

Building Your Financial House

Set the Foundation of Your Future



Case Study Ex-Offender Reentry Appendix B

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Anna’s Insurance Review

Insurance has a language of its own, and Anna is struggling with understanding all of the terms and phrases as she reviews her policies. Help Anna by defining the common terms and phrases for auto, renters, and life insurance policies using the additional resources provided and the Protect Your Potential materials.

Auto Insurance	
Term	Definition
Liability-bodily injury	
Liability-property damage	
Medical benefits	
Collision	
Comprehensive	
Uninsured motorist	
Underinsured motorist	
Full tort	
Limited tort	
Deductible	



Participant ID: _____

Renter's Insurance	
Term	Definition
Peril	
Personal property	
Personal liability	
Medical expenses	
Loss of use	
Replacement Value	
Actual cash value	
Rider/scheduled personal property endorsement	
Multi-policy discount	



Participant ID: _____

Life Insurance	
Term	Definition
Term life	
Permanent life	
Whole life	
Universal life	
Variable Life	
Policy illustrations	
Death benefit	
Beneficiary	
Cash value	
Policy loan	
Surrender charge	
Suicide clause	
Sales charge	

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Participant:

Automobile INSURANCE GUIDE

The Pennsylvania Insurance Department is here to help you understand automobile insurance. In the next few pages you will learn about auto insurance, types of coverage available, and some tips on how to shop and what to do if you are in an accident.

Insurance coverages and policies can vary, so you should consult your policy or contact your insurance agent or company to get specific information about your coverage.



What Is Automobile Insurance?

Automobile insurance is a contract between you and your insurance company. It protects you against financial loss if you are in an auto accident. Auto policies contain a variety of required and optional coverages. You agree to pay a fee, called the **premium**, and in return, the insurance company agrees to pay for certain losses as defined in your **policy**. Having the right insurance coverage may prevent you from suffering a large financial loss in the event of an automobile accident.

Is Auto Insurance Mandatory in the Commonwealth?

Drivers must purchase and maintain auto insurance to legally drive in Pennsylvania. This is called maintaining “financial responsibility” on your vehicles. A lapse in insurance coverage may result in the suspension of your vehicle registration. Operating a vehicle without the required insurance may result in a fine, the suspension of your driver’s license, and the forfeiture of your license plate and registration sticker. Restoration fees and proof of insurance must be provided prior to having either registration or driving privileges returned. **Insurers** are required to report **policy** terminations to PennDOT. Drivers are responsible for providing proof of continuous coverage.

What Are the Required Coverages in Pennsylvania?

When you purchase auto insurance, there are certain coverages that are required and others that are optional. The required coverages are:

Medical Benefits

This coverage pays the medical bills for you and others who are covered by your **policy**, regardless of fault, if there are injuries resulting from an accident.

The **minimum limit** is \$5,000. Higher **limits** are also available.

Bodily Injury Liability

If you injure someone in an auto accident, this coverage pays damages for which you are liable, such as medical and rehabilitation expenses. The **minimum limit** is \$15,000/\$30,000. The \$15,000 pays for injuries to one person, while the \$30,000 represents the total available for one accident. Higher **limits** are also available.

Property Damage Liability

If you damage someone’s property (such as his or her car) in an accident and you are at fault, this coverage pays for repairs to that property. The **minimum limit** is \$5,000. Higher **limits** are also available.

Some companies offer a combined single limit of \$35,000 which meets the **bodily injury liability** and **property damage liability** minimum requirements.

Required coverages in Pennsylvania:

- ★ Medical Benefits
- ★ Bodily Injury Liability
- ★ Property Damage Liability

What Are the Optional Coverages in Pennsylvania?

Auto insurance policies also offer a variety of additional optional coverages that can be purchased. These include:

Uninsured Motorist (UM)

This coverage applies to you, relatives residing in your household, and your passengers if injured by an at-fault **uninsured motorist** or hit and run driver. This does not cover damage to property.

Please refer to the Glossary found on page 11 for definitions of the terms in bold face.



Underinsured Motorist (UIM)

This coverage applies to you, relatives residing in your household, and your passengers if injured by an at-fault motorist who does not have enough insurance to pay your **claim**. This does not cover damage to property.

Stacking of UM or UIM

When you **stack** your **UM and/or UIM coverages**, your limit of coverage for each covered vehicle on your **policy** is multiplied by the number of vehicles on the **policy**. You can also **stack** your **UM and/or UIM coverages** to receive **uninsured** or **underinsured motorist** coverage from more than one **policy** under which you are insured. By law, stacked coverage applies unless you reject it. You will pay less in **premiums** if you reject stacked coverage.

Funeral Benefit

Funeral Benefits pay, up to the limit specified in the **policy**, for funeral expenses if you or a family member dies as a result of an auto accident, regardless of who was at fault in the accident.

Income Loss

This pays a portion of your lost wages when injuries sustained in an auto accident keep you from working.

Collision

Collision coverage pays to repair damage to your car as a result of an accident. Most banks or lenders require you to buy this coverage to receive a car loan. Under Pennsylvania law, the insurance company applies a \$500 **deductible** unless you request a lower amount. Generally speaking, the higher your **deductible**, the lower your **premium**.

Comprehensive

Comprehensive coverage pays for theft or damage to your car from hazards such as fire, flood, vandalism, and striking an animal. Most banks or lenders require you to buy this coverage to receive a car loan. There are various levels of **deductible** that may be purchased.

Extraordinary Medical Benefits

This pays for medical and rehabilitation expenses that exceed \$100,000, up to a maximum limit of \$1.1 million.

Accidental Death Benefit

Accidental Death Benefit pays a specified dollar benefit to the personal representative of a person who dies as a result of injuries sustained in an auto accident.

Rental Reimbursement Coverage

Rental Reimbursement Coverage pays—up to the limit on your **policy**, your expenses to rent a vehicle if the vehicle on your **policy** sustains a covered **comprehensive** or **collision** loss.

Towing Coverage

This reimburses you, up to the limit of your **policy**, for towing and labor costs for your covered vehicle. This coverage is usually only available if **comprehensive** and **collision** is carried on your vehicle.

GAP Coverage

Guaranteed Asset Protection (GAP) will pay the difference between an insurance company's payment for a totaled vehicle and the balance of a vehicle loan. This

coverage is traditionally purchased when an individual is buying a new vehicle. These policies do not pay for **deductibles**, missed payments, or late fees and many times have a limit to the amount they will pay. Check your **policy** carefully when choosing to add GAP coverage.

How Are Rates Determined?

When you are ready to purchase insurance, the insurance company or **producer (agent)** will ask you a series of questions and, based on your answers, will decide whether or not they will accept you as a policyholder. This practice is known as **underwriting**. By law, insurance companies may not unfairly discriminate by using underwriting standards based on things such as race, religion, nationality, ethnic group, age, gender, family size, occupation, place of residence, and marital status.

Certain items will be taken into consideration when figuring your **premium**, such as the type and age of the vehicle, its safety features, where the vehicle is garaged, the average number of miles driven in a year, the coverages and **limits** chosen for the **policy**, and the driving history of the drivers, to name a few. Some companies may use your credit history when determining your **premium**. Companies cannot use it to increase your rate when you renew. By law, insurance companies are prohibited from charging different rates based on an applicant's race, religion, national origin, and gender.

What Should I Know Before I Start to Shop?

You need to know what coverages you want, as well as the **limits** and **deductibles** you desire. Also, you should have the following basic information available on all drivers in your household:

- ★ All drivers' names, ages, and marital statuses;

- ★ Driving record (accidents and moving violations);
- ★ Estimated annual mileage driven;
- ★ Full vehicle identification number;
- ★ Year of vehicle;
- ★ Cost of vehicle; and
- ★ Special equipment, such as anti-theft devices, airbags, etc.

By law, insurance companies are **prohibited** from charging different rates based on an applicant's race, religion, national origin, and gender.

Teen Drivers

Insuring a teen driver is often a significant additional cost for parents. Some companies require that a teenager be added to the **policy** upon obtaining his/her learner's permit. Check with your insurance company to determine their requirements. Many companies consider younger drivers to be a higher risk, and this often translates into higher **premiums**.

Your child may be eligible for discounts. Ask your insurance company if discounts are offered for good grades or completed driver education courses.

Mature Drivers

Taking a driver safety training course is an excellent way to keep your driving skills sharp, and it can also earn you a reduced rate on your car insurance if your carrier offers such a discount. Pennsylvania law requires insurance companies to provide at least a five percent **premium** discount for each vehicle on an auto **policy** under which all named **insureds** are 55 years of age or older and have successfully completed a driver improvement course that meets the standards of PennDOT.

Individuals must take an approved course every three years to continue to be eligible for the discount. They may be disqualified if, within three years of completing the course, they are involved in a chargeable accident, convicted of a moving violation, or are convicted—or have Accelerated Rehabilitative Disposition (ARD)—for driving under the influence of alcohol or a controlled substance.

Insurance companies recognize that mature drivers face unique challenges as they get older, and they will reward those mature drivers who take the initiative to minimize risk by enrolling in approved driver training courses.

Know How to Save

Discounts

Most insurance companies offer discounts for safer drivers, safer cars, drivers with multiple types of policies, good students, and more. There are also a variety of discounts that are required by law, like the mature drivers discount mentioned above. Ask your insurance company today and you could start to save.

Limited or Full Tort

If you are in an automobile accident, you are able to recover out-of-pocket medical and certain other expenses. **Limited tort** offers you significant savings on your **premium** but you are not able to recover certain damages—such as payments for pain and suffering—unless the injuries meet one of the exceptions in the law. With **full tort**, you have unrestricted rights. If you fail to specially elect **limited tort**, you will be deemed to have elected **full tort**.

Deductibles

By choosing higher **deductibles** on **comprehensive** and **collision** coverage, you may be able to lower your **policy** cost. Just remember that the **deductible** you choose is what you are responsible for paying out of your pocket in the event you file a **claim**.

Where to Buy Insurance

Now that you know all about what to look for when choosing your auto insurance, let's talk about where to buy a **policy**.

Agents

Agents are individuals available locally to address your car insurance needs. Local agents can be independent or captive. If your agent is independent and not exclusive to one insurance company, he or she can compare policies and sell you the one that best meets your needs from among the multiple insurance companies he or she represents. If your local agent is a captive agent, he or she exclusively represents one insurance company.



Direct

Some insurance companies sell their policies directly over the phone or Internet without using agents. In some cases, you can choose to interact with a direct company exclusively over the Internet.

A good rule of thumb is to get **quotes** from at least three different insurance companies. Make sure your **quotes** are for the exact same coverages and **limits**. Cost can vary significantly among companies. Ask for copies of the insurance policies. It is important to read the policies to understand the differences in coverage from **policy** to **policy** and especially what is excluded. No two policies are exactly the same.



Things to Keep in Mind

Make sure you know the length of the **policy** term. The most common **policy** terms are six months (semi-annual) and one year (annual). While policies sold for a term of less than one year may require less money up front, they will be re-priced at the end of the **policy** term. Keep in mind that an insurance

company can only non-renew you on the annual anniversary of when your **policy** was initially written, even if the **policy** term is less than 12 months.

Many companies have payment plans that allow you to pay the **premium** over a period of time, sometimes for an extra fee. If you decide to buy a **policy** on a payment plan, find out the applicable installment fees.

If you use a **premium finance company** to pay for your insurance, the monthly payments may be easier, but the total of payments could be larger. Finance agreements are separate contracts that often include a limited power of attorney that gives the finance company some authority over the termination of your **policy**. Moreover, if the **policy** is cancelled, the insurance company must remit all return **premiums** to the finance company, which will apply them to your account.

Personal effects and equipment such as cellular telephones, compact discs, CD players, and custom stereo speakers and systems that are not permanently installed in the vehicle by the manufacturer generally are not covered, unless specifically declared and added to the **policy**.

Read before you sign. Remember, you are ultimately responsible for the accuracy and completeness of the information on your application.

Should You Drop Comprehensive and/or Collision Coverage on an Older Car?

It may not be cost-effective to have **comprehensive** or **collision** coverage on cars worth less than \$1,000.

What Happens if I Can't Get Auto Insurance Because of My Driving History?

Pennsylvania's **Assigned Risk Plan** is a program that offers car insurance to those who are unable to get coverage on their own. All insurance companies

writing automobile insurance in the commonwealth are required to participate in the plan. Applicants are assigned to insurance companies in proportion to the amount of business each company writes in the commonwealth. To learn more about the **Assigned Risk Plan** you can visit www.pafairplan.com or contact the plan's customer service office at (401) 946-2800 or toll-free at (800) 477-6146.

After You Purchase Insurance

After you purchase automobile insurance you will receive your **policy**. Your policy is a contract between you and your insurance company. You should take time to read your **policy**. Every **policy** includes a **declarations page**. The declarations lists the insurance company, your name, the policy number, vehicles, coverages, **deductibles**, **limits**, cost of **premium**, and effective and expiration dates. If you

Remember, you are ultimately responsible for the accuracy and completeness of the information on your application.

have questions, contact your insurance agent or company. They are responsible for serving your **policy**, including responding to any questions you may have regarding the terms in your **policy**. If you purchased a **policy** directly from the insurance company, a company representative should be able to respond to your questions. If you still have questions, you may choose to email, write, or call the Pennsylvania Insurance Department's Bureau of Consumer Services. We will be happy to answer your questions.

Be sure to pay your **premium**. Pennsylvania law does not require companies to extend a grace period for **premium** payments. If your insurance company does not receive your **premium** by the due date, the company can cancel your **policy**.

Keep your proof-of-insurance card in your car at all times.

What Should I Do if I Receive a Cancellation or Non-Renewal Notice from My Insurance Company?

First, contact your insurance **producer (agent)** or company for specific details. Pennsylvania law allows companies to cancel or non-renew policies for certain reasons. If you still are not satisfied with your company's explanation, submit a statement detailing the reasons you disagree with the action to the Pennsylvania Insurance Department. **To preserve your appeal rights, the statement must be received by the Insurance Department within 30 days of the company's mailing of the notice.**

What if I Don't Understand All the Terms in My Policy? What Should I Do?

Discuss with your insurance **producer (agent)** or company the terms in your **policy**. If you purchased your **policy** directly from the insurance company, a company representative should be able to respond to your questions. If you still have questions, you may choose to write or call the Pennsylvania Insurance Department's Bureau of Consumer Services.

The Pennsylvania Insurance Department

Whether you have a general question, or want to file a complaint, you can get help at Consumer Services online at www.insurance.pa.gov or contact us toll-free at 1-877-881-6388.

What Do I Do if I Am in an Accident?

If you are in an accident you should exchange information with the other driver. If there are injuries, call 911. Be sure to obtain the name, insurance company name, and phone number of each of the other drivers. If you cannot obtain this information, write down the license plate number of each of the other drivers.

If you are in an accident you should exchange information with the other driver. If there are injuries, call 911.

Other important information is as follows:

- ★ The year, make, and model of each of the other cars;
- ★ If there are witnesses, their names and contact information; and
- ★ If an officer comes to the scene, his or her name, badge number, police report number, and contact information.

After the accident, write down the date, time, and location. If possible, take photos. Write down what happened. This will assist you when reporting the **claim** to your insurance company.

Filing a Claim

To file a **claim**, call the phone number on your proof-of-insurance card as soon as possible. The insurance company will assign a claims **adjuster** to investigate the **claim**. You should cooperate with the **adjuster's** investigation of your **claim**. Take notes and keep track of the dates of conversations you have with your **adjuster**.

If you, the **insurer**, and the claims **adjuster** disagree, first try to resolve the differences with your **insurer**.

Your agent may be helpful. Don't feel rushed or pushed to agree to something you aren't comfortable with.

Insurance companies, by law, must investigate your **claim** fairly and promptly.

- ★ An insurance company has 10 working days to acknowledge its receipt of notice of your **claim** unless payment is made within these 10 days.
- ★ If you submitted a **claim** to your own insurance company, it has 15 working days after receipt of properly executed proofs of loss to inform you that it has accepted or denied your **claim** or provide you with a written explanation of why more time is needed.
- ★ An insurance company must complete its investigation within 30 days of its receipt of notice of your **claim**, unless the investigation cannot reasonably be completed within 30 days. If the investigation cannot be completed within 30 days, for every 45 days thereafter, the insurance company must provide you with an explanation for the delay and state when a decision on the **claim** may be expected.

Vehicle Repairs

The choice of where your vehicle is repaired is up to you. Be sure to do your research when choosing an auto body repair shop. Some questions to ask:

- ★ How long has the shop been in business?
- ★ What is the shop's reputation in the community?
- ★ Does the shop offer a lifetime warranty?
- ★ Has the shop worked with your insurance company in the past?

Whether an insurance company recommended the shop or not, the most important thing is a quality repair.

If you choose an auto body repair shop that charges

more than the appraised amount to repair the vehicle, you may be responsible for costs in excess of the appraised amount.

Pennsylvania law permits the use of non-OEM/aftermarket parts but "the operational safety of the vehicle shall be paramount in considering the specification of new parts." This consideration is vitally important for parts involving the drive train, steering gear, suspension units, brake system, or tires.

Aftermarket parts are usually made by a company different than the original part manufacturer. Be sure to consult with your auto body repair shop or insurance company if you have any safety concerns or part fit concerns when aftermarket parts are used to repair your vehicle. If **aftermarket crash parts** are included in a vehicle appraisal, it must include a statement that the appraisal has been prepared based on the use of **aftermarket crash parts**, that the use of these parts voids the existing warranty on the part being replaced, and the **aftermarket crash part** shall have a warranty equal to or better than the remainder of the existing warranty.

Ultimately, the insurance company is responsible for returning your vehicle back to its pre-damaged condition.

Used parts are original equipment (OE) from your vehicle's manufacturer. Be sure to consult with your auto body repair shop or insurance company if you have any safety concerns about parts being used to repair your vehicle.

Ultimately, the insurance company is responsible for returning your vehicle back to its pre-damaged condition. If the company uses new parts to replace parts damaged on an older model vehicle, you may be responsible for additional costs as the vehicle is in better condition than before the accident.

What Happens if My Vehicle Is a Total Loss?

A vehicle is a **total loss** when the cost to return it back to the pre-damaged condition is more than the value of the vehicle or the vehicle is damaged too severely for repairs. There are different methods that can be used to calculate the replacement value of your vehicle. If you have questions regarding the method used, contact your insurance agent or company.

Many people make monthly payments on their vehicle. Depending on the agreement between the **lienholder** and the owner, the insurance payment can be made directly to the **lienholder**, the owner, or both. If the actual cash value is less than you owe on the vehicle, you may be responsible to pay the difference to the **lienholder**. If you believe your loan is more than the cash value, there are products that are available at that time that may eliminate or offset these costs.

One such product provided by insurance carriers is Guaranteed Asset Protection (GAP) Coverage, which will generally pay the difference between an insurance company's payment for a totaled vehicle and the balance of a vehicle loan. This coverage is traditionally purchased when an individual is buying a vehicle. GAP coverage does not pay for **deductibles**, missed payments, or late fees and many times there is a limit to the amount it will pay. Check your **policy** carefully when choosing to add GAP coverage. If you have questions about GAP coverage, ask your insurance agent or company.

Another product that may be purchased in relation to a vehicle loan is a Debt Cancellation Agreement (DCA). When this product is sold by the bank issuing the vehicle loan, it is not considered insurance, but it functions similar to GAP Coverage. A DCA is an agreement between the loan issuer and the debtor to cancel any remaining debt if the debtor experiences a **total loss** and the amount of debt on the vehicle exceeds its actual cash value. Also similar to GAP Coverage, this product is traditionally purchased at the time that the vehicle is bought.

The Pennsylvania Insurance Department

Whether you have a general question, or want to file a complaint, you can get help at Consumer Services online at www.insurance.pa.gov or contact us toll-free at 1-877-881-6388.

Auto Insurance Glossary—a Supplement to the Automobile Insurance Guide

These definitions are offered to give you a general understanding of the terms you may hear that are associated with automobile insurance. Please note that your individual company may define similar terms differently. ***The definitions page in your policy is the final authority regarding your coverage.***

Adjuster

The person who manages the various aspects of a claim and determines what will be paid out in accordance with the policy and the facts.

Aftermarket Crash Part

A non-original equipment manufacturer (OEM) replacement part, either new or used, for any of the non-mechanical parts that generally constitute the exterior of the motor vehicle, including inner and outer panels.

Appraiser

The person who evaluates the damage caused by an accident or other covered loss and determines the amount to be paid under the policy terms.

Assigned Risk Plan

A program where drivers can get coverage when insurance companies are unwilling to sell them a policy.

Binder

A short-term agreement that provides temporary insurance coverage until the policy can be issued or delivered.

Bodily Injury Liability

If you injure someone in a car accident, this coverage pays damages for which you are liable, such as medical and rehabilitation expenses.

Cancellation

The termination of a policy at a date other than its annual anniversary date.

Claim

Notice to an insurance company that a loss has occurred which may be covered under the terms and conditions of the policy.

Collision

Pays to repair damage to your car as a result of an accident. Most banks or lenders require you to buy this coverage to receive a car loan.

Commission

A portion of the policy premium that is paid to an insurance producer (agent) by the insurance company as compensation for the producer's work.

Comprehensive Coverage

Pays for theft or damage to your car from hazards such as fire, flood, vandalism, and striking an animal. Most banks or lenders require you to buy this coverage to receive a car loan.

Declarations (DEC) Page

Usually the first page of an insurance policy, it contains the full legal name of your insurance company, your name and address, the policy number, effective and expiration dates, premium payable, the amount and types of coverage, deductibles, the vehicle(s) that are covered on the insurance policy, and the vehicle identification numbers (VIN).

Deductible

The amount a policyholder is responsible to pay up front before covered benefits from the insurance company are payable. This is applicable to compre-

hensive or collision coverage only.

Endorsement

A written agreement that changes the terms of an insurance policy by adding or subtracting coverage.

Exclusion

A provision in the policy that explains what is not covered.

Extraordinary Medical Benefits

Pays for medical and rehabilitation expenses that exceed \$100,000, up to a maximum limit of \$1.1 million.

First Party

The named policyholder (insured) in an insurance contract and any relatives residing in the named policyholder's household.

Full Tort

You retain unrestricted rights to bring suit against the negligent party.

Funeral Benefits

Pays, up to the limit specified in the policy, for funeral expenses if you or a family member dies as a result of an auto accident, regardless of who was at fault in the accident.

Income Loss

Pays a portion of your wages when injuries sustained in an auto accident keep you from working.

Insured

The person(s) entitled to covered benefits in case of an accident or loss.

Insurer

The insurance company who issues the insurance and agrees to pay for losses and provide covered benefits.

Lienholder

A person or business, usually a bank or financial firm, that retains the title of a vehicle while the purchaser pays off the loan.

Limited Tort

Limited Tort offers you significant savings on your premiums. You are still able to recover out-of-pocket medical and certain other expenses; however, you are not able to recover certain damages—such as payments for pain and suffering—unless the injuries meet one of the exceptions in the law.

Limits

The maximum amount of benefits the insurance company agrees to pay under an insurance policy in the event of a loss.

Minimum Limit

The state-mandated minimum mandatory amount of benefits.

Medical Benefits

Pays medical bills for you and others who are covered by your policy, regardless of fault.

Non-Renewal

The termination of an insurance policy at its annual anniversary date.

Policy

A contract that states the rights and duties of the insurance company and the insured.

Premium

The price paid to the insurance company for a policy.

Premium Finance Company

A lending institution that finances automobile insurance premiums for a fee.

Producer (agent)

An individual or organization authorized to sell, solicit, negotiate, and service insurance policies for an insurance company.

Property Damage Liability

Covers damage to someone's property (such as his or her car) resulting from an accident in which you are at fault.

Quotation or Quote

An estimate of the cost of insurance based on the

information supplied to the insurance producer (agent) or company. This amount may change depending upon findings during the underwriting process.

Rental Reimbursement Coverage

Pays—up to a defined amount—your expenses to rent a vehicle if you have a loss covered under comprehensive or collision benefits. Coverage is sold based on a daily amount of expense, subject to a maximum limit.

Single Limit Liability

Some companies offer single limit liability coverage, which pays—up to the specified limit—damages for which you are liable under bodily injury and property damage coverages.

Stacking of UM or UIM

When you stack your UM and/or UIM coverages, your limit of coverage for each covered vehicle on your policy is multiplied by the number of vehicles on the policy. You can also stack your UM and/or UIM coverages to receive uninsured or underinsured motorist coverage from more than one policy under which you are insured. Stacked coverage applies unless you reject it.

Subrogation

The process of recovering the amount of claims damages paid out to a policyholder from the legally liable party. When a company pursues the legally liable third party, they are required to include the policyholder's deductible in the recovery process if requested by the policyholder. The company must then share any subrogation recoveries with the policyholder on a proportionate basis.

Surcharge

An extra charge applied to the premium by an insurance company, usually applied as a result of at-fault accidents or moving violations.

Third Party

An individual other than the policyholder or the insurance company who has suffered a loss and may be able to collect compensation under the

policy, due to the negligent acts or omissions of the policyholder.

Total Loss

Damage or destruction to real or personal property to such extent that it cannot be rebuilt or repaired to its condition prior to the loss or when it would be cost-prohibitive to repair or rebuild in comparison to the value of the property prior to the loss.

Towing Coverage

An optional coverage of an automobile policy that pays a specified amount for towing and related labor costs.

Underinsured Motorist (UIM)

This coverage applies to you, relatives residing in

your household, and your passengers if injured by an at-fault motorist who does not have enough insurance to pay your **claim**. This does not cover damage to property.

Underwriting

The initial 60-day timeframe wherein the company processes and investigates the information provided on the application. The results of this process determine acceptability and the premium.

Uninsured Motorist (UM)

This coverage applies to you, relatives residing in your household, and your passengers if injured by an at-fault uninsured motorist or hit and run driver. This does not cover damage to property.

Questions?

For more information on
auto insurance, visit:

www.insurance.pa.gov
and click "Auto" under
Coverage

or

call the department at
1-877-881-6388

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PAInsuranceDepartment



ATTENTION RENTERS: ARE YOU PROTECTED?

Like your new iPhone? Can't live without your iPad? Lost without your laptop?

You may be heading to college, beginning your career, or are newly married and you are setting up house in a rental property and you have personal belongings to protect. Did you know that renter's insurance can protect you against the loss of your personal items? Renter's insurance may protect you in the event of fire and smoke damage, theft, vandalism, damage from windstorms and hail, damage from explosions, water damage from plumbing problems and many other hazards.

KNOW THE FACTS

Your landlord may be sympathetic about a burglary or fire loss but they have no responsibility to pay to replace your personal property. For that you do need renters insurance.

Perhaps you think your belongings are not worth much. Think again. You probably own a great deal more than you think— furniture, clothing, stereo, television, computer, books, jewelry, sports equipment, pots and pans, dishes. Replacement costs for *everything* could be pretty significant.

Renter's insurance provides financial protection against the loss or destruction of your possessions when you rent a house or apartment. Also, it could cover your additional living expenses if you are unable to live in your apartment because of a fire. And just like homeowners insurance, renter's insurance also covers you in the event a visitor is injured at your home.

Did you know that most renter's insurance costs **between \$15 and \$30 a month?** Also, most renters insurance allows you to pay your premium monthly or annually.

Thinking about traveling? Renter's insurance may protect against lost or stolen property while traveling, too. If the airline loses your luggage, you can be sure that you are covered.

KNOW THE FIGURES

There are two types of renter's insurance policies you may purchase:

- 1. Actual Cash Value** – pays to replace your possessions (minus a deduction for depreciation up to the limit of your policy).
- 2. Replacement Cost** – pays the actual cost of replacing your possessions (no deduction for depreciation) up to the limit of your policy.

Not all renter's insurance is the same. Some policies cover more than others and costs for the same coverage may be different from company to company. Make sure that your coverage plan suits your needs.

Where can you start looking for insurance? If you have auto insurance, there is a good chance your insurer may have renter's insurance too, and offer you a *discount*.

IT'S BETTER TO BE INSURED THAN TO BE UNSURE

How do you buy renter's insurance? It's easy! You can simply get a quote and purchase insurance online, or visit our Web site, **www.insurance.pa.gov**, to find a listing of all insurance companies and individuals who are authorized to sell you insurance in the commonwealth. No access to the Internet? Call us at one of the phone numbers listed below.

Toll-free Automated Hotline: 1-877-881-6388 ♦ Harrisburg Office (717) 787-2317
www.insurance.pa.gov

Why Buy Renters Insurance?

Renters insurance is often overlooked, but for a small premium, you can save a lot of money if something happens to your belongings.



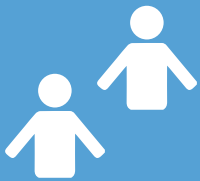
Your landlord's homeowners insurance does not cover your belongings.

Depending on your policy, you can make a claim on your renters insurance if you lose your bag while travelling.



If your laptop is stolen from a coffee shop or your car, you can file a claim on your policy.

Most policies range from \$20-30 per month.



If you have a roommate, their policy does not necessarily cover you.

You can begin a policy at any time, regardless of when you signed your lease.



Many insurance companies will allow you to bundle your policy with another policy, like your car insurance, making it cheaper.

Homeowners INSURANCE GUIDE

The Pennsylvania Insurance Department is here to help you understand homeowners insurance. In the next few pages you will learn about types of coverage available, some tips on how to shop, and what you should do if you need to make a claim.

Insurance policies can vary. This guide is intended to help you understand homeowners insurance. The information is general and not specific to your insurance policy. If you have specific questions about your coverage, you should consult your agent or insurance company.



What Is Homeowners Insurance?

Your homeowners insurance policy is a legal contract between you and your insurance company. It protects you against financial loss if there is damage to your home and your possessions and liability in case someone gets hurt in your home or on your property.

Keep your **policy** in a safe place and know the name of your **insurer**. Be sure to discuss with your insurance company the terms in your **policy**. If you have questions contact your insurance agent or company for clarification. If you still have questions, **visit our website at www.insurance.pa.gov** or you can write to or call us.

Do I Need to Buy Homeowners Insurance?

Homeowners insurance is not mandatory in Pennsylvania but most banks or lenders will require you to cover your home for at least the amount of the mortgage. If you are looking for a homeowners insurance policy, always shop around and compare coverage and price. Homeowners insurance protects your home and your personal property. It may also protect you against lawsuits if someone gets hurt on your property. Below is more information on the different types of coverage a homeowners policy can provide.

*You are not required to purchase insurance from the **insurer** recommended by the lender.



Your home is more than just shelter; it's an **asset worth protecting**.

Let's Look at Coverage in More Detail

Homeowners insurance policies usually contain a package of coverages that offers protection when a **peril** occurs. A **peril** is the cause of a possible loss, like a fire, that you protect yourself from when you purchases an insurance policy.

Dwelling coverage pays for damage to your house and structures attached to your house. This includes damages to fixtures such as plumbing, electrical wiring, heating, and permanently installed cooling systems.

Other Structures coverage pays for damage to structures not attached to the **dwelling**. These include detached garages, sheds, fences, guest houses, etc.

Personal Property coverage reimburses you for damage to or theft of your **personal property**. This covers things like furniture, appliances, electronics, lawn equipment, clothing, etc. It also protects your belongings even when they aren't on your property.

Loss of Use coverage pays for **additional living expenses** if you can't live in your home (because of a covered peril) while it's being repaired.

Medical Payments to Others provides coverage for medical bills for people hurt on your property or hurt by your pets.

Personal Liability protects you, your relatives in the household and residents in your household under the age of 21 if you are sued and found legally responsible for injury or damage to their property. This coverage also extends to students under the age of 24 enrolled full-time at school or college (with certain exceptions).

Please refer to the Glossary found on page 14 for definitions of the terms in bold face.

How Much Coverage Should I Buy?

Your coverage **limits** are the most your insurance company will pay. Your homeowners insurance coverage will depend on your individual needs, as well as limitations set by your insurance company. Higher **limits** may be available for an additional cost. Here are some things to keep in mind when you are trying to figure out how much coverage you should buy:



on a **claim**. For an additional cost, consider an inflation guard endorsement which raises the amount of your dwelling coverage annually in line with inflation.

Other Structures

Typical coverage for these structures is limited to 10 percent of the **dwelling** coverage limit.

Dwelling

Replacement cost is the amount to replace or rebuild your home or repair damages with materials of a similar kind and quality without deducting for depreciation. Often the cost to rebuild a home in accordance with current building codes with new raw materials at current labor rates is significantly higher than the proceeds you would receive if you

Personal Property

Typically coverage for **personal property** is provided at a percentage of the **dwelling** coverage limit. You can choose to insure your **personal property** at the **replacement cost** or **actual cash value**.

Also, if you are away for business or on vacation, your **personal property** brought with you is typically insured for 10 percent of your homeowner's policy's **personal property** coverage or \$1,000, whichever is greater. (unless you ask for a higher limit)

Keep in mind that coverage for some property such as jewelry, furs, antiques, coins, guns, and art may be limited. You can purchase additional coverage called a scheduled personal property endorsement to better protect these items.

Loss of Use

Typical coverage for **loss of use** is 20 percent of the **dwelling** coverage limit.

Personal Liability

You choose the amount of liability protection that is appropriate for your situation. Most policies offer \$100,000 with higher **limits** available for an additional cost.

Medical Payments

Basic amounts of coverage are usually \$1,000 per person and higher **limits** may be available for an additional cost.

Your homeowners insurance coverage will depend on your individual needs, as well as limitations set by your insurance company.

were to sell your home. The **replacement cost** is not the same as the market value of your home, which includes your land and depends upon what someone is willing to pay to buy your property. **Actual cash value** is the **replacement cost** of your home minus age and wear and tear. Many times an **actual cash value policy** does not pay enough to fully return your home to the way it was before an incident.

You should review your amount of coverage annually. A good rule of thumb is to insure your home for at least 80% of its replacement value. If your coverage drops below 80 % of full **replacement cost**, the company may reduce the amount paid

What Types of Homeowners Policies Are Available?

As mentioned before, homeowners insurance policies usually contain a package of coverages that offer protection from loss when a **peril** occurs. Some policies are specifically for single-family homeowners, condominium owners, and renters. Some policies cover all **perils** except those specifically excluded; others cover only the **perils** specifically named in the **policy**. The different types of homeowner policies are known as Forms. Talk to your agent or insurance company to determine which Form best fits your needs.

Let's Talk About the Different Forms

The Homeowners Broad Form (Form 2) covers the **dwelling, other structures** (such as a detached garage or shed), **personal property, personal liability, and medical payments**. The Broad Form policy covers **perils** specifically named in the **policy**. In a Broad Form policy if the **peril** is not named, it is not covered.

The **Homeowners Special Form (Form 3)**, also covers damage to the **dwelling, other structures, personal property, personal liability, and medical payments**. The difference between the Broad Form and the Special Form is that the Special Form tells you specifically which **perils** it will not cover. This form provides more coverage for the home and **other structures** than the **Broad Form**.

The **Homeowners Comprehensive Form (Form 5)**, provides broader coverage than Forms 2 and 3, especially for your personal property. Many additional coverages available on an optional basis on **Form 3** are automatically included in the **Homeowners Comprehensive Form**.



If you have an older home for which the cost to rebuild is significantly higher than its market value, the **Modified Coverage Form (Form 8)** is available. **Insurers** generally do not want to offer standard insurance coverage that far exceeds the market value of the home because this may provide an incentive to commit insurance fraud. The **Modified Coverage Form** provides “functional replacement cost” coverage meaning older materials used in the home’s construction that are no longer available can be repaired using materials commonly available today. The form provides similar, but less coverage than the **Broad Form**.

Your landlord’s homeowners insurance does not cover your belongings. Often referred to as **renters insurance**, the **Contents Broad Form (Form 4)** provides protection against damage to or theft of your personal property. It can also protect you if someone falls or gets hurt on the part of the premises you rent. Renters insurance is often overlooked. For a small premium, you can save a lot of money if something happens. You must request and obtain the specific amount of coverage you need with a renters insurance policy.

If you own a condominium, the **Unit-Owners Form (Form 6)** is for you. This form is designed for condominium owners and offers coverage similar to that provided to homeowners with the Broad Form. This type of policy insures the contents and property not covered by the condominium association’s policy. You must request and obtain the specific amount of coverage you need.

What is Not Covered?

The coverage provided depends upon the type of **policy** you buy, but there are some common **exclusions** found in most homeowners policies. They include but are not limited to earthquake (for which coverage can typically be separately purchased); collapse; flood; mold; fungus; wet rot; wear and tear; mechanical breakdown; smog; rust; corrosion; dry rot; smoke from agricultural smudging or industrial operations; discharge, dispersal, seepage, migration, release or escape of pollutants; settling, shrinking, bulging or expansion, including resultant cracking of bulkheads, pavements, patios, footings, foundations, walls, floors, roofs, or ceilings; birds, rodents, or insects nesting or infestation, or discharge or release of waste products or secretions by any animals or animals owned or kept by an **insured**. Be sure to talk to your agent or insurance company about **exclusions**.

Be sure to talk to your agent or insurance company about **exclusions**.

What Should I Know Before I Start to Shop?

You should know what coverage you need, as well as the **limits** and **deductible** amounts that are right for your situation. Also, you should have the following information available:

- 1 Lender contacts and mortgage documentation
- 2 Information on home improvements, i.e., new roof, repairs, etc.
- 3 Home inventory, with photographs
- 4 Appraisal for any special items, such as jewelry, furs, antiques, coins, guns, art, etc.



How Do I Create a Home Inventory Checklist?

A home inventory checklist can be invaluable when deciding how much insurance coverage fits your life situation. The checklist makes sure you are adequately protected should you need to file a claim. The National Association of Insurance Commissioners (NAIC) offers the following advice on how to create a home inventory checklist.

- Group your possessions into logical categories, i.e., by hobby, by room in your home, etc.
- Your list should include celebration purchases like jewelry and art, as well as everyday leisure items such as televisions and guitars.
- Don't forget items you use rarely such as holiday decorations, sports equipment, tools, etc.
- Pull together copies of original sales receipts and/or appraisal documents. Also note model and serial numbers.
- Carefully photograph or videotape each item and document a brief description, including age, purchase price and estimated current value.
- Store your home inventory and related documents in a safe, easily accessible place online, on your computer or in a fire-proof box or safe deposit box. Consider sharing a copy with friends, relatives and your insurance provider.
- The NAIC's free **myHOME Scr.APP. book** downloadable app lets you quickly photograph and capture descriptions of your possessions room by room, then store electronically for safekeeping. The app is available for **iphone®** and **Android** devices. Click [here](#) to watch the demonstration video.

If paper checklists are better for you, feel free to print out the checklist from the NAIC on the last page.

How Does an Insurance Company Figure My Premium?

Many factors affect the **premium** you pay, including the insurance company you use. The National Association of Insurance Commissioners (NAIC) provides the following list of things that could affect your **premium**.

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.

Always be sure to shop around for both price and coverage. Prices for similar coverage can vary greatly among companies.

- 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, dead bolts 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.

Know How to Save

Always be sure to shop around for both price and coverage. Prices for similar coverage can vary greatly among companies. In other cases, the company offering the cheapest price might also be offering the least coverage. It is important to know what you are paying for.



Shopping around isn't the only thing you can do to get the best price for the best coverage. Here are some other ideas for you to use.

Discounts

Be sure to ask if there are any discounts available. Some **insurers** offer lower prices for things such as insuring your home and car with the same company and installing smoke detectors, burglar alarms, dead bolt locks, and fire extinguishers.

Deductibles

By choosing a higher **deductible** you may be able to lower your **policy** cost. Just remember that the **deductible** you choose is what you are responsible for paying out of pocket in the event you file a **claim**.

If you choose to purchase a percentage **deductible** that is based on the **replacement cost** of your home, the amount you owe could add up. For example, if your home is insured at a **replacement cost** of \$200,000 with a 2 percent wind and hail **deductible** and the roof is damaged due to wind and hail, you would be responsible for the first \$4,000 worth of damage.

Where to Buy Insurance

Now that you know what to look for and some ways to save money when choosing your homeowners insurance, let's talk about where to buy a **policy**.

Agents

Agents (or producers) are individuals available locally to address your insurance needs. Local agents can be independent or exclusive. Independent agents can compare policies and sell you the one that best fits your needs among the multiple insurance companies they represent. Exclusive agents can only offer you coverage from the company they represent.

Direct

Some insurance companies sell their policies directly over the phone or Internet without using agents. In some cases, you can choose to interact with a direct company exclusively over the Internet.

Most insurance companies and many agents advertise. Check the newspaper, Yellow Pages, and the Internet for companies and agents selling

insurance in your area. Additionally, contact your neighbors, relatives, and friends for recommendations on insurance companies and agents. Ask them about their experience regarding price and service. Specifically, ask them what kind of claim service they have received from the companies they recommend.

What Questions Should I Ask an Insurance Agent?

If you are thinking about buying a home, you can ask an agent to estimate the cost of insurance for the home.

- What does the **policy** cover? What doesn't the **policy** cover? What are the **limits** to each of the coverages purchased?
- How much liability coverage do you recommend?
- What types of water damage does my **policy** cover? Does it cover mold?
- If I submit a **claim**, how will it impact my **premium**?
- Do I need to fix things if an insurance company asks me to?
- How can I check the home's claims history?
- Will a history of **claims** on a property impact my **premium**?
- Will my credit history affect how much **premium** I pay?
- Should I buy flood insurance or earthquake coverage?



If you are thinking about buying a home, you can ask an insurance agent to estimate the cost of insurance for the home or homes you are targeting.

How Can I Check a Home's Claim History?

How much you pay for homeowners insurance could be determined in part by past damage and insurance claims. Information on the date of any specific damages, the type of claim filed by the policyholder, and how much money was paid by the insurance company, over the past five years is in the Comprehensive Loss Underwriting Exchange (C.L.U.E.) Home Seller's Disclosure Report. The C.L.U.E. report is owned and maintained by LexisNexis Risk Solutions.

Homeowners' Insurance companies may use past damages and claims paid to set insurance premiums. Only the owner of a property can request a C.L.U.E. report. Homeowners get one free report per year under the Fair Credit Reporting Act. Home buyers can request a seller to provide a C.L.U.E. report. The report can reveal damages a seller may not otherwise disclose or know about.

Homeowners can ask their insurer whether information from a C.L.U.E. report is being used to set their premiums. Homeowners can also use the C.L.U.E. report to make sure the information is accurate concerning not only damages reported but repairs made. If you are ordering your C.L.U.E. report, you can contact LexisNexis at (888) 497-0011 or visit personalreports.lexisnexis.com.

What Happens if I Can't Find a Company to Insure My Home?

Pennsylvania's "Fair Plan" guarantees the availability of basic fire insurance for your home. Information about the "Fair Plan" can be found online at www.pafairplan.com or by calling 1-800-462-4972.

Another alternative for homeowners who are unsuccessful in obtaining coverage for their home is

the surplus lines market. Surplus lines companies are permitted to issue policies to Pennsylvania residents, but are not licensed by the Insurance Department. Surplus lines policies are subject to many of the same insurance laws and regulations as licensed **insurers**; however, you will not be protected by the Guaranty Fund should the company become insolvent. The Guaranty Fund is similar to FDIC insurance for bank accounts. If your **insurer** is unable to pay your **claim**, the Guaranty Fund will pay it. However, the Insurance Department does monitor surplus lines companies to ensure their ability to pay **claims**.

What if I Use My Home for Business?



Homeowners insurance isn't designed to cover most business uses of your home but some policies may cover things partially. Your **policy** may cover your computer or laptop but you should check with your agent or company. If you watch children, your **policy** may provide a limited amount of coverage as long as you are not paid. If you are paid to provide day care services, you must buy more insurance to cover any related liability.

What Happens if I Buy a Policy from an Unlicensed Agent?

It is illegal for unlicensed agents to sell insurance. Business cards are not proof that an insurance agent or agency is licensed. If you do business with an unlicensed agent or agency, you have no guarantee that the coverage you pay for will ever be honored. If you purchase insurance from companies not legally doing business within Pennsylvania, you will also not be protected by the Guaranty Fund.

You can verify that an agent is licensed by visiting our website at www.insurance.pa.gov. Once on our site, click “Consumers” on the top bar and select “Find Insurance Professional.” If you suspect anyone or any entity is operating without a license, you may report it by calling the Insurance Department’s Anti-Fraud Compliance Division at 717-705-4199.

If you do business with an unlicensed agent or agency, you have **no guarantee** that the coverage you pay for will ever be honored.

I Have Homeowners/Renters Insurance. Am I Covered if There Is a Flood?

Probably not. It is important to be aware that the typical homeowners or renters **policy** does not cover damages resulting from a flood. Remember, there may be a waiting period for your flood **policy** to take effect. For example, there is a 30-day waiting period for National Flood Insurance Program (NFIP) flood insurance policies to become effective.

The Federal Emergency Management Agency (FEMA), which administers the NFIP, has many educational pieces to help consumers understand the basics of flood insurance, how to protect your home, and what to do if, in fact, you are the victim of a flood. In most cases, the information on FEMA’s website is available in English, Spanish, and other languages.

What Is a Flood?

The NFIP **Dwelling Policy** defines flood as:

1. A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (one of which is your property) from:
 - a. Overflow of inland or tidal waters,

- b. Unusual and rapid accumulation or runoff of surface waters from any source,
 - c. Mudflow.
2. Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined above.

Should I Consider Flood Insurance?

Flood damage can happen to you, no matter where your home, apartment, or business is located. You can buy flood insurance even if your property is not located in a Special Flood Hazard Area (SFHA). Mortgage lenders, pursuant to federal law, may require homeowners to purchase flood insurance if the property is located in a high-risk flood zone. Flood insurance can be purchased through licensed property and casualty insurance agents in Pennsylvania to cover almost any building and its contents, including rental property and condominiums. Tenants can buy protection for their belongings as well.

When purchasing flood insurance, it is important for consumers to **consider the kind of coverage they need.**

How Can I Buy Flood Insurance?

Although flood insurance has traditionally only been available to homeowners or renters through the NFIP, today there are more options for consumers to consider. Flood insurance is now available through private **insurers**, including surplus lines **insurers**. The Insurance Department advises consumers to speak with their lenders to ensure that they are willing to accept a surplus lines **policy**. For a list of

licensed agents who can discuss surplus lines, visit our web page at www.insurance.pa.gov.

When purchasing flood insurance, it is important for consumers to consider the kind of coverage that they need. **Insurers** offer different types of flood insurance policies: **dwelling**—the structure of your home, and contents—your **personal property** within the **dwelling**.

What Should I Know About Private Flood Insurance?

Many consumers now have the option of purchasing flood insurance through private **insurers**. Consumers can purchase private flood insurance through providers licensed in Pennsylvania, or through surplus lines carriers.

If you have NFIP coverage now and choose to pursue private coverage, your **premium** could increase significantly if you choose to return to the NFIP at a later date. Also, you may be precluded from certain hazard mitigation grant programs available through FEMA and the NFIP if you choose private flood insurance to insure property located in an



area which is prone to flooding. For more information regarding hazard mitigation grant programs, please visit the PEMA and DCED (PA Department of Community and Economic Development) websites.

For a list of licensed private **insurers** that offer **dwelling** and contents flood insurance policies, visit our web page at www.insurance.pa.gov.

For consumers who may have been redrawn into SFHA, or whose property is only partially in a SFHA plain, surplus lines policies may offer significant savings. For consumers whose properties fall well within SFHA or pose a high risk of flooding, the NFIP may be the only option.

The Insurance Department advises consumers to speak with their lenders to ensure that they are willing to accept a surplus lines **policy**. For a list of licensed agents who can discuss surplus lines, visit our web page at www.insurance.pa.gov.

I've Been Redrawn into Flood Hazard Areas. Now What?

If your home has been drawn into a SFHA and you believe it to be in error, you can appeal the decision by calling 1-877-FEMA-MAP or visiting the FEMA website. To appeal your home's placement in a Special Flood Hazard Area (SFHA), you must show that the lowest adjacent grade, or the lowest ground touching the structure, is at or above the Base Flood Elevation, the level to which water is expected to rise in the 100-year flood projection FEMA uses to designate SFHAs. It is the homeowners' responsibility to provide this information to FEMA in written form, but there is no charge to the consumer for this Letter of Map Amendment. However, you will likely need to hire a professional to determine whether the Lowest Adjacent Grade is above the Base Flood Elevation.

Flood insurance can be purchased for almost any insurable property, even if it is not located in a SFHA. An insurance agent or broker can assist you in purchasing flood insurance. To obtain information on flood insurance, please visit the insurance department's one-stop shop for flood insurance information. From www.insurance.pa.gov, select "flood" from the drop-down list under "Coverage."

What if There Is a Sinkhole or Earth Movement?

Damage caused by sinkholes or earth movement are typically not covered by homeowners policies unless requested and specifically purchased at an additional cost. When natural running water seeps into the soil and erodes underground limestone or dolomite deposits, a cavern is formed. When the roof of the cavern caves in, a sinkhole is formed. Earth movement is categorized as earth shifting, rising, or sinking. Communities above old mines may fall

victim to mine subsidence, the “caving in” of old abandoned mines. Residents in these communities can purchase mine subsidence coverage through the Department of Environmental Protection. Refer to www.dep.state.pa.us/msihomeowners or call 1-800-922-1678.

Does My Policy Cover an Earthquake?

Your homeowners’ **policy** most likely does not cover damage caused by an earthquake. For an additional **premium**, you can purchase an earthquake **endorsement** for your homeowners’ **policy** that will protect your home in case of an earthquake.

Filing a Claim

If you have a **claim**, read your **policy**. Your **policy** is the 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**. To file a **claim**, contact your insurance company as soon as possible. Follow the instructions given by your **insurer** and keep a record of the people you spoke with. Records should include date, name, and title.



- Save all your receipts. Be sure to give your insurance company all the information it needs or your **claim** may be delayed.
- Take photographs/video before you clean up or begin repairs.
- After you’ve documented the damage, make the repairs necessary to prevent further damage. Do not make any permanent repairs before the insurance company is able to inspect the damage and your insurance carrier approves the repairs.



Always ask questions if you don’t understand.

- Always ask questions if you don’t understand.
- Don’t rush to a settlement. If possible, determine what it will cost to repair your property before you meet with an insurance company representative who will assess the damage to your property. If you and your insurance company disagree on the offer made to repair your property, be prepared to negotiate if necessary. If you and your **insurer** still disagree about the value of a **claim**, check your **policy** for an appraisal clause. Another option is to hire an attorney or a public adjuster.

A public adjuster is a professional claims handler, licensed and regulated by the state. A public adjuster is employed by you, the policyholder, to assist with the claims process. You can verify that a public adjuster is properly licensed by visiting our website at www.insurance.pa.gov. Once on our site, click “Consumers” on the top bar and select “Find Insurance Professional.” If you suspect anyone or any entity is operating as a public adjuster without a license, you may report it by calling the Insurance Department’s

Your homeowner’s policy most likely does not cover damage caused by an earthquake.

Anti-Fraud Compliance Division at 717-705-4199.

- Be sure you are working with a reputable, dependable contractor who is appropriately registered and insured. Home-improvement contractors that do more than \$5,000 of business per year in Pennsylvania must register with the Attorney General's Bureau of Consumer Protection. Ask the contractor for his or her Home Improvement Contractor (HIC) number and verify his or her registration by calling the Attorney General's Home Improvement Registration toll-free line at 1-888-520-6680.

Remember, many municipalities require that skilled tradesmen, like electricians and plumbers, be licensed in addition to being registered.

- Don't sign paperwork with sections left blank. Someone can fill in the information after you sign the paperwork.
- Don't pay the contractor in full or sign that the work is complete until the work is actually completed.
- Be cautious of contractors with work vans/trucks that have out-of-state license plates and/or lack signs or insignias identifying the company name.

If your **claim** is denied, review the terms of your insurance **policy** for what is or is not covered. You may also file an appeal to your insurance company's claim manager. If questions remain, you should contact the Insurance Department's Bureau of Consumer Services. Our toll-free hotline is 1-877-881-6388.

No matter how much insurance you carry, no insurance **policy** can adequately compensate you for all your pain, trauma, and inconvenience following a disaster. Be sure to:

The laws in Pennsylvania **do not allow** and insurance company to terminate a homeowner's insurance policy for "claims" or "loss history."

- Install appropriate smoke detector(s). These can give you early notice of a fire and may save your life. Cost is minimal.
- Practice home evacuation drills.
- Keep your **policy** and other important personal items in a safe place such as a fire safe.

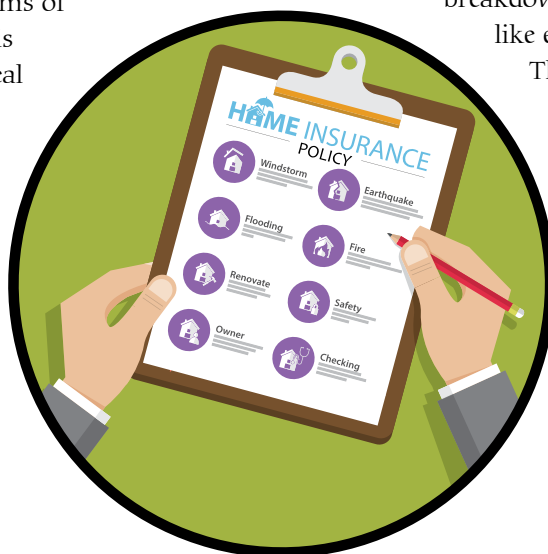
I'm a New Homeowner. Are There Other Types of warranties Related to Purchasing a Home?

Private mortgage insurance or PMI is usually required by a lender if your down payment is less than 20 percent. PMI protects the lender if you default on your mortgage. PMI **premium** is usually included in your monthly mortgage payment.

Title insurance protects you and the lender against monetary loss due to errors in the home title.

Many individuals purchasing a home will buy a home warranty, which covers mechanical breakdown of parts of the home like electrical or plumbing.

This policy does not cover the home's structure and many times does not cover appliances. Always review your policy to understand what is covered and what is not covered. These warranties are not regulated by the Insurance Department.



What Should I Do If I Lose My Insurance?

Immediately contact your agent or your insurance company for specific details. Pennsylvania law allows companies to cancel or non-renew policies for certain reasons. If you are not satisfied with your company's explanation, submit your notice along with a statement detailing the reasons you disagree with the action to the Pennsylvania Insurance Department. The statement must be received by the Insurance Department within 10 days of your receipt of the cancellation/non-renewal notice.

Can an Insurance Company Cancel My Policy if I Do Not Pay My Premium on Time?

Your insurance company can cancel your policy if you do not pay your premium on time. Pennsylvania insurance law does not require companies to extend a grace period for premium payments.

Can an Insurance Company Cancel My Policy Because of Too Many Claims?

The laws in Pennsylvania do not allow an insurance company to terminate a homeowner's insurance policy for "claims" or "loss history."

If an Insurance Company identifies a hazard on my property and I do not fix it, can they cancel my policy?

Homeowners do need to respond to the request of the insurance company or they could risk losing coverage. Insurance companies do have a right to manage the risks they insure on a property, within reason. If you have questions about a request, you can call the Pennsylvania Insurance Department. We ensure the insurer's requests are reasonable and the homeowner is given sufficient time to make repairs.

Is There a Free Look Period for Insurance Companies?

An insurance company has 60 days to underwrite and investigate your application. The company has the right to refuse or cancel your coverage for various reasons within the first 60 days. However, the company may not refuse someone because of age, marital status, occupation, or any other unfairly discriminatory reason.

Whether you have a general question, or want to file a complaint, you can get help online at Consumer Services. Go to:

www.insurance.pa.gov

or contact us toll-free at

1-877-881-6388.

Homeowners Insurance Glossary - a Supplement to the Homeowners Insurance Guide

These definitions are offered to give you a general understanding of the terms you may hear that are associated with **homeowners insurance**. Please note that your individual company may define similar terms differently. The definitions page in your **policy** is the final authority regarding your coverage.

Actual Cash Value

The replacement cost of your home minus depreciation (i.e., for age and wear and tear).

Additional Living Expenses/Loss of Use

Pays for additional living expenses if you can't live in your home (because of a covered loss) while it's being repaired.

Broad Form (Form 2)

Covers the dwelling, other structures (such as a detached garage or shed), personal property, personal liability, and medical payments. The Broad Form policy covers perils specifically named in the policy. In a Broad Form policy, if the peril is not named, it is not covered.

Claim

Notice, typically from the policyholder, to an insurance company that a loss has occurred which may be covered under the terms of the policy.

Comprehensive Form (Form 5)

Provides the same coverage as the Special Form policy plus additional coverage for contents. The coverage in the policy is open perils.

Contents Broad Form (Form 4)

Often referred to as renters insurance. This coverage provides protection against damage to or theft of your personal property. It also protects you if someone falls or gets hurt on the part of the premises you rent. Renters insurance is often overlooked. For a small premium, you can save a lot of money if something happens. You must

request and obtain the specific amount of coverage you need with a renters insurance policy.

Deductible

The amount a policyholder is responsible to pay up front before covered benefits from the insurance company are payable.

Dwelling

A place of residence like a house or apartment (renters insurance).

Endorsements

A policy form that amends the main policy. More often than not, endorsements provide coverage in addition to that which is provided on the base policy for an additional cost. One example is the Earthquake Endorsement.

Exclusion

A provision in the policy that explains what is not covered.

Insured

The person(s) entitled to covered benefits in case of a loss or accident.

Insurer

The insurance company who issues the insurance policy and agrees to pay for losses and provide covered benefits.

Limits

The maximum amount of benefits the insurance company agrees to pay under an insurance policy in the event of a loss.

Medical Payments

Provides coverage for medical bills for people hurt on your property or by your pet.

Modified Coverage Form (Form 8)

Provides coverage for older homes.

Non-Renewal

The termination of an insurance policy on its annual anniversary date.

Peril

A type of covered loss such as hail or windstorm.

Personal Liability

Protects you, your relatives in the household and residents in your household under the age of 21 if you are sued and found legally responsible for injury or damage to their property. This coverage also extends to students under the age of 24 enrolled full-time at school or college (with certain exceptions).

Personal Property

Items you own that typically are found within the dwelling or other structures such as furniture, appliances, electronics, lawn equipment, clothing, etc.

Policy

A contract that states the rights and duties of the insurance company and the insured.

Premium

Price paid to the insurance company for an insurance policy.

Producer (agent)

An individual or organization authorized to sell, solicit, negotiate, and service insurance policies for an insurance company.

Open Perils

There is coverage as long as the cause of the loss is not specifically excluded.

Other Structures

Structures not attached to the dwelling. These include detached garages, sheds, fences, guest houses, etc.

Quotation or Quote

An estimate of the cost of insurance based on the information supplied to the insurance producer (agent) or company. This amount may change depending upon findings during the underwriting process.

Replacement Cost

The amount it would take to replace or rebuild your home or repair damages with materials of

similar kind and quality without deducting for depreciation.

Riders/Scheduled Personal Property Endorsement

This is purchased if you have items like jewelry, expensive collections, cameras, etc. that would exceed the amount your coverage your policy offers.

Special Form (Form 3)

Covers damage to the dwelling, other structures, personal property, personal liability, and medical payments. The difference between the Broad Form and the Special Form is that is that the Special Form tells you specifically which perils it will not cover. This form provides more coverage for the home and other structures than the Broad Form.

Surcharge

An extra charge applied to the premium by an insurance company at renewal, usually applied as a result of a claim.

Underwriting

The initial 60-day time frame wherein the company processes and investigates the information provided on the application. The results of this process determine acceptability and the premium.

Unit Owners Form (Form 6)

This form is designed for condominium owners and offers coverage similar to that provided to homeowners with the Broad Form. This type of policy insures the contents and property not covered by the condominium association's policy. You must request and obtain the specific amount of coverage you need.



Life Insurance Buyer's Guide



This guide can help you when you shop for life insurance. It discusses how to:

- Find a Policy That Meets Your Needs and Fits Your Budget
- Decide How Much Insurance You Need
- Make Informed Decisions When You Buy a Policy

Important Things to Consider



1. Review your own insurance needs and circumstances. Choose the kind of policy that has benefits that most closely fit your needs. Ask an agent or company to help you.

2. Be sure that you can handle premium payments. Can you afford the initial premium? If the premium increases later and you still need insurance, can you still afford it?

3. Don't sign an insurance application until you review it carefully to be sure all the answers are complete and accurate.

4. Don't buy life insurance unless you intend to stick with your plan. It may be very costly if you quit during the early years of the policy.

5. Don't drop one policy and buy another without a thorough study of the new policy and the one you have now. Replacing your insurance **may be costly**.

6. Read your policy carefully. Ask your agent or company about anything that is not clear to you.

7. Review your life insurance program with your agent or company every few years to keep up with changes in your income and your needs.

Buying Life Insurance

When you buy life insurance, you want coverage that fits your needs.

First, decide how much you need—and for how long—and what you can afford to pay. Keep in mind the major reason you buy life insurance is to cover the financial effects of unexpected or untimely death. Life insurance also can be one of many ways you plan for the future.

Next, learn what kinds of policies will meet your needs and pick the one that best suits you.

Then, choose the combination of policy premium and benefits that emphasizes protection in case of early death, or benefits in case of long life, or a combination of both.

It makes good sense to ask a life insurance agent or company to help you. An agent can help you review your insurance needs and give you information about the available policies. If one kind of policy doesn't seem to fit your needs, ask about others.

This guide provides only basic information. You can get more facts from a life insurance agent or company or from your public library.

What About the Policy You Have Now?

If you are thinking about dropping a life insurance policy, here are some things you should consider:

- If you decide to replace your policy, don't cancel your old policy until you have received the new one. You then have a minimum period to review your new policy and decide if it is what you wanted.
- It may be costly to replace a policy. Much of what you paid in the early years of the policy you have now, paid for the company's cost of selling and issuing the policy. You may pay this type of cost again if you buy a new policy.
- Ask your tax advisor if dropping your policy could affect your income taxes.
- If you are older or your health has changed, premiums for the new policy will often be higher. You will not be able to buy a new policy if you are not insurable.
- You may have valuable rights and benefits in the policy you now have that are not in the new one.
- If the policy you have now no longer meets your needs, you may not have to replace it. You might be able to change your policy or add to it to get the coverage or benefits you now want.
- At least in the beginning, a policy may pay no benefits for some causes of death covered in the policy you have now.

In all cases, if you are thinking of buying a new policy, check with the agent or company that issued you the one you have now. When you bought your old policy, you may have seen an illustration of the benefits of your policy. Before replacing your policy, ask your agent or company for an updated illustration. Check to see how the policy has performed and what you might expect in the future, based on the amounts the company is paying now.

How Much Do You Need?

Here are some questions to ask yourself:

- How much of the family income do I provide? If I were to die early, how would my survivors, especially my children, get by? Does anyone else depend on me financially, such as a parent, grandparent, brother or sister?



- Do I have children for whom I'd like to set aside money to finish their education in the event of my death?
- How will my family pay final expenses and repay debts after my death?
- Do I have family members or organizations to whom I would like to leave money?
- Will there be estate taxes to pay after my death?
- How will inflation affect future needs?

As you figure out what you have to meet these needs, count the life insurance you have now, including any group insurance where you work or veteran's insurance. Don't forget Social Security and pension plan survivor's benefits. Add other assets you have: savings, investments, real estate and personal property. Which assets would your family sell or cash in to pay expenses after your death?

What is the Right Kind of Life Insurance?

All policies are not the same. Some give coverage for your lifetime and others cover you for a specific number of years. Some build up **cash values** and others do not. Some policies combine different kinds of insurance, and others let you change from one kind of insurance to another. Some policies may offer other benefits while you are still living. Your choice should be based on your needs and what you can afford.

There are two basic types of life insurance: **term insurance** and **cash value insurance**. Term insurance generally has lower premiums in the early years, but does not build up cash values that you can use in the future. You may combine cash value life insurance with term insurance for the period of your greatest need for life insurance to replace income.

Term Insurance covers you for a term of one or more years. It pays a death benefit only if you die in that term. Term insurance generally offers the largest insurance protection for your premium dollar. It generally does not build up cash value.

You can renew most term insurance policies for one or more terms even if your health has changed. Each time you renew the policy for a new term, premiums may be higher. Ask what the premiums will be if you continue to renew the policy. Also ask if you will lose the right to renew the policy at some age. For a higher premium, some companies will give you the right to keep the policy in force for a guaranteed period at the same price each year. At the end of that time you may need to pass a physical examination to continue coverage, and premiums may increase.



What is the Right Kind of Life Insurance?

Life Insurance Buyer's Guide

You may be able to trade many term insurance policies for a cash value policy during a conversion period—even if you are not in good health. Premiums for the new policy will be higher than you have been paying for the term insurance.

Cash Value Life Insurance is a type of insurance where the premiums charged are higher at the beginning than they would be for the same amount of term insurance. The part of the premium that is not used for the cost of insurance is invested by the company and builds up a cash value that may be used in a variety of ways. You may borrow against a policy's cash value by taking a policy loan. If you don't pay back the loan and the interest on it, the amount you owe will be subtracted from the benefits when you die, or from the cash value if you stop paying premiums and take out the remaining cash value. You can also use your cash value to keep insurance protection for a limited time or to buy a reduced amount without having to pay more premiums. You also can use the cash value to increase your income in retirement or to help pay for needs such as a child's tuition without canceling the policy. However, to build up this cash value, you must pay higher premiums in the earlier years of the policy. Cash value life insurance may be one of several types; whole life, universal life and variable life are all types of cash value insurance.

Whole Life Insurance covers you for as long as you live if your premiums are paid. You generally pay the same amount in premiums for as long as you live. When you first take out the policy, premiums can be several times higher than you would pay initially for the same amount of term insurance. But they are smaller than the premiums you would eventually pay if you were to keep renewing a term policy until your later years.

Some whole life policies let you pay premiums for a shorter period such as 20 years, or until age 65. Premiums for these policies are higher since the premium payments are made during a shorter period.

Universal Life Insurance is a kind of flexible policy that lets you vary your premium payments. You can also adjust the face amount of your coverage. Increases may require proof that you qualify for the new death benefit. The premiums you pay (less expense charges) go into a policy account that earns interest. Charges are deducted from the account. If your yearly premium payment plus the interest your account earns is less than the charges, your account value will become lower. If it keeps dropping, eventually your coverage will end. To prevent that, you may need to start making premium payments, or increase your premium payments, or lower your death benefits. Even if there is enough in your account to pay the premiums, continuing to pay premiums yourself means that you build up more cash value.

Variable Life Insurance is a kind of insurance where the death benefits and cash values depend on the investment performance of one or more separate accounts, which may be invested in mutual funds or other investments allowed under the policy. Be sure to get the prospectus from the company when buying this kind of policy and **STUDY IT CAREFULLY**. You will have higher death benefits and cash value if the underlying investments do well. Your benefits and cash value will be lower or may disappear if the investments you chose didn't do as well as you expected. You may pay an extra premium for a guaranteed death benefit.

Life Insurance Illustrations

You may be thinking of buying a policy where cash values, death benefits, dividends or premiums may vary based on events or situations the company does not guarantee (such as interest rates). If so, you may get an illustration from the agent or company that helps explain how the policy works. The illustration will show how the benefits that are not guaranteed will change as interest rates and other factors change. The illustration will show you what the company guarantees. It will also show you what *could* happen in the future. Remember that nobody knows what will happen in the future. You should be ready to adjust your financial plans if the cash value doesn't increase as quickly as shown in the illustration. You will be asked to sign a statement that says you understand that some of the numbers in the illustration are not guaranteed.

Finding a Good Value in Life Insurance

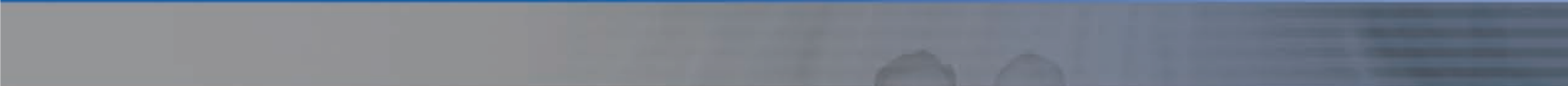
After you have decided which kind of life insurance is best for you, compare similar policies from different companies to find which one is likely to give you the best value for your money. A simple comparison of the premiums is not enough. There are other things to consider. For example:

- Do premiums or benefits vary from year to year?
- How much do the benefits build up in the policy?
- What part of the premiums or benefits is not guaranteed?
- What is the effect of interest on money paid and received at different times on the policy?



Remember that no one company offers the lowest cost at all ages for all kinds and amounts of insurance. You should also consider other factors:

- How quickly does the cash value grow? Some policies have low cash values in the early years that build quickly later on. Other policies have a more level cash value build-up. A year-by-year display of values and benefits can be very helpful. (The agent or company will give you a policy summary or an illustration that will show benefits and premiums for selected years.)
- Are there special policy features that particularly suit your needs?
- How are nonguaranteed values calculated? For example, interest rates are important in determining policy returns. In some companies increases reflect the average interest earnings on all of that company's policies regardless of when issued. In others, the return for policies issued in a recent year, or a group of years, reflects the interest earnings on that group of policies; in this case, amounts paid are likely to change more rapidly when interest rates change.



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