

## HOW PREMIUMS ARE DETERMINED

Some of the factors that determine HO or renters insurance premiums include:

- **Type of construction:** With the exception of earthquake coverage (available through policy endorsement), a frame house usually costs more to insure than brick.
- **Local fire protection:** Proximity to the nearest fire station and hydrant.
- **Amount of coverage:** The more coverage selected, the higher the premium.
- **Claims history:** If you've developed a pattern of filing claims, especially small ones, your future premiums may reflect this. Padding a claim is insurance fraud – a crime punishable by law.
- **Age and features:** Older homes may have unique architectural features or construction materials that are difficult to replicate or replace in a loss situation. Newer home construction tends to carry a lower premium.
- **Home location and property factors:** Where your home is located, including its susceptibility to risky disasters such as wildfires or tornadoes, affects your premium. Crime rates and building costs are also factors. If your home includes additional risks such as a pool, trampoline or a guest house, this will be reflected in coverage costs.
- **Insurance credit score:** Statistically homeowners with good credit file fewer claims than those with poor credit. As a better risk, your insurance premium will reflect this.

## HOW MUCH COVERAGE IS ENOUGH?

It's important to know the replacement cost of your home, other structures and personal property so that you can insure them properly. HO insurance will fully pay for a partial loss, minus your deductible.

Your home/condo's insured value (replacement cost) includes the cost of rebuilding from scratch, including labor. This is not the same

as its market value, which is selling price of the property and its land.

If you carry less than 80 percent of your home's or other structures' replacement cost, you may have to share in the percentage of loss.

If you haven't had an HO coverage review with your insurer in the past few years, you may be underinsured. This is especially true if you've made improvements such as a room addition or major remodeling.

Many companies offer "increased cost of construction protection," which automatically adjusts policy limits to keep pace with construction costs.

## COST SAVING TIPS

- **Comparison shop.** Check with several insurance companies and agents. Service should be a major consideration, as well as the company's claims handling process and financial stability.
- **Raise deductibles.** By raising deductibles, you're responsible for smaller losses which should lower your premium and claims frequency. It's not unusual in today's market to carry a \$1,000 deductible.
- **Ask about discounts.** Many companies provide discounts, so check with your company or agent for those that might apply.
- **Bundle your policies:** Buy all of your insurance products (home, life, auto, renters, etc.) from one agent or carrier for a multiple-policy discount.
- **Loyalty may pay.** If you've had your home insured with the same company or agency for several years and have been claims-free, you may be eligible for a discount.
- **Avoid filing excessive or fraudulent claims.** The more you file, especially small ones, the greater the likelihood that future premiums will reflect this. Padding a claim is insurance fraud—a crime punishable by law.

- **Keep tabs on credit:** An insurance score is a snapshot of your insurance risk based on factors from your credit report. Studies show individuals with a stable credit history file fewer claims than those with poor credit. Many insurers take this into consideration when assessing insurance risk. Consumer info on insurance scoring is available at <http://bit.ly/1KonCZi>.

## ONLINE RESOURCES

- All OII consumer *Fact Pak* brochures: <http://bit.ly/2mqT01O>
- Ohio Department of Insurance homeowners insurance info: <http://bit.ly/eNXw3w>
- Insurance company rating services: <http://bit.ly/2IILIHV>
- Home inventory software: [www.knowyourstuff.org](http://www.knowyourstuff.org)
- OII How to save on homeowners insurance: <http://bit.ly/2m56Ov6>
- Trusted Choice Consumer Guide to Homeowners Insurance: <http://bit.ly/1Peu2qW>

## FOR MORE CONSUMER INFORMATION

OII offers free consumer brochures covering a variety of homeowners and auto insurance issues, consumer safety tips and insurance laws. Visit [www.ohioinsurance.org](http://www.ohioinsurance.org) for a variety of consumer-related materials.



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# CONSUMER FACT • PAK



## Homeowners, Renters & Condo Insurance

- What's Covered
- What's Not Covered
- Endorsements
- Types Of Policies
- How Premiums Are Determined
- How Much Coverage Is Enough
- Cost Saving Tips
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## WHAT'S COVERED?

- **Property:** Homeowners (HO) insurance generally protects the home and personal belongings from losses caused by fire, lightning, windstorm, theft and other listed perils.

Renters insurance protects possessions such as furniture, clothing, appliances and other valuables, while also providing personal liability coverage. There's no coverage for the building since you don't own it. The landlord's insurance covers the building but doesn't cover your personal property. You could be held responsible for any damage to the building you cause so keep this in mind when evaluating your policy's liability limits. For condominiums, the same applies with the addition of limited coverage for building additions and alterations inside your unit.

HO insurance protects the home and detached structures (like a garage or tool shed) on the property not used for business purposes. The policy provides coverage limits for each type of loss (dwellings, other structures, personal property and loss of use). In some cases coverage is limited for certain types of property such as boats, jewelry, furs, guns, silverware and fine art.

- **Liability:** All three types of policies include liability coverage, providing protection if a claim is made against you or if sued by a third party claiming your negligence caused injury or damage to their property. Liability coverage also extends to injury or damage occurring away from home caused by you, a resident family member or your pets. In case of a lawsuit the insurance company covers your defense costs regardless of outcome, up to the policy coverage limits. Defense costs don't affect your liability coverage limits.
- **Medical Payments to Others:** Regardless of fault, your policy covers accidental injuries to non-residents whether they're injured on

your premises or elsewhere if caused by you, a family member or pet. This coverage is also provided up to the limits stated in your policy.

- **Damage to Property of Others:** Regardless of fault, your policy covers minor damages (up to \$1,000) caused accidentally by you or someone in your family to another person's property. Damage caused by children under age 13 is covered, whether accidental or intentional.
- **Loss of Use:** If your home, condo or rental property becomes uninhabitable due to an insured loss, coverage for costs over and above normal expenses (like a motel room and meal expenses) is provided up to the limit stated in your policy. For more on additional living expense (ALE) coverage, go to: <http://bit.ly/1HQcqjp>.
- **Supplementary Coverages:** Reimbursement is provided up to specified limits and conditions for debris removal, temporary repairs, fire department service charges and theft of credit cards.

## WHAT'S NOT COVERED?

All insurance policies have "exclusions" that outline perils or liability exposures not covered by the policy. A peril is the cause of a possible loss such as fire, windstorm or theft. Typical homeowners, renters and condo exclusions include: Floods, earthquakes, landslides, tidal waves, sewer and water backup, seepage, war and nuclear radiation.

Other exclusions include:

- Mopeds and other motorized bicycles
- Transmission of communicable diseases
- Home day care-related activity
- Secondary dwellings on your property
- Home-based businesses

In many cases coverage is available through policy endorsements or a separate policy.

## ENDORSEMENTS

To provide consumers with optional coverage, insurance companies offer a variety of endorsements. Policy endorsements modify or extend the coverage outlined in the basic policy. Check available endorsements when purchasing or renewing homeowners insurance based on your particular needs. Common endorsements to consider include:

- **Replacement Cost of Personal Property:** The policy only provides "actual cash value" for property losses (replacement cost at time of loss less depreciation). This endorsement will insure property for its replacement cost rather than its depreciated value.
- **Scheduled Personal Property:** Certain types of personal property are provided limited coverage by a standard policy. For an additional premium, valuables can be covered up to their value. This includes jewelry, furs, cameras, fine arts, stamp and coin collections and silverware. Companies require appraisals and/or sales receipts for scheduled personal property.
- **Special Loss Settlement:** Modifies the policy allowing the policyholder to carry less than 80 percent of the replacement cost of the property and still retain replacement cost coverage on partial losses.
- **Backup of Sewers and Drains:** Many companies offer this endorsement. It provides coverage for sewer and drain backup, which often follows heavy rains or flooding. Some "preferred" homeowners policies provide this coverage automatically. Be sure to check coverage limits, exclusions, deductibles and cost as these vary by company.
- **Earthquake:** Premiums differ widely by location, insurer and the type of structure that is covered (wood frame structures cost less to insure than brick buildings as they tend to withstand quake stress). Some companies include a separate 2-10 percent deductible for earthquake damage.

## TYPES OF POLICIES

- **Homeowners 2 (HO-2 Broad Form):** Perils (causes of loss) covered by the policy are specifically listed. If you don't understand peril coverages, talk to your insurance agent or company representative.
- **Homeowners 3 (HO-3 Special Form):** Policy lists perils that are excluded from coverage for dwellings and other structures. This is the most commonly used HO policy. Known as an "open-perils" policy, a peril is covered unless noted that coverage is excluded. Personal property coverage on an HO-3 is the same as an HO-2 (only covers named perils), but open-perils coverage may be available by endorsement.
- **Homeowners 4 (HO-4 Tenants Form):** Coverage for rental property. It covers personal property as well as liability protection and additional living expenses.
- **Homeowners 6 (HO-6 Condominium Form):** Coverage for condominium owners. It covers personal property and building additions and alterations inside of the owner's unit. Condo owners can purchase endorsements to protect property and liability "loss assessments" associated with their share in the condominium association's common ownership.
- **Homeowners 8 (HO-8 Modified Coverage Form):** Coverage for older homes whose replacement cost far exceeds its market value. This policy allows the homeowner to carry lower limits of insurance without violating the coinsurance clause. Payment for losses depends on whether the damaged or destroyed property is repaired or replaced. Perils covered are listed in the policy. Liability and medical payments coverages are also included.