an informed shopper. It will help you understand the type of coverage you would like to buy. It also will help you understand the types of information you’ll need to get a quote for that coverage. Quotes are estimates of what your premium will be for a particular coverage with a particular insurer. It’s a good idea to get at least three quotes before you buy insurance.

Don’t worry if you don’t have all of the suggested information; pull together what you can and an agent or insurance company representative may be able to help you with the rest. The suggested questions to ask an agent or insurance company will help you be sure you get the coverage you want.

Once you’re ready, you can contact an agent or an insurance company directly. Look online or in your local phonebook. Some insurers don’t use agents and deal with customers directly online or via toll-free numbers. Some agents represent more than one insurance company. You should contact more than one agent or insurance company. A great resource to find an agent or insurance company is to ask your family and friends for recommendations.

This guide will prepare you to buy homeowners’ insurance so you get the coverage you want and can afford. What’s in this guide:

- The information an agent or insurance company will need from you.
- Coverage descriptions to help you choose the best coverage for you.
- Basic insurance terms.
- Questions to ask about coverage.
- Keys to understanding your declarations page and your coverage.
- Other consumer information and resources.
The Information an Agent Will Need from You

You’ll need a lot of information to get a premium quote. You may be asked for your date of birth, social security number, contact information, marital status and information about your job. You also may be asked about others living with you and about your current insurance coverage and claims history.

You’ll also be asked a number of questions about the home you want to insure. With the answers, the agent or insurance company representative can give you an estimate of the cost to rebuild your home. If you get more than one quote, you’ll also get more than one estimate of the cost to rebuild. Although not a guarantee, current estimates can help you avoid being underinsured.

You should choose a coverage limit that is based on the estimated cost to rebuild your home - not its purchase price or current market value. Your mortgage lender will want you to have at least enough insurance to pay off your loan.

Insuring your home for less than the cost to rebuild it means you may have to pay thousands of dollars out of pocket to rebuild your home if it’s destroyed. That’s why it’s so important to be sure your insurance policy provides enough coverage.

Below are some questions you may be asked; use this worksheet to write your answers. Don’t worry if you don’t have all of the answers. Insurers also may use outside sources to get other information about you, such as a credit based insurance score or a CLUE (Comprehensive Loss Underwriting Exchange) report.

Information about You (the “Insured”):

How long have you lived in the home?  Will anyone live with you who isn’t related?
Does anyone in the home smoke?  How many dogs do you have and what breed(s)?
Do you run a business from your home?  Do you have any exotic pets or other animals?
What kind of business do you have?

Insurance Information:

Do you have homeowners or renters insurance now?  □ YES  □ NO
Have you had homeowners or renters insurance in the past?  □ YES  □ NO
With which homeowners insurance company (if applicable)?: ____________________________
Policy Number (if applicable): ____________________________
Policy Expiration Date: ____________________________
How many years have you been insured? ____________________________

Do you have auto insurance?  □ YES  □ NO

Information about the Home (the “Dwelling Structure”) to Be Insured:

Year Home Was Built: _____________  Year You Bought Home: _____________

If there is a mortgage on the home, who is the lender?

Name: __________________________________________________________
Address: _________________________________________________________
City/State/Zip: ____________________________________________________

If there is a second mortgage or home equity loan, who is the lender?

Name: __________________________________________________________
Address: _________________________________________________________
City/State/Zip: ____________________________________________________

TIP:
Your home appraisal or real estate listing may have some of this information.
Information about the Home (the “Dwelling Structure”) to Be Insured (continued):

Square feet of living area in the home: ________________________________

Roof type: ___________________________ Approximate age of roof: ___________________________
Style of home (ranch, two story): __________________________________________
Flooring (hardwood, tile, carpet): __________________________________________
Exterior (brick, siding, stucco): __________________________________________
Kitchen finishes (custom cabinets, granite counters): __________________________
Bath finishes (marble, Jacuzzi tub, heated floors): __________________________

Are there swimming pools, trampolines or playscapes on the property? □ YES □ NO

Home Systems: Approximate age of system:

Plumbing
Electrical
Heating
Air conditioning
Septic system
Well
Sump pump

Supplemental Heating Sources: Number Fuel Source

Fireplaces
Heating stoves
Other

Distance to the fire department: ___________ Distance to fire hydrant or other water source: ___________

Protective Devices Age or Service Provider

Smoke detector
Carbon monoxide detector
Deadbolt locks
Alarm
Security system

Information about Your Personal Property (the “Contents”):

Do you have an

Valuable collectibles and personal property appraisal? Approximate Value

Jewelry ___________________________ □ YES □ NO
Guns/Firearms _____________________ □ YES □ NO
Furs ______________________________ □ YES □ NO
Antiques __________________________ □ YES □ NO
Artwork ___________________________ □ YES □ NO
Music instruments ___________________ □ YES □ NO
Photography equipment ______________ □ YES □ NO
Computer equipment ________________ □ YES □ NO
Yard/Garden equipment ______________ □ YES □ NO
Sports/Leisure equipment ____________ □ YES □ NO
Other valuable collectibles ___________ □ YES □ NO

TIP:

A way to estimate the cost to rebuild your home is to call a local builder or real estate agent and ask for the average new construction cost per square foot in your community for a similar

TIP:

To help you keep track of your personal property and valuables, check out the NAIC’s Home Inventory Smart Phone App:
Target Your Coverage!

Use this worksheet to compare offers from insurance companies

(See the Basic Insurance Terms section for definitions)  Fill in company name (above) and amounts (below) to compare policies

<table>
<thead>
<tr>
<th>Dwelling Limits</th>
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<tbody>
<tr>
<td>Actual Cash Value (ACV) or Replacement Cost Value (RCV) Coverage?</td>
<td>□ ACV □ RCV</td>
<td>□ ACV □ RCV</td>
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<tr>
<th>Personal Property Limits</th>
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<tr>
<td>Actual Cash Value (ACV) or Replacement Cost Value (RCV) Coverage?</td>
<td>□ ACV □ RCV</td>
<td>□ ACV □ RCV</td>
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<th>Personal Liability Protection</th>
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<td>Medical Payments</td>
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<td>Ordinance or Law Coverage</td>
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<tr>
<td>Additional Living (Loss of Use) Expenses</td>
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<th>Deductible(s):</th>
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<tr>
<td>Flat dollar deductible?</td>
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<td>Percentage deductible?</td>
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<td>Hurricane, Wind/Hail deductible?</td>
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<tr>
<td>Separate deductible for roof?</td>
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Compare the coverages - check ☑ what each company offers (below)
(These are the most common policies. Ask your agent about other options)

<table>
<thead>
<tr>
<th>Basic Form Homeowners Policy (HO-1)</th>
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<tbody>
<tr>
<td>Broad Form Homeowners Policy (HO-2)</td>
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<td>Special Form Homeowners Policy (HO-3)</td>
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<td>Comprehensive Policy (HO-5)</td>
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<tr>
<td>Modified Coverage Form (HO-8) (for older homes)</td>
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<tr>
<td>Other Policy Form</td>
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</tbody>
</table>

Optional and Increased Limits of Coverage (ask for a quote)

| Mold, sewer, drain, sump pump backup |   |   |
| Jewelry and firearms |   |   |
| Art, collectibles and antiques |   |   |
| Ordinance or law endorsement |   |   |
| Equipment breakdown |   |   |
| Other coverage |   |   |
| Other coverage |   |   |

Annual Premium – by Company

| Premium |   |   |

Separate policies for what’s NOT covered (ask for a quote)

| Flood Insurance |   |   |
| Earthquake Insurance |   |   |
| Umbrella Liability Insurance |   |   |
Basic Insurance Terms

Below are common insurance terms with basic explanations of what each term means. Remember, each insurance company may define these terms differently in an insurance policy. Ask your agent about differences in definitions.

Types of Homeowners’ Insurance Policies

**Basic Policy Form** – Covers your home and personal property, but **only** if damage or loss is caused by fire, smoke, wind, hail, lightning, explosion, vehicles, civil unrest, theft or vandalism. This policy is sometimes called the HO-1 policy form. It’s the most basic homeowners insurance coverage and costs less than coverage under other policy forms. This policy covers your home and personal property for their Actual Cash Value.

**Broad Form Policy** – Covers your home and property, but **only** if damage or loss is due to perils the policy specifically lists. This policy is sometimes called the HO-2 policy form or named peril policy form. It covers slightly more than the Basic Policy Form. This policy covers your home for its Replacement Cost Value and your personal property for its Actual Cash Value.

**Special Form Policy** – Covers your home against all perils except those the policy specifically lists as exclusions. It also covers your personal property but only if damage or loss is due to perils the policy specifically lists. This policy is sometimes called the HO-3 policy form or special cause of loss form. It’s the most common type of homeowners insurance coverage and covers more than the Basic Policy Form but less than the Comprehensive Policy. This policy covers your home for its Replacement Cost Value and your personal property for its Actual Cash Value.

**Comprehensive Policy** – Covers your home and personal property against all perils except those the policy specifically lists as exclusions. This policy is sometimes called the HO-5, premier or open peril policy form. It covers more than any of the policy forms but may cost more. This policy covers your home and personal property for their Replacement Cost Value.

**Modified Coverage Form Policy** – Covers your home and personal property but only if damage or loss is due to perils specifically listed in the policy. This policy is sometimes called the HO-8 policy form. It’s for older homes, where the cost to rebuild is greater than the market value. It’s similar to the Basic Policy Form but covers less than the Broad Form Policy and Comprehensive Policy. This policy covers your home and personal property for their Actual Cash Value.

Other Insurance Terms

**Actual Cash Value (ACV)** – The value of your home or personal property considering its age and wear and tear (depreciation). Actual Cash Value coverage pays you for your loss, but often doesn’t pay enough to fully replace or repair the damage.

**Deductible** - The money you have to pay out-of-pocket on a claim before the policy pays the loss. Deductibles can be a dollar amount or a percentage; the declarations page may identify your policy’s deductibles. Your policy will explain how the deductibles work.

**Depreciation** – The decrease in home or property value due to age and wear and tear.

**Equipment Breakdown Coverage** – Coverage that pays to repair or replace a home system that breaks down such as a water well pump, hot water heater and central air or heating systems.

**Exclusion** - A part of an insurance policy that takes away coverage for certain losses or personal property. For example, damage from floods, earthquakes and mold are common exclusions in homeowners insurance policies.

**Limits** – The maximum amount an insurance company will pay if or when an insured event happens.

**Ordinance or Law Coverage** – A type of coverage that pays the extra cost to rebuild your home to meet new or updated building codes or ordinances that didn’t exist when your home was first built. It’s also called Building Code Upgrade Coverage.

**Peril** - The cause of a loss. A few examples are wind, fire and theft.

**Personal Liability Protection** – A part of an insurance policy or a separate policy that covers your financial loss (including your legal costs if you’re sued) if someone makes a claim against you and you’re legally responsible for bodily injuries or damages to someone else’s property.

**Replacement Cost Value (RCV)** – The cost to rebuild your home or repair damages using materials of a like kind and quality. This is different from your home’s market value, which includes the price of land and depends on the real estate market.

**Umbrella Liability Insurance** – A separate insurance policy that increases your liability coverage above the levels in your homeowners, automobile or other liability insurance coverage. This type of insurance coverage usually is sold with policy limits of $1 million or more.
The Difference between Replacement Cost and Actual Cash Value

Knowing what a policy covers, or doesn’t cover, is an important part of shopping for homeowners insurance. It’s also important to understand how a claim will be paid if you have a loss.

There’s a big difference in how a claim will be paid if the policy covers your home or personal property for its Actual Cash Value or its Replacement Cost Value. Policies that pay claims based on Replacement Cost Value give you more protection than policies that pay based on Actual Cash Value, but the premiums also will likely be more. Below is information to help you understand the differences so you can buy the coverage you want.

Your Home (also called “Dwelling Structure”)

(The levels of coverage are listed in order of the least to the most coverage.)

ACTUAL CASH VALUE COVERAGE pays the costs to repair or replace the damaged or destroyed home, minus a deduction reflecting the home’s age and wear and tear (depreciation). If your home is completely destroyed, this coverage pays the fair market value of the home at the time of loss. In either case, this coverage only pays for costs up to the limits set in your policy. Actual Cash Value coverage pays you for your loss, but often doesn’t pay enough to fully replace or repair the damage to your home.

There are different types of replacement cost coverage. Many policies cap the amount of the coverage. Many policies pay only the home's Actual Cash Value until you begin or complete repairs or reconstruction.

FUNCTIONAL REPLACEMENT COST COVERAGE pays the cost to repair or replace the damaged or destroyed home with similar kind and quality materials. An example of “similar kind and quality” would be replacing damaged plaster walls with (less expensive) drywall. Functional replacement cost provides less coverage than replacement cost, but the premiums are lower than other types of replacement cost coverage.

REPLACEMENT COST COVERAGE pays the cost to repair or replace the damaged or destroyed home, with materials of like kind and quality. An example of “like kind and quality” would be damaged plaster walls repaired or replaced with plaster. Many policies pay only the home's Actual Cash Value until you begin or complete repairs or reconstruction. Replacement Cost coverage only pays replacement costs up to the limits set in your policy.

EXTENDED REPLACEMENT COST COVERAGE pays the cost to repair or replace the damaged or destroyed home, without a deduction for depreciation. Extended Replacement Cost Coverage provides coverage above the dwelling limits in your policy, for the damage caused to your home, up to a set percentage or a set dollar amount.

GUARANTEED REPLACEMENT COST COVERAGE pays the full cost to repair or replace the damaged or destroyed home for a covered peril – even if it costs more than the limits shown on the policy declarations page. Ask if there’s a cap on the coverage. Very few insurers offer this coverage.

Your Personal Property (also called “Contents”)

Almost all policies include specific dollar limits on certain personal property that is particularly valuable, such as jewelry, art, silverware, antiques, computers or firearms. Often, you can buy more coverage for these types of property, but you may need to itemize or list out the property for the insurance company. Ask your agent or insurer if you have questions about covering any valuable property you have.

ACTUAL CASH VALUE COVERAGE pays the fair market value of the item at the time of loss. This value usually will be the cost to repair or replace the personal property, less depreciation. As with your home, Actual Cash Value coverage pays you for your loss, but often doesn’t pay enough to fully replace or repair the damage to your property.

REPLACEMENT COST COVERAGE pays the cost to repair or replace damaged or destroyed personal property with like kind and quality, without a deduction for depreciation. Many policies only pay the Actual Cash Value of the personal property until you actually repair or replace the personal property. If you don’t repair or replace the personal property, the insurance company may only pay you its Actual Cash Value.
Ask Your Agent about Insurance Options

Questions about Coverage

- Can you help me estimate what it would cost to repair or rebuild my home if it were damaged or destroyed?
- Will the coverage limits for my home or personal property automatically increase over time with inflation? If not, what do I need to do to make sure my home is insured for the right amount?
- What doesn’t this policy cover?
- Does this policy cover:
  - Water damage from my sewer, drains or sump pump backup?
  - Damage from mold, wind, flood, sinkholes, mine subsidence or earthquakes?
  - Food spoilage and other damages from a power outage?
  - Equipment breakdown?
  - Damage from deterioration – foundation settling, wear and tear?

If not, can I buy this coverage?

- If I rent a room or my home to someone through a service like Airbnb or Vacation Rentals By Owner (VRBO), would this policy cover damage a renter does?

Questions about How Claims Are Paid

- If my home is damaged, will this policy pay to rebuild my home the way it was before the damage?
- Is there just one deductible in this policy or is there more than one deductible? Is the deductible a flat dollar amount, a percent of coverage or damage or a combination of both types?
- I have an older home and repair would require using obsolete or vintage materials. How will this policy pay to repair or replace my home?
- When I have a claim, how will my claim be settled – will I receive the full replacement cost upfront or only after I begin or complete repairs or replacement?
- If I will receive the Actual Cash Value of my damaged property, how is that value decided?
- How does this policy cover my roof – are there any limits of coverage for my roof?
- Will my home be covered if I rent it to someone else?
- If I’m away from my home for a long period of time, how does that impact my insurance coverage?

Questions about How My Personal Property is Covered

- Can I buy more coverage (increase the policy limits) for my personal property? Does this policy cover my personal property which is stored away from my home?
- My child is away at college. Will this policy cover their personal property while they’re at school?
- Are there any sublimits on some kinds of personal property such as jewelry, antiques or guns?
  - Can I buy extra coverage or increase my limits?
- Do I need to have an appraisal for any of my personal property?
- Should I have an inventory list of my personal property?
- If I rent a room or my home to someone, through a service like Airbnb or VRBO, would this policy cover damage a renter does to my personal property?
Questions about Other Coverages

- What does my liability coverage protect me against?
- Does my liability coverage also cover my children while they’re away at school?
- Does this policy cover damage to my trees?
- Does this policy cover me if I run a business from my home, such as a daycare? Do I need additional liability coverage?
- Does this policy pay for any additional living expenses I may have if I can’t live in my home after it has been damaged or destroyed?
- How does the policy cover increased costs to rebuild my home, such as to meet new building codes?
- If I rent a room or my home to someone, through a service like Airbnb or VRBO, would this policy cover my liability if the renter is injured while in my home?

Questions About Discounts, Rating and Service

- What discounts are available through the insurance company?
- Am I eligible for coverage with the insurance company if:
  - I had a prior homeowners claim with another insurance company;
  - The home I’m buying had damage and a claim filed by a previous owner;
  - I’ve had any auto claims;
  - I have a dog;
  - I have a swimming pool, trampoline or solar panels;
  - I have a wood burning stove or heating oil tank?
- Will you or the insurer visit my home and inspect or photograph it before or after insuring it?
- Does the company look at my occupation, education or credit-based insurance scores to determine my premium?
- How much can I save by increasing my deductible?
- Is there anything I can repair or improve in my home to lower my premiums?
- Does the company require me to use preferred contractors for repairs?
You’ve reviewed your options. You’ve chosen an agent and an insurance company and bought an insurance policy. Once you buy insurance, you’ll receive a policy. Read the policy and ask your agent about anything you don’t understand. Keep your policy in a safe place and know the name of your insurance company. Here’s a quick tip on how to read your insurance declarations page to check that you’ve received the coverage you wanted.

### Understanding your declarations page

**Policy limits:** The most you will be paid for claim

**Policy period:** When coverage begins & ends

**Deductible:** The part of the insurance claim you are responsible for.

#### Your Insurance Company
3535 Second St. Company Town, USA 54321

#### Policy number
XX-XXXXXX-XX

#### Homeowners Policy <SAMPLE>

**Automatic renewal:** If policy period is shown as 12 months, this policy will be renewed automatically subject to premiums, rates and forms in effect for each succeeding policy period. If policy is terminated, we will give you and Mortgagee/Lienholder written notice in compliance with policy provisions or as required by law.

#### Coverage & property

<table>
<thead>
<tr>
<th>SECTION</th>
<th>Liability limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Dwelling $250,000</td>
</tr>
<tr>
<td>B</td>
<td>Other structures (detached garage) $30,000</td>
</tr>
<tr>
<td>C</td>
<td>Personal property $150,000</td>
</tr>
<tr>
<td>D</td>
<td>Loss of use Actual loss sustained</td>
</tr>
<tr>
<td>E</td>
<td>Personal liability (each occurrence) $300,000</td>
</tr>
<tr>
<td>F</td>
<td>Damage to property of others $1,000</td>
</tr>
<tr>
<td></td>
<td>Medical payments to others $2,000</td>
</tr>
</tbody>
</table>

#### Loss of settlement provisions (see policy)

<table>
<thead>
<tr>
<th>Forms, options and endorsements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replacement cost – Similar construction</td>
</tr>
<tr>
<td>Limited replacement cost – Coverage A</td>
</tr>
<tr>
<td>Earthquake excl. masonry veneer</td>
</tr>
<tr>
<td>Sewer, water backup coverage: $10,000/$500 deductible</td>
</tr>
<tr>
<td>Increase dwelling up to $50,000 Option X</td>
</tr>
<tr>
<td>Jewelry and furs $5,000 each Option Y</td>
</tr>
</tbody>
</table>

**Deductibles – Section I**

- Earthquake 10%
- Hurricane/wind 10%
- Other losses $500

#### Other deductibles that apply to your policy will be listed here.

**Policy premium**
$1,000

**Discounts applied**
- Earthquake premium (included)
- Home/Auto
- Home protection (burglar and fire alarms, smoke detectors)
- Claim record/Customer longevity
- Age of customer

### Extra coverage: Not every policy includes these coverages. They can be added to give you more protection, sometimes at a higher cost. Ask your agent about these coverages.

### Total premium: Your cost for policy period

**Discounts:** Number of discounts applied to policy

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Other Consumer Information and Resources:

There is much more information available about homeowners’ insurance. If you still have questions or want more information about homeowners’ or other types of insurance, you can:

- Talk with your insurance agent or insurer representative. They will help you navigate the insurance shopping process and the insurer’s process to make a claim. If you have questions or problems with your insurance coverage, call your agent or insurance company.
- Visit insurance companies’ websites. Many companies’ websites have information about homeowners insurance coverage.
- Contact your state department of insurance. Most departments have toll-free numbers you can call and talk with insurance department staff who can answer general questions and give you more information. Look in your local phone book for the department of insurance.
- Visit your state department of insurance website. Most state insurance department websites have consumer information. Some state insurance departments post information about consumer complaints filed against insurance companies and agents. To find the website of your state department, visit the National Association of Insurance Commissioners (NAIC) website at www.naic.org/state_web_map.htm and select your state on the map.

The National Association of Insurance Commissioners (NAIC) also has a number of online resources available for consumers about homeowners insurance as well as other types of insurance. You can find the NAIC’s Consumer Resources webpage at: www.naic.org/consumer_home.htm.

In addition to consumer news and alerts about insurance, the NAIC’s Consumer Resources include:

- **A Consumer’s Guide to Home Insurance.** A comprehensive consumer guide about homeowners insurance, which provides a more detailed review of homeowners’ insurance coverage, why you need it, how it works, how your premiums are determined and your responsibilities as a policyholder: [http://www.naic.org/documents/consumer_guide_home.pdf](http://www.naic.org/documents/consumer_guide_home.pdf).
- **A Consumer’s Guide to Earthquake Insurance.** This is a detailed consumer guide about earthquake insurance, which explains what earthquake insurance is, what areas of the country can be affected by earthquakes, how claims are paid and disaster mitigation tips: [http://www.naic.org/documents/consumer_guide_earthquake.pdf](http://www.naic.org/documents/consumer_guide_earthquake.pdf).
- **NAIC Insure U Website – Creating a Home Inventory.** A home inventory can be invaluable to help make sure you buy enough coverage to protect you if you need to file a claim. Visit this webpage to download a smart phone app so you can easily put together a home inventory: [http://www.insureuonline.org/home_inventory_page.htm](http://www.insureuonline.org/home_inventory_page.htm).
- **The Consumer Information Source.** Do you want know more about the insurance companies you’re comparing? This website gives you access to information about insurance companies including information about consumer complaints against insurance companies. [https://eapps.naic.org/cis/](https://eapps.naic.org/cis/).

Most homeowners insurance policies do NOT cover damage from floods. To cover your home and personal property for damage caused by flooding, you need to buy a flood insurance policy. Ask your agent about flood insurance coverage. You also can review information at the National Flood Insurance Program website [www.floodsmart.gov](http://www.floodsmart.gov).
A Consumer’s Guide

To Home Insurance
This guide provides information on how to make decisions when you buy homeowners insurance. You have a choice in coverages and prices will differ between insurance companies.

Why You Need Insurance........................................................................................................ 1
Coverages in a Homeowners Policy........................................................................................ 1
Types of Homeowners Policies............................................................................................... 2
Limits of Coverage.................................................................................................................. 4
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Why You Need Insurance

Homeowners insurance is an important purchase for many people. There are two major reasons to buy homeowners insurance:

- **To protect your assets.**
  Homeowners insurance covers the structure of your home and your personal property, as well as your personal legal responsibility (or liability) for injuries to others or their property while they’re on your property.

- **To satisfy your mortgage lender.**
  Most mortgage lenders require you to have insurance as long as you have a mortgage and to list them as the mortgagee on the policy. If you let your insurance lapse, your mortgage lender will likely have your home insured. Compared to a policy you would buy on your own, the premium might be much higher and the coverage will be limited to damage to the structure of your home. The lender can require you to pay this higher premium until you get your own homeowners insurance again.

Coverages in a Homeowners Policy

Most homeowners insurance policies provide a package of coverages. The main types of coverage are described below. Keep in mind that you’re covered only if the loss is caused by a peril your policy covers. For example, if your home becomes unlivable due to an earthquake and your homeowners policy doesn’t cover earthquakes, your policy won’t pay for loss of use of your home. Review your policy for the limits of your coverage.

- **Dwelling.** Pays for damage to your house and to structures attached to your house. This includes damage to fixtures, such as plumbing, electrical wiring, heating and permanently installed air-conditioning systems.

- **Other Structures.** Pays for damage to fences, tool sheds, freestanding garages, guest cottages and other structures not attached to your house.

- **Personal Property.** Reimburses you for the value of your possessions, including furniture, electronics, appliances and clothing, damaged or lost even when they aren’t on your property, such as those at an off-site storage locker or with your child at college.

- **Loss of Use.** Pays some of your additional living expenses while your home is being repaired.

- **Personal Liability.** Covers your financial loss if you are sued and found legally responsible for injuries or damages to someone else.

- **Medical Payments.** Pays medical bills for people hurt on your property or hurt by your pets.
Peril is an insurance term for a specific risk or reason for a loss. Some policies cover all perils except ones specifically excluded. At the other extreme are policies that cover only the perils named in the policy.

Types of Homeowners Policies

To be reimbursed for damage to your property, a covered peril (such as fire, theft or windstorm) must have caused your loss. Which perils your policy covers depends on the type of policy you buy. The most common types of homeowners policies are listed below. All of the policy types except the dwelling fire form cover your dwelling and its contents, as well as personal liability and medical payments. Read Table 1 to learn the specific perils each type of policy covers.

A type of homeowners policy is called a form

- The Dwelling Fire Form covers only your dwelling. It does not cover your personal property, personal liability or medical payments. It also covers only a few perils. It’s the type of policy your mortgage lender will buy for you if you let your homeowners policy lapse. It’s also used for vacation homes and when you can’t find other coverage.
- The Basic Form insures your property against only the list of perils shown in Table 1.
- The Modified Coverage Form is for older homes, where the cost to rebuild is greater than the market value. It covers the same set of perils as the Basic Form.
- The Broad Form insures your property against the perils shown on Table 1.
- The Special Form is the most popular of all homeowners forms. It insures your property against all perils, except those the policy specifically names as not covered. Perils commonly excluded are flood and earthquake.
- The Tenants Form is for renters. It insures your personal property against all of the perils in the Broad Form.
- The Condominium Unit Owners Form is for owner-occupants of condominium units. It insures your personal property and your walls, floors and ceiling against all of the perils in the Broad Form.

There are other types of insurance for other types of residences. If you own a townhouse, you may insure it through either an individual homeowners policy or an association master policy. If you live in a mobile home that has wheels and doesn’t rest on blocks or a permanent foundation, in most states you’ll buy a form of automobile insurance. This insurance offers far less coverage than homeowners policies. If your home is on land used for farming or raising livestock, ask about a farmowners policy.
Table 1. Perils Covered by Different Types of Homeowners Policies

<table>
<thead>
<tr>
<th>Peril</th>
<th>Dwelling Fire</th>
<th>Basic Form and Modified Coverage Form</th>
<th>Broad Form</th>
<th>Special Form</th>
<th>Tenants Form</th>
<th>Condominium Unit Owners Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire, smoke, windstorm, hail, lightening, explosion, vehicles, civil unrest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Theft, vandalism</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trees and other falling objects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>weight of ice, snow, sleet</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freezing, rupturing or sudden and accidental overflow of a plumbing, heating, air conditioning or fire sprinkler system or a household appliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All perils except flood, earthquake, war, nuclear accident and other perils specifically excluded in your policy</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**Flood Insurance**

Homeowners policies don’t cover flood damage. Depending on where your home is, you may qualify for flood insurance through the National Flood Insurance Program or through a private insurer. Contact an insurance agent for more information. If your home is in a flood plain, your mortgage lender will usually will require you to buy flood insurance.
Limits of Coverage

Your insurance agent usually will help you decide how much dwelling coverage to buy when you first get homeowners insurance. Your coverage should equal the full replacement cost of your home. Note that replacement cost and market value are not the same. The market value, which includes the price of your land, depends on the real estate market.

You should review your dwelling coverage from time to time to be sure it doesn’t drop below the cost to replace your home. If it drops below 80% of the full replacement cost of your home, your insurance company may reduce the amount that it will pay on a claim.

The limits of your coverage for other structures, for personal property and for loss of use of your home are expressed as percentages of your dwelling limit. The coverage is usually a set percentage (see Table 2). For example, if your dwelling coverage limit is $150,000 and your coverage for personal property is limited to 50% of your dwelling coverage, your coverage for personal property would be $75,000. Check your policy, as coverage limits might be based on percentages different from those in Table 2. You choose your coverage limits for your personal liability and for medical payments.

Table 2. Policy Limits

<table>
<thead>
<tr>
<th>Coverage Component</th>
<th>Typical Limit of Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dwelling</td>
<td>You Choose</td>
</tr>
<tr>
<td>Other Structures</td>
<td>10% of Dwelling Coverage Limit</td>
</tr>
<tr>
<td>Personal Property</td>
<td>50% of Dwelling Coverage Limit</td>
</tr>
<tr>
<td>Loss of Use</td>
<td>20% of Dwelling Coverage Limit</td>
</tr>
<tr>
<td>Personal Liability</td>
<td>You Choose</td>
</tr>
<tr>
<td>Medical Payments</td>
<td>You Choose</td>
</tr>
</tbody>
</table>

Deductibles

A deductible is the money you have to pay out-of-pocket on a claim before the policy pays the loss. The deductible applies to coverage for your home and personal property and is paid on each claim. Higher policy deductibles mean lower policy premiums. A policy with a $1,000 deductible will have a lower premium than the same policy with a $500 deductible. In some locations, there also are catastrophe deductibles, which are expressed as a percentage instead of a fixed dollar amount.
Having a higher deductible can be a good way to save money on your homeowners insurance premium and to submit fewer claims. However, be sure you can afford the deductible in case you have a loss.

**Replacement Cost and Actual Cash Value**

You can choose to insure your home and its contents for either replacement cost or actual cash value. **Replacement cost** is the cost to rebuild your home or repair damages using materials of similar kind and quality. **Actual cash value** is the value of your home considering its age and wear and tear. Actual cash value coverage pays you for your loss, but often doesn’t pay enough to fully repair or replace the damage.

**Optional Coverages**

You can add other coverages. Sometimes, you can add coverage by buying an endorsement; other times, you must buy another policy to cover a specific peril or a specific item of property. Some reasons you might want to add coverages are:

- **To cover perils most homeowners policies don’t cover.** The National Flood Insurance Program writes most flood insurance policies, although some insurance companies also sell it. Many insurance companies sell earthquake insurance as a separate policy or as an endorsement to your homeowners policy. While homeowners policies in most states cover damage caused by windstorm and hail, policies in coastal areas often exclude this coverage, in which case you would need to buy a separate policy to protect from this risk. You might be able to buy endorsements to cover damage caused by mold or by sewer or drain backups and sump pump overflow since most homeowners policies offer limited or no coverage for these types of events.

- **To increase your current coverage.** Guaranteed replacement cost coverage pays to completely rebuild your home, while a personal property replacement cost endorsement pays to replace your personal property. An inflation guard endorsement raises your dwelling coverage limit annually in line with inflation. Personal umbrella liability insurance increases your liability coverage above the level available in a homeowners policy. A scheduled personal property endorsement (or “personal article floater”) covers jewelry, furs, stamps, coins, guns, computers, antiques and other items whose value might be greater than the normal limits in your homeowners policy. An ordinance or law endorsement pays for the extra expense to rebuild your home to comply with building codes and other ordinances or laws that didn't exist when your home was originally built.
Business Use of Your Home

While homeowners insurance isn’t designed to cover most business uses of your home, some policies might cover some business uses, at least partially. For example:

- **Computers and laptops.** If you use your home computer or laptop for business purposes, it’s often covered, but you should check your policy limits. Your laptop might be covered, even if it’s lost, damaged or stolen when it’s away from your home.

- **Daycare coverage.** Most homeowners policies provide a limited amount of liability coverage if you care for a friend’s children and aren’t paid. But if you’re paid to provide daycare in your home, you must buy more insurance to cover your related liability.

Home Sharing Rentals

If you’re earning money from renting a room or your home through a peer-to-peer (P2P) company, the insurance company may consider that a business use of the property and not cover you. Not having insurance coverage could be very costly. Without coverage, you may have to pay for the damage a renter causes to your home. And, if that renter causes damage to a neighbor’s property, you might have to pay for that as well. Finally, if a renter slips and falls while staying at your home, you might wind up paying for medical bills and injuries out of your own pocket.

In home sharing or P2P rentals, people rent a room or their entire home to a stranger. The arrangement is usually made through an online website or mobile app. Some of the major P2P companies are Airbnb, Roomorama, Vacation Rentals By Owner (VRBO), OneFineStay and HomeAway.

Don’t assume you’ll be covered. Before you list a room or your home for rent, ask your insurance company or agent what your homeowners policy will – or won’t – cover. If you don’t plan to rent out a room or your home very often, your insurance company may be willing to cover you for an added premium. Be sure to ask the P2P company you want to sign up with if it offers host protection coverage. The coverage in host protection insurance is limited, and it might cover you only after your homeowners policy either settles or denies your claim. If you plan to rent a room or your home often, then ask your homeowners insurance company or agent about landlord or rental property insurance.
Other Types of Home-Related Insurance

You might hear about other types of insurance, especially when you buy your home. Lenders usually require private mortgage insurance (PMI) if your down payment is less than 20% of the home’s purchase price. PMI protects the lender if you default on your mortgage. The PMI premium often is included in your monthly mortgage payments.

Title insurance protects you and the lender against any monetary loss due to errors in the title. You pay for title insurance as a one-time premium when you buy a home.

A home warranty covers the mechanical breakdown of individual parts of a home, such as the electrical and plumbing systems. A warranty doesn’t cover the home’s structure, may or may not cover appliances, ends at a specific point in time (for example, one year) and has exclusions and limitations that you should review. Home warranties might not be regulated as insurance in your state.

How Insurers Determine Your Premium

Many factors affect the premium you pay, including which insurance company you choose. Different insurance companies charge different premiums for similar coverage. Decisions you make about how much insurance coverage to buy also affect your premium. Some of the other things that are likely to affect your premium are:

- The characteristics of your home
  - The cost to rebuild your home. This is not the same as the purchase price (which includes the cost of the land). Your insurance agent might help you estimate replacement cost using information about your home and its contents.
  - Whether your home is made of brick or wood. The premium usually is lower for homes that are primarily brick or masonry than for wood frame homes.
  - The distance from your home to a water source or fire department and the quality of your community’s fire protection services.
  - The age and condition of your home. The premium often is higher for older homes and homes in poor condition than for newer homes and homes in good condition.
  - The claims history of your home and of homes in your area.

- Your choices and characteristics
  - The coverages you choose, including optional endorsements.
  - The deductible you choose.
  - Insuring your home and autos with the same insurance company.
  - The length of time you’ve been with your current insurance company.
  - Your credit history. To access your credit report, the insurance agent might ask you for your Social Security Number. In many states, insurers use your credit
history as a factor to decide whether to sell you insurance and what price to charge you.

- Your history of filing claims for water damage, fire, theft or liability on homes you’ve owned.

➢ Other characteristics
- Having protection devices in your home, such as smoke detectors, a burglar alarm, a sprinkler system, deadbolts on doors or security devices for windows. Many insurers offer a discount if you have any of these.
- Having a wood furnace or wood stove.
- Having a swimming pool, trampoline or playscape that could cause injuries.
- The types of pets you have. Some insurers won’t insure you if you own certain breeds of dogs.
- Operating a business from your home – including home sharing rentals.

Smart Shopping

Different insurance companies charge different rates for the same coverage. Also, not all insurance companies provide the same level of claims service. Therefore, it makes sense to shop around for the best insurance company for your needs.

Insurance companies use one of three methods to sell their products.

- **Independent agents** represent several companies and can give you several quotes.
- **Exclusive agents** only sell the products of one insurance company.
- **Direct market** sales are over the Internet or by mail or telephone.

You can find insurance companies and agents through the phone book, on the Internet and television and by asking friends and neighbors. You should also check with your state insurance department to learn if it publishes premium comparison guides for homeowners insurance.

Customer service is important to most consumers, particularly when they have a claim. You can get a sense of how well an insurer serves its customers from a complaint index. Many state insurance departments post complaint index information on their websites. A complaint index measures how many complaints your state insurance department receives relative to the size of the company.

It’s illegal for unlicensed insurers or agents to sell insurance. Business cards aren’t proof that an agent is licensed. If you do business with an unlicensed agent or company, it might not pay your claims or refund your premiums if you cancel your policy. If an unlicensed agent or company contacts you, check with your state insurance department immediately so it can investigate. Your actions may protect someone else from being victimized.
You also want to buy insurance from a company that’s financially sound. You can check the financial health of an insurance company by using ratings from independent ratings agencies such as Standard and Poor’s, A.M. Best and Moody’s.

**Getting Premium Quotes**

Getting premium quotes is a good way to compare different companies’ prices. But, first you should decide what coverages and policy limits you need. It’s important that you know how much it would cost to rebuild your home. An insurance agent or a contractor might be able to help you estimate the cost to rebuild your home.

When you get quotes, it’s crucial that you ask for the same coverages and limits and give the same information to each agent or company. To give you an accurate quote, the insurance agent or company will usually ask for a description of your house (such as where it’s located, its square footage, when it was built and the type of construction). He or she also might ask about items that increase your insurance needs, such as owning pets and expensive possessions. An agent might visit your home to take a photo or ask you for other information (such as the distance from the nearest fire department and the general condition of your home). Be sure to get rate quotes and key information in writing.

Be sure to ask the insurance agent if you qualify for any discounts. Some insurers offer a discount if you also buy your auto insurance from them or if you disaster-proof your home (for example, add storm shutters), update the home’s electrical or plumbing systems, get a new roof or add home security devices (for example, a burglar alarm).

Also, be sure to find out how much your premium will change if you choose different deductibles.

While you’re getting quotes, you should also ask the agent some of these questions:

- Are the agent and the insurance company licensed by my state insurance department? For how long? (Your state insurance department can confirm the answers to these questions.)
- How can I find out the claims history of the home before I buy it? The claims history of the home might affect your premium.
- If I submit a claim, how will it affect my premium when I renew the policy?
- How will my credit history affect my premium?
- What does the policy cover? What doesn’t it cover? What are the limits to the coverages?
- How much coverage do I need for my personal property?
- How much liability coverage should I buy?
- Should I buy flood insurance or earthquake coverage? Your homeowners insurance policy doesn’t cover either.
• What types of water damage are not covered? Is mold damage covered?

If you’re thinking of buying a home, you can ask an agent to estimate the cost of insurance.

Your Responsibilities

A homeowners insurance policy is a legal contract. It’s written so that your rights and responsibilities, and those of the insurance company, are clearly stated. You should read your policy and be sure you understand it. If you have questions about your insurance policy, contact your insurance agent or company.

When you buy homeowners insurance, you will receive a policy—not a photocopy. If you don’t receive a policy within 30 days, contact the insurance company, not the agent. If you need a company’s toll-free number, contact your state insurance department.

Keep your policy in a safe place and know the name of your insurer. If you still have questions, contact your state insurance department.

Other helpful tips:

• Pay the premium on time. Most insurers don’t offer a grace period to pay the premium late; the due date is the due date.

• Keep a file of all paperwork you completed online or received in the mail and signed—as well as any other documents related to your insurance, including the policy, correspondence, copies of advertisements, premium payment receipts, notes of conversations and any claims submitted.

• Make a household inventory.
  – Go through each room; write down and take pictures or videos of everything in the room.
  – Inventory everything, including valuable items such as antiques, electronics, jewelry, collectibles and guns.
  – Store your home inventory in a secure place at another location, such as your workplace, a safe deposit box, a relative’s house or online.
  – Annually review and update your home inventory, including your pictures/videos. Also update your inventory when you buy new items.
  – Keep receipts with your home inventory for all repairs and new items you buy, for proof if you file a claim.

• Maintain your home.
  – A homeowners policy isn’t a maintenance contract. It insures against damage from perils such as fire, wind and hail; it doesn’t pay to repair items that simply wear out, like rotted porch railings. You’re responsible for
the upkeep of your home, such as repairing your roof when it begins to leak or cleaning your chimney flue so it doesn’t catch fire.

Filing a Claim

Read your policy—it’s your guide to the types of losses that may or may not be covered. How often you file a claim and the types of claims you file often affect your premium and whether your insurer will renew your policy. If the cost to repair the damage is not much more than your deductible, you might want to pay for the repairs without filing a claim.

Most insurance companies report your homeowners claims to private nationwide claim databases (such as the Comprehensive Loss Underwriting Exchange, better known as CLUE). Insurance companies use these databases to see the claims you’ve submitted in the past.

To file a claim, contact your insurance agent or company as soon as possible. Ask about forms or documents you’ll need to support your claim. You’re also required to protect your home from further damage. For example, you might need to board it up or clean up water from a backed-up drain.

The insurance company will assign a claims adjuster to assess the damages and determine the payment. These adjusters may be employees of the company or they may be independent contractors. You should cooperate with the adjuster’s investigation of your claim. The adjuster will probably want to meet with you at your house to inspect the damage. Jot down notes and keep track of the dates of any conversations you have with your insurance agent or adjuster.

If there are disagreements between you, the insurer and the claims adjuster, first try to resolve them with your insurer. Don’t feel rushed or pushed to agree with something you aren’t comfortable with. It might help to have your contractor meet with you and the insurance adjuster.

If you and the insurer still disagree about the value of the claim, check your policy for an appraisal clause. Another option is to hire an attorney or a public adjuster.

Public adjusters aren’t attorneys or government employees—they’re freelance adjusters that charge you a fee. Not all states allow public adjusters, but those that do require them to be licensed and to follow certain guidelines. If you have questions about the use of public adjusters, contact your state insurance department.
If you have trouble with or questions about your claim, you also may contact your state insurance department for help. Your state insurance department has consumer services personnel who can help you work with your insurer to resolve disagreements.

**Losing Your Insurance**

There’s a big difference between an insurance company cancelling your policy and not renewing it.

_Cancellation_ means either you or your insurance company stops the coverage before the policy’s normal expiration date (which is usually 12 months after the policy starts). You always can cancel your policy for any reason. When you’re a new policyholder, there’s a limited period of time (typically 60 days) in which your insurance company can cancel your policy for any reason. After that, it can cancel you only if you don’t pay your premium, if you’ve lied on your application or if your risk has changed substantially.

If your insurance company cancels your policy, it must give you notice. The number of days varies by state. If you or the insurer cancels your policy, the company may refund a portion of your premium.

_Non-renewal_ means the company refuses to renew your policy after it expires. Insurance companies generally have the right to not renew your policy. If your company chooses not to renew your policy, it must give you notice; the number of days (typically 30 days before the renewal date) varies by state. You may ask the insurer for the reason. You also may choose not to renew your policy.

**What to Do if You Can’t Find Insurance**

Contact your state insurance department to ask if your state has a FAIR Plan, wind pool, or other residual market mechanism information or market assistance program available. See below for information about contacting your insurance department.

**For More Information**

- If you can’t find insurance, consumer rights information, premium comparisons or complaint handling information, visit your state insurance department’s website. The department will have some information posted on the website, plus contact information if you have other questions. To find the website address of your state department, visit the National Association of Insurance Commissioners (NAIC) website at www.naic.org/state_web_map.htm and select your state on the map.
- Visit the NAIC websites for consumers: www.InsureUonline.org or www.naic.org.
- Access your free annual credit report: Visit www.annualcreditreport.com or call 877-322-8228.
Attachment Four
Hear a Presentation on the ISO’s Public Protection Classification pending
Attachment Five
Discuss Modernization of Commercial Lines Rates and Forms Regulation
COMMERCIAL LINES (EX) WORKING GROUP

RECOMMENDATIONS

June 29, 2015

1. Commercial lines products for which individual consumers are charged for coverage

States should ensure that individual consumers are protected when they are charged for commercial lines coverage.

Consumer representatives have called the Working Group’s attention to products that are often filed and regulated as commercial lines, but for which individual consumers are charged for coverage. Examples include lender-placed insurance (LPI) and portable electronics insurance. With LPI, an insurer sells a master policy to an auto lender or mortgage servicer. When the borrower fails to provide evidence of required insurance under the loan agreement, coverage is issued under a master LPI policy to the lender or servicer, and the lender or servicer may assess a charge to the individual borrower for LPI. With portable electronics insurance, the master policy is sold to a commercial service provider, which sells certificates of coverage to individual consumers. In situations such as these, states should ensure that rate and form regulation provides an appropriate level of protection for consumers. Such products should not be regulated on the assumption that they are similar to other commercial lines.

The Working Group chose not to propose a precise definition of commercial lines for purposes of rate and form regulation, so each state that implements this recommendation should tailor its action to its own legal and regulatory framework. In some states this may require revisions to statutes and regulations. Other states may be able to implement this recommendation by issuing bulletins and changing review procedures and priorities.

2. Definition of exempt commercial policyholder

The NAIC should revise the definition of exempt commercial policyholder (“ECP”).

Currently, based on the compendium recently updated by the Working Group, only 22 states have specific criteria in statutes or regulations exempting policies pertaining to large commercial risks from rate or form filing requirements. Several states have different definitions (thresholds) for filing rates and forms. Some provide exemptions for rate filings but still require form filings. Other states apply identical criteria to rates and forms, respectively.
Few states use the exact criteria outlined in the NAIC Property and Casualty Model Rate and Policy Form Law Guideline (GDL-1776) and the NAIC Property and Casualty Model Rate and Policy Form Regulation Guideline (GDL-1781), preferring instead to use thresholds much lower than those recommended in the guidelines. It is unclear whether a lower NAIC standard for ECP would encourage states to take action to achieve uniformity, but the issue warrants investigation. In comments made to the Working Group, some insurance industry representatives have indicated that the states’ failure to adopt uniform definitions of ECP is a significant problem. However, the industry prefers lower thresholds over uniformity, asserting that no state should increase its existing ECP threshold to achieve uniformity.

The NAIC should charge its Property and Casualty Insurance (C) Committee with studying states’ existing ECP thresholds to identify best practices and determine whether the NAIC guidelines should be amended in order to encourage more states to introduce exemptions for commercial lines rates and forms. In particular, an industry suggestion that the threshold for form filing exemption should be higher than that for rate filing exemption merits consideration, because businesses may find it easier to understand a premium calculation than to understand the nuances and possible consequences of various policy form provisions. Another threshold to consider is the definition of “exempt commercial purchaser” in the federal Nonadmitted and Reinsurance Reform Act of 2010. Section 527 of this Act defines this term in subsection (5). This definition in subsection (5) incorporates the term “qualified risk manager,” which is defined in subsection (13).

3. **Manuscript policies**

   **States should consider allowing manuscript policies to be used without prior approval.**

   Manuscript policies are policies written on unique forms designed to cover only a single policyholder (in some states such policies may be used for up to three different policyholders). These policies are often written to cover large commercial risks with unique exposures. In many states, manuscript policies are not required to be filed or, if filed, are not subject to prior approval. Other states should consider implementing one of these approaches.

4. **Policies for multistate risks**

   **States should consider establishing conditions for exempting policies for multistate risks from form and rate filing requirements.**

   On several occasions insurance industry representatives expressed to the Working Group their concerns that state form and rate filing requirements, as they are applied to policies for
multistate risks, can result in significant inefficiencies. When an insurer issues one policy to cover the risks or exposures in all states in which the insured has operations, the insurer may need to consider:

- The multiple (and possibly conflicting) amendatory endorsements required by various states;
- Each state’s regulatory framework (prior approval, file and use, use and file, etc.); and
- The policy’s effective date and the timing of individual state approvals.

To address the issues related to policies for multistate risks, states should consider establishing conditions for exempting policies for multistate risks from form and rate filing requirements. This exemption would recognize the precedence of transactions that occur outside of a state where perhaps only a small part of the insured exposure is located. To prevent misuse of the exemption, states should consider all elements of the transaction. Specifically, the insured must not be headquartered in the state, and the entire transaction (negotiations, correspondence, policy deliverance, payment) must take place outside of the state. For example, an insurer issues one policy to an insured headquartered in state A with operations also in states B and C. The entire transaction takes place in state A, including policy negotiations, correspondence, policy deliverance, and payment of premium. Because no part of the transaction takes place in states B or C, the policy would be exempt from form and rate filing requirements in states B and C.

Multistate policies under which coverage is sold to individual consumers or for which individual consumers may be assessed a charge under a master policy should not be eligible for this regulatory exemption (see recommendation 1).

5. **Review of existing authority**

   **Each state should review its existing authority to improve the efficiency and effectiveness of rate and form review for commercial lines.**

   Many states have laws that allow the Commissioner (or Director or Superintendent) to modify or eliminate filing requirements for certain types of policies or certain lines of business. In some states the Commissioner can do this only by adopting rules. In other states the process may be less formal. Each state should review its existing statutory authority with respect to commercial lines rate and form filings and look for changes that could be made to improve the efficiency and effectiveness of rate and form review for commercial lines.

6. **Interstate compact for commercial lines**
The NAIC should not pursue the development of an interstate compact for commercial lines at this time.

The idea of creating an interstate compact for review and approval of rates and forms for commercial lines products was raised in the Working Group’s earliest discussions. The issue was highlighted when the Federal Insurance Office in December 2013 issued its report “How to Modernize and Improve the System of Insurance Regulation in the United States.” This report (on page 48) recommended: “State regulators should pursue the development of nationally standardized forms and terms, or an interstate compact, to further streamline and improve the regulation of commercial lines.”

In order to develop a recommendation regarding an interstate compact, the Working Group surveyed the largest writers of commercial lines insurance to gauge their interest in supporting the enactment of an interstate compact by state legislatures and in making commercial lines rate and form filings through an interstate compact. The Working Group also attended a webinar presentation by the Interstate Insurance Product Review Commission (IIPRC) to gain an understanding of how the existing interstate compact (for life, annuity, disability income, and long-term care insurance products) was developed, and how it operates.

The industry survey responses and other comments made to the Working Group show that there is some industry interest in the development of an interstate compact for commercial lines. Many responses, however, are tentative and cautious, and there is no consensus as to which commercial lines would be most appropriate for filing through an interstate compact. The Working Group believes that, at this time, there is insufficient support and unity for the NAIC to undertake the development of an interstate compact for commercial lines. For now, the NAIC, state insurance regulators, the property and casualty insurance industry, and insurance buyers would all be better served by regulators’ expending their resources on implementing the other five recommendations of this Working Group.

The NAIC should review the situation within five years to determine whether conditions have changed enough to support the NAIC’s proceeding with creation of an interstate compact for commercial lines.

Adopted by the Commercial Lines (EX) Working Group on June 29, 2015

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Attachment Six
Discuss State Data Calls
pending