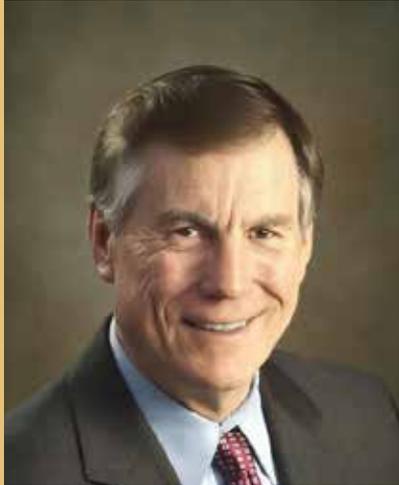




A CONSUMER'S GUIDE TO  
**HOMEOWNER'S  
INSURANCE**





**Mike Causey**  
Insurance Commissioner

This guide has been made available to North Carolina consumers so that they might make more informed choices when purchasing homeowners insurance. For most people, the purchase of a home is the largest investment they will ever make. Protecting that investment from fire and other perils is extremely important. Please note, homeowners insurance policies do not provide protection against losses from floods, earthquakes, mudslides, mudflows or landslides. You can learn more about what homeowners policies cover in this guide.

If you do not own a home, you may want to consider renter's insurance. Having all your personal possessions destroyed in a fire without insurance is a tragedy that just does not have to happen. Whatever your living arrangement – single-family home, condominium, apartment or mobile home – there is insurance coverage available to meet your specific needs.

Your Department of Insurance is available to help guide you through these complicated matters. We are also committed to enforcing North Carolina laws and regulations concerning the business of insurance.

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**IF YOU HAVE QUESTIONS, THE CONSUMER SERVICES DIVISION OF THE DEPARTMENT OF INSURANCE IS HERE TO HELP.**

Toll free: 855-408-1212

Outside of NC: 919-807-6750

Fax: 919-733-0085

North Carolina Department of Insurance  
1201 Mail Service Center  
Raleigh, NC 27699-1201

You can find additional information as well as a downloadable copy of our [Request for Assistance](#) form on the NCDOI Web site.

**NC Department of Insurance | Mike Causey, Commissioner | [www.ncdoi.com](http://www.ncdoi.com)**

# GLOSSARY OF INSURANCE TERMS

## **Additional Living Expense**

Also called loss of use. This coverage pays for the extra, above normal costs of expenses such as food and lodging incurred while the policyholder's home is being repaired. These expenses are generally not applicable to children living away at college.

## **Adjuster**

A person licensed by the Department of Insurance whose job is to evaluate the amount of loss and to determine the amount the insurance company will pay.

## **Agent**

A person licensed by the Department of Insurance to solicit and service insurance policies.

## **All-Risk Policy or "Special Form"**

Covers the loss of property or damage that results from any peril except those which are specifically excluded in the contract.

## **Cancellation**

Termination of an insurance policy by the insurance company or policyholder before a policy expires.

## **Claim**

A request to an insurance company for financial reimbursement on a loss.

## **Deductible**

The portion of each covered claim you are responsible for paying. Deductibles are fixed amounts specified in the policy.

## **Depreciation**

The decrease in home or property value since the time it was built or purchased because of age or wear and tear.

## **Endorsement**

An amendment to an insurance contract that creates a change in the original terms.

## **Exclusion**

A provision in an insurance contract that removes coverage for certain losses or property.

## **Floater**

Sometimes called a rider, this is additional coverage for special items such as expensive jewelry or antiques.

## **Insured**

The person or persons covered by the insurance contract.

## **Insured Loss**

A loss (theft, damage, etc.) that the insurance policy will pay for, in full or in part.

**Insurer**

The insurance company that is underwriting the contract of insurance.

**Inventory**

List of your possessions and their values.

**Liability**

Any legally enforceable obligation.

**Licensed-Agents and Companies**

Agents and companies that are approved and monitored by the Department of Insurance to sell insurance in North Carolina.

**Limit**

The maximum amount the insurance policy will pay in the event of a loss.

**Package Policy**

An insurance policy that includes several kinds of coverages. For example, a Homeowners HO 00-03 policy includes living expenses, personal liability, and medical payments.

**Peril**

The cause of a loss. Two examples are fire and theft.

**Premium**

The amount paid to the insurer in consideration for insurance.

**Residence Premises**

The one-family dwelling, other structures, and grounds; or that part of any other building where you reside and which is shown as the “residence premises” in the declarations of your policy.

**Risk**

A chance of loss to insured persons, liabilities, properties or assets.

## BASIC HOMEOWNERS INSURANCE

A homeowners insurance policy is a multi-peril policy, which means it combines property and casualty coverages in the same policy. A multi-peril policy offers numerous advantages to consumers as it conveniently packages a range of coverages under one policy and is normally cheaper than if all the coverages were purchased individually.

Homeowners insurance is sold as a personal package policy designed to cover a broad spectrum of perils associated with owning or renting a home. A peril is an event that causes damage to property; two examples are fire and theft. Although insurance on your home is not required by North Carolina law, if your home is mortgaged your lender may require the purchase of insurance on your home. Additionally, if you are a renter your landlord may suggest that you purchase insurance to cover your personal property.

Homeowners insurance also protects you against liability for accidents that injure other people or damage their property. The policy covers medical expenses for persons accidentally injured on your property.

The policy does not protect you against losses from floods, earthquakes, mudslides, mudflows or landslides. Contact your agent

to discuss your options for obtaining coverage for these losses. Please see our special section regarding flood insurance on page 2 of this guide.

The homeowners policy contains two sections. Section I provides property coverages (A, B, C and D) while Section II provides liability coverages (E and F). A brief description of the individual coverages follow:

- Coverage A – Dwelling
- Coverage B – Other Structures
- Coverage C – Personal Property
- Coverage D – Loss of Use
- Coverage E – Personal Liability
- Coverage F – Medical Payments to Others

### COVERAGE A – DWELLING

Coverage A provides major property coverage that protects your house and attached structures if it is damaged by certain events. It also covers fixtures in the house such as plumbing, heating, and permanently installed air-conditioning systems, electrical wiring and supplies on or adjacent to the residence premises for use in the construction, alteration, or repair of the dwelling or other structures.



The amount of Coverage A is normally established by the market value, purchase price or other identifiers associated with establishing the value of the dwelling. You should always carry an amount of insurance equal to a minimum 80 percent of the full replacement cost of the dwelling. Replacement cost is 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.

Language in the policy contract states that there is a reduction in the amount payable for a loss if Coverage A is not a minimum of 80 percent of the full replacement cost of the dwelling.

## COVERAGE B – OTHER STRUCTURES

This coverage provides protection to other structures on the residence premises that are not attached to the dwelling. Items covered include detached garages, tool sheds, etc. Coverage B is normally limited to 10 percent of the Coverage A limit. However, you may purchase more coverage for an additional premium.

You should always carry an amount of insurance equal to a minimum 80 percent of the full replacement cost of the other structures. Language in the policy contract states that there is a reduction in the amount payable for a loss if Coverage B is not a minimum of 80 percent of the full replacement cost of the other structures.

## FLOOD INSURANCE

Homeowners insurance policies DO NOT cover flood damage. If you live in a flood plain, near a river or if you live near the coast, you should consider purchasing flood insurance for your home. Your lender may require flood insurance if your home is located in a flood plain. Just because your home is not in a designated flood plain, do not assume you will never incur flood damage.

The federal government offers insurance for direct flood and flood related damage including mudslide and erosion under the National Flood Insurance Program (NFIP). This federal program requires that the community in which you live adopt zoning laws that prohibit future building in flood prone areas. The coverage involves a 30-day waiting period before the policy becomes effective; however, there are exceptions. Your agent or insurance company can assist you with application forms for flood coverage. For more information about federal flood insurance, contact the National Flood Insurance Program at 1-800-427-4661 or online at [www.floodsmart.gov](http://www.floodsmart.gov).



## COVERAGE C – PERSONAL PROPERTY

This coverage provides protection for the contents of your home and other personal belongings owned by you or family members who live with you. Coverage C is normally 50 percent of Coverage A (if coverage is also provided for the dwelling under the policy) or is subject to an established amount agreed upon by you and the insurance company.

Coverage is limited on certain types of property that are especially susceptible to loss, such as cash, securities, jewelry, furs, manuscripts and stamp or coin collections. Additional amounts of insurance may be purchased. You may want to consider scheduling these items separately. Ask your agent for specifics.

## COVERAGE D – LOSS OF USE

This coverage will help with additional living expenses if your home is damaged by a peril insured against to the extent that you cannot live in your home. These expenses include, but are not limited to, housing, meals and warehouse storage.

It is important to note that your company will only pay those additional expenses above and beyond your normal and customary living expenses. Coverage D is normally limited to 20 percent of Coverage A.

You must keep receipts for all additional living expenses and submit them to your company for reimbursement consideration. All of the exclusions, conditions and specific language can be found in your policy.

## COVERAGE E – PERSONAL LIABILITY

This section of the homeowners policy will provide coverage in the event you or a resident of your household are legally responsible for injury to others. Coverage E will provide a defense and will pay damages, as the insurance company deems appropriate. There are some exceptions. The liability



coverage will not protect you in all situations, such as an intentional act. All of the exclusions and specific language can be found in your policy.

## COVERAGE F – MEDICAL PAYMENTS TO OTHERS

This coverage pays for reasonable medical expenses for persons accidentally injured on your property. For example, if a neighbor's child is injured while playing in your home, the medical payments portion of your homeowners policy may pay for necessary medical expenses. The medical payments portion of your homeowners policy may also pay if you are involved in the injury of another person away from your home in some limited circumstances.

Medical payments coverage does not apply to your injuries or injuries of those that reside in your household. It is not a substitute for health insurance. Business activities are also excluded. All of the exclusions and specific language can be found in your policy. You should check with your agent or insurance company to discuss the limit of medical payments coverage needed.

# TYPES OF HOMEOWNERS POLICIES



Whether you own or rent, there are different packages of home insurance offered to protect your home and belongings. Each package protects against a specified number of perils such as fire, windstorm and theft.

In addition to coverage for named perils, each package policy usually contains coverage for property damage, additional living expenses, personal liability and medical payments. Homeowners policies apply to most owner-occupied single family dwellings and is modified slightly for apartments and condominiums.

The homeowners market in North Carolina primarily references six types of homeowners policies. Four of the six are normally purchased to handle single family dwellings while the remaining two are normally purchased for coverage on an apartment or condominium.

## **HOMEOWNERS BROAD FORM (HO 00 02)**

The Homeowners Broad Form policy may be used to provide coverage on a single family dwelling or townhouse. Perils insured against are specifically named in the policy contract. These perils are listed in the chart on Page 9.

Coverage is normally provided under the Homeowners Broad Form as follows:

- Coverage A (Dwelling) – Subject to a minimum as determined by your insurance company
- Coverage B (Other Structures) – 10 percent of Coverage A
- Coverage C (Personal Property) – 50 percent of Coverage A
- Coverage D (Loss of Use) – 20 percent of Coverage A
- Coverage E (Personal Liability) – Subject to a minimum of \$100,000
- Coverage F (Medical Payments to Others) – Subject to a minimum of \$1,000

## **HOMEOWNERS SPECIAL FORM (HO 00 03)**

The Homeowners Special Form policy may be used to provide coverage on a single family dwelling or townhouse. The dwelling and other structures are insured on an “open perils” basis. The open perils basis provides coverage to your dwelling for direct physical damage unless excluded by the policy. Personal property is insured against perils specifically named in the policy contract; these perils are listed in the chart on page 9 of this brochure.

The coverage amounts under the Homeowners Special Form are the same as under the Homeowners Broad Form.

## **HOMEOWNERS CONTENTS BROAD FORM (HO 00 04)**

If you rent an apartment or a house, you typically need personal property coverage and liability coverage. The Homeowners Contents Broad Form policy may be used to provide coverage for your personal property located

in rental property that you occupy. Like all homeowners policies, it provides coverage for loss of use, personal liability protection and medical payments to others. Liability coverage protects the renters the same as it would if the renter was a homeowner. Perils insured against are specifically named in the policy contract. These perils are listed in the chart on Page 9 of this brochure.

Coverage is normally provided under the Homeowners Contents Broad Form as follows:

- Coverage C (Personal Property) – Subject to a minimum as determined by your insurance company
- Coverage D (Loss of Use) – As shown on the declarations page
- Coverage E (Personal Liability) – Subject to a minimum of \$100,000
- Coverage F (Medical Payments to Others) – Subject to a minimum of \$1,000

**HOMEOWNERS COMPREHENSIVE FORM (HO 00 05)**

The Homeowners Comprehensive Form may be used to provide coverage on a single family dwelling or townhouse. The dwelling, other structures and personal property are insured on an open perils basis.

The coverage amounts under the Homeowners Comprehensive Form are the same as under the Homeowners Broad Form.

**HOMEOWNERS UNIT-OWNERS FORM (HO 00 06)**

A Homeowners Unit-Owners Form policy is used to provide coverage on your condominium and personal property located in the condominium. Unit-owners normally belong to a condominium association, which is responsible for purchasing insurance coverage on the structure and collective property. As a unit-owner, you may wish to insure your property or to cover any items not insured by the association’s policy.

The policy provides limited coverage for property damage to wall, floor and ceiling coverings and any alterations to the original unit. The owner of a condominium does not own the outside of the structure. Most of the coverage provided under this policy references coverage for your personal property.

Like all homeowners policies, the Homeowners Unit-Owners Form provides coverage for loss of use, personal liability protection and medical payments to others. Perils insured against are specifically named in the policy contract. These perils are listed in the chart on page 9 of this brochure.



Coverage is normally provided under the Homeowners Unit-Owners Form as follows:

- Coverage A (Dwelling) – \$1,000
- Coverage C (Personal Property) – Subject to a minimum as determined by insurance company
- Coverage D (Loss of Use) – As shown on the declarations page
- Coverage E (Personal Liability) – Subject to a minimum of \$100,000
- Coverage F (Medical Payments to Others) – Subject to a minimum of \$1,000

### **HOMEOWNERS MODIFIED COVERAGE FORM (HO 00 08)**

The Homeowners Modified Coverage Form policy may be used to provide coverage on older homes. This type of policy is normally used when the cost to replace the home is much more than the market value of the home. This policy will settle claims on an Actual Cash Value basis. (Actual Cash Value is replacement cost less depreciation.) Perils insured against are specifically named in the policy contract. These perils are listed in the chart on page 9 of this brochure.

Coverage is normally provided under the Homeowners Modified Coverage Form as follows:

- Coverage A (Dwelling) – Subject to a minimum as determined by your insurance company
- Coverage B (Other Structures) – 10 percent of Coverage A
- Coverage C (Personal Property) – 50 percent of Coverage A
- Coverage D (Loss of Use) – 20 percent of Coverage A
- Coverage E (Personal Liability) – Subject to a minimum of \$100,000
- Coverage F (Medical Payments to Others) – Subject to a minimum of \$1,000



# COVERAGE COVERAGE CHART

| TYPE OF POLICY  | HO 00 02 |   | HO 00 03 |   | HO 00 04 |   | HO 00 05 |   | HO 00 06 |   | HO 00 08 |   |
|---|----------|---|----------|---|----------|---|----------|---|----------|---|----------|---|
|   | D        | C | D        | C | D        | C | D        | C | D        | C | D        | C |
| D — Dwelling    C — Contents  |          |   |          |   |          |   |          |   |          |   |          |   |
| <b>PERILS COVERED</b>   |          |   |          |   |          |   |          |   |          |   |          |   |
| Fire or lightning   | ✓        | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |
| Windstorm or hail   | ✓        | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |
| Explosion   | ✓        | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |
| Riot or civil commotion   | ✓        | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |
| Aircraft  | ✓        | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |
| Vehicles  | ✓        | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |
| Smoke   | ✓        | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |
| Vandalism and malicious mischief  | ✓        | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |
| Theft   | ✓        | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |
| Volcanic eruption   | ✓        | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |
| Falling objects   | ✓        | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |          | ✓ |          |   |
| Weight of ice, snow, sleet  | ✓        | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |          | ✓ |          |   |
| Accidental discharge or overflow of water from within a plumbing, heating, air-conditioning or automatic fire protective system or from within a household appliance  | ✓        | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |          | ✓ |          |   |
| Sudden and accidental tearing apart, cracking, burning or bulging of a steam, hot water heating system, an air-conditioning or automatic fire protective sprinkler system or an appliance for heating water | ✓        | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |          | ✓ |          |   |
| Freezing of a plumbing, heating, air-conditioning system or automatic fire protective sprinkler system or of a household appliance  | ✓        | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |          | ✓ |          |   |
| Sudden and accidental damage from artificially generated electrical current   | ✓        | ✓ | ✓        | ✓ |          | ✓ | ✓        | ✓ |          | ✓ |          |   |
| All perils except those specifically excluded in your policy (check your policy for complete listing of perils not covered)   |          |   | ✓        |   |          |   | ✓        | ✓ |          |   |          |   |

# ADDITIONAL COVERAGES

Homeowners policies also provide some additional coverages which are described in your policy, including:

## DEBRIS REMOVAL

This additional coverage pays to remove debris of covered property, if the cause of loss is covered by your policy. It also pays up to \$500 for the removal of trees felled by a covered peril that either damage a covered structure, block a driveway or block a dwelling's entryway/exit designed to assist a handicapped person.

## TREES, PLANTS, SHRUBS

Trees, plants and shrubs on the residence premises are covered for up to 5 percent of the insurance on the house, but no more than \$500 per item. Perils insured against are fire or lightning, explosion, riot or civil commotion, aircraft, vehicles not owned or operated by a resident of the "residence premises," vandalism or malicious mischief or theft.

## CREDIT CARD COVERAGE

Most homeowners policies will pay up to \$500 to cover unauthorized credit card use.

## FUNGI, WET OR DRY ROT, BACTERIA

This coverage will pay up to a total of \$5,000 for the direct physical loss to property covered because of fungi, wet or dry rot, or bacteria. This amount is the most payable regardless of the number of locations insured or the number of claims made.

*Read your policy for other additional coverages and limitations.*



# OPTIONAL COVERAGES

## YOU MAY WANT TO CONSIDER

In addition to the basic coverages offered in the homeowners policies, you can buy other coverages by adding endorsements to your existing policy. An endorsement is a change added to an insurance policy which modifies the original terms. Some examples of the most common endorsements follows:

### **GUARANTEED REPLACEMENT COST COVERAGE**

Guaranteed Replacement Cost coverage is the most complete coverage for your home. If your policy contains this endorsement and the Coverage A limit stated in your policy is not enough to cover the loss to your dwelling, the insurance company will pay the difference, subject to a specified maximum. Check with your insurance agent to determine if an additional premium is required and what exclusions or conditions may apply.

### **INFLATION GUARD ENDORSEMENT**

This endorsement attempts to keep the dollar amount of coverage on your policy current with the replacement value of your dwelling because of inflation.

Even if you have this coverage on your policy, you should check your policy limits periodically to make sure you are adequately, but not excessively, insured. Check with your agent or company to see if your company offers this endorsement, if you are interested in purchasing it.

### **PERSONAL PROPERTY REPLACEMENT COST**

This endorsement extends replacement cost coverage to your personal property, with certain exceptions listed in your policy.

### **REFRIGERATED PROPERTY COVERAGE**

This endorsement covers property stored in refrigerators and freezers on the residence premises, to a maximum amount of \$500. A special deductible applies to this coverage. The insurer will pay only the amount that exceeds \$100 of covered losses. Perils covered are interruption of electrical service and mechanical failure.

### **SCHEDULED PERSONAL PROPERTY ENDORSEMENT**

This endorsement is sometimes called a “personal article floater.” It covers possessions of high value that are more mobile than most household goods. Some examples are jewelry, furs, coins, guns and computers.

### **WATER BACKUP AND SUMP OVERFLOW**

Losses from water backup and sump overflow are not covered under your homeowners insurance policy. This coverage is available through most insurance companies as an endorsement, but it may not be offered to you when purchasing homeowners insurance coverage if you do not ask for it. Ask your agent for more information on this coverage.

### **WATERCRAFT ENDORSEMENT**

This endorsement extends personal liability and medical payments coverage to others while operating certain watercraft. Physical damage coverage is also available through a separate endorsement. Consult your agent or insurance company to determine adequate coverage.

*Other additional coverages are also available to customize your policy to your specific needs.*

## THAT AFFECT YOUR INSURANCE PREMIUM



There are several factors that can affect the cost of your homeowners insurance premium. Some of these factors are: type of construction, age of home, location, deductible, dollar amount of coverage, additional endorsements selected and underwriting guidelines. Having protective devices such as dead bolt locks, fire extinguishers, burglar, smoke and fire alarm systems will help reduce your insurance premium.

### **TYPE OF CONSTRUCTION**

Your home's ability to withstand or minimize loss due to fire and other perils may have an impact on your insurance premium. Frame houses usually cost more to insure than brick houses.

### **AGE OF HOME**

New homes may qualify for discounts with some insurers. These discounts result in a lower insurance premium. Additionally, some companies may not insure very old homes or offer a limited form of coverage.

### **LOCATION**

The location of your dwelling affects your insurance premium. Urban areas tend to experience higher crime rates and rural areas typically have less resources for fire protection. Some areas are more susceptible to specific perils, such as windstorm, earthquakes and mine subsidence.

The distance of your home from a fire hydrant and the quality of your local fire department determine your fire protection class. Since fire and smoke damage cause millions of dollars in losses each year, the fire-fighting capability of a community such as water supply, building codes, your fire department's equipment and the quality of your local fire department is taken into account in determining the insurance rate. Your city is assigned a fire protection class and it is used by insurance companies to rate policies.

Normally these protection classes range from 1 to 10 with Class 1 having the lowest insurance rates and Class 10 the highest. Classification depends on the: size and the physical characteristics of the municipality or governmental entity; size of the fire department and its personnel, training and equipment; available water supply and pressure; and other recognized fire rating standards.

## DEDUCTIBLES AND THE AMOUNT OF COVERAGE

All homeowners policies carry a deductible which applies to most property losses. A deductible is the amount you must pay per claim or accident before the insurance company will begin paying. The deductible does not apply to liability coverages (Coverages E and F).

Deductibles are fixed amounts specified in the policy. You may have the option of selecting among various deductibles. Higher deductibles lower your insurance premium. You may also select a deductible higher than the standard \$250 deductible; this will result in a lower insurance premium.

*Consult your agent for additional details.*

## DOLLAR AMOUNT OF COVERAGE

The amount of coverage you buy for your house, contents and personal liability will affect the price you pay.

## ENDORSEMENTS

Additional coverage may be purchased under your homeowners policy by endorsing the policy. Typical endorsements provide coverage for replacement cost coverage on the dwelling and contents, inflation guard protection, etc. Endorsements such as these normally cause an increase in the insurance premium.

Some endorsements are added to the policy to evidence the presence of certain features in the dwelling. Normally these features pertain to protective devices such as burglar alarms, smoke detectors, etc. Endorsements in this category normally entitle the policy to a credit which causes a decrease in the insurance premium.



# UNDERWRITING GUIDELINES

Underwriting guidelines are rules insurance companies use to decide whether to insure your property. Each company has its own underwriting guidelines. These guidelines may include information regarding you and the physical condition of your house including its upkeep and maintenance.

*Applications for property insurance may additionally request personal information such as where you work.*

As part of the underwriting process, insurance companies consider the severity and frequency of past claims on the home. Your agent and insurer will need to know what caused past claims in order to determine whether or not the same type of claim is likely to occur again.

Frequent claims caused by factors beyond your control, such as wind and hail, can also pose a problem. If there have been frequent and/or severe claims, the insurance company may ask that you carry a higher deductible, or possibly refuse to provide coverage.

Ultimately, your total premium will depend on various factors including:

- Type of construction
- Policy coverage limits
- Policy endorsements
- Policy discounts offered by your insurance company



# HOW MUCH INSURANCE DO I NEED?

A common mistake made when purchasing homeowners insurance is not buying enough coverage. It is very easy to continue buying the same amount of insurance year after year even though the value of your home is increasing due to inflation and improvements that you make. If you are not careful, this can adversely affect your settlement with the insurance company if your home is damaged, even if you suffer only a partial loss. It is important to check your insurance every year to be certain you have adequate coverage.

You can choose to insure your home and contents for either replacement cost or actual cash value. Replacement cost is 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. Depreciation is the decrease in home or property value since the time it was built or purchased because of age or wear and tear.

Actual cash value is the amount it would take to repair or replace damage to your home after depreciation. For example, if your roof has a 20 year warranty and is 17 years old, there would be depreciation for the age and condition of the roof. A loss (by a covered peril) to the roof would generate a claim payment less than the replacement cost of the roof.

Some of the factors you should consider when buying homeowners insurance are outlined in this section. You should also discuss your insurance needs with an insurance agent. It is this person's job to help you choose the right type and amount of insurance.

## PROPERTY PROTECTION

The first step towards determining what policy limits you need is to determine what it would cost to replace your house. Appraisals are expensive, so you may want to rely on advice



from your insurance agent. Most agents have charts and home replacement cost estimation procedures to help you determine how much insurance you need.

Next, take inventory of everything you and your family own in your home and other buildings on your property. You should include everything except autos, animals and items that are insured under other policies. Then decide how much your furniture and other personal property are worth.

In choosing your policy limits you need to consider: the kind of coverage you want and how much you want to pay, the value of your home and contents and whether you want replacement cost coverage or actual cash value coverage. (These terms are described below.)

If you have unusual or high-valued articles (e.g., antiques, art objects, etc.) ask that they be specifically insured. You may be able to increase your unscheduled personal property coverage by paying an additional premium.

## LIABILITY PROTECTION

Liability insurance, a very important part of your homeowners policy, protects you from having to pay damages resulting from your negligence. Liability limits can be selected to fit your financial needs. You may want to consider, at a minimum, an amount that would protect your financial assets — home, savings, etc. — which are vulnerable to a lawsuit.

## LENDER REQUIREMENTS

Your lender may require you to cover the house for at least the amount of the mortgage. This may be either too little or too much coverage for your individual circumstances. For example, you are not required to buy fire coverage for the lot on which your house is built.

Most financial institutions that offer mortgages (including banks and mortgage companies) require insurance coverage in the loan contract to protect its interest in the property. The lender becomes a payee (with you), in case of loss, and will remain one as long as

it has a vested interest in your home. This means your insurance company can make any checks for home-repair or replacement claims payable to the insured and the financial institution.

It is not uncommon for a lender to suggest an insurance agent or carrier for your homeowners policy. However, you are not required to purchase insurance from an insurer recommended by the lender.

Following are examples of policies your lender may require or suggest for you to purchase.

### Private Mortgage Insurance

Most homeowners know this type of insurance by its initials, PMI. PMI protects the mortgage company when a homeowner fails to pay the mortgage payment(s). The mortgage company may require the homeowner to purchase PMI in return for lending the money that is needed to purchase the home or condominium. When this insurance is purchased, the homeowner pays the private mortgage insurance premium and the mortgage company is protected by the PMI policy.

## ACTUAL CASH VALUE

Most homeowners insurance policies cover the contents of your home (i.e., personal belongings) on an Actual Cash Value (ACV) basis. Many insurers offer an option of insuring personal property at replacement cost using the HO 04 90 endorsement. The premium will be slightly higher for this coverage; however, you may want to consider the option.

For example, if you selected ACV coverage and bought a new television in 2001 for \$700 and lightning destroys that television in 2008, your insurance will not pay the full \$700. It will pay a lower figure that reflects the television's current value, let's say \$350. If you selected replacement cost, however, and the same television now costs \$900, you will initially receive the ACV for the TV (\$350). If and when you replace the television, you should provide your insurance company with a receipt of purchase for their consideration of paying the balance (\$550). Your insurer will require proof of purchase for full reimbursement consideration.

Whether your property is insured for replacement cost or actual cash value, it is important to keep track of its value. Check with your agent or insurance company on an annual basis to make sure your property is adequately insured.

You may be required to purchase this type of insurance if you pay for a mortgage on a “high-ratio” loan. This refers to when you borrow money with a down payment of less than 20 percent of your property’s value. This insurance allows you to qualify for a larger mortgage than otherwise available with a small down payment. Once you obtain more than 20 percent equity in the home, you may be able to cancel this insurance. Refer to your lender concerning its requirements for PMI.

### **Mortgage Life Insurance**

This type of insurance pays off your home in the event of your death. The cost depends on the mortgage amount, payoff time and a special calculation table. Mortgage life insurance may prove economical for its specific purpose, but you may need a good health record to buy a policy.

### **Title Insurance**

Title insurance policies cover losses if a land title is not free and clear of defects that were not known when the title insurance was written. Title insurance protects the purchaser if there is a defect in the title, such as a lien against the property, which was not discovered at the time of sale. Although a title search is a routine part of the property transfer, it is possible that a search may overlook a lien or claim on the property.

### **Force-Placed Insurance**

If you finance the purchase of a home, your lender may require you to carry insurance on that property. If you do not purchase insurance, the lender may place coverage on your property, and you will have to reimburse the lender for the premiums paid. This is called “force-placed” property insurance coverage, and it generally only protects the interest of the lender.



# INSURANCE FOR HIGH RISK LOCATIONS

## WHAT IS A HIGH RISK LOCATION?

A high risk location is defined as an area that is more susceptible to certain perils covered under the homeowners policy. For example, if your dwelling is located at the beach, it is considered more susceptible to the peril of windstorm. Or, if your dwelling is located in an urban area, it is normally more susceptible to the peril of theft.

Most homeowners insurance policies cover damage caused by windstorm and hail. However, in some coastal areas, this coverage is excluded from the standard policy. For more information, ask your agent or insurance company if this peril is covered by your policy.

## NORTH CAROLINA FAIR AND COASTAL PROPERTY INSURANCE POOL

If you try several insurers and cannot find coverage, you may obtain coverage through either the FAIR Plan or the Coastal Property Insurance Pool (formerly known as the Beach Plan). The North Carolina Joint Underwriting Association (NCJUA) is the administrator of the FAIR (Fair Access to Insurance Requirements) Plan. The Coastal Property Insurance Pool is administered by the North Carolina Insurance Underwriting Association (NCIUA). These



plans are risk-pooling arrangements in which all companies selling property insurance in the state share the risk of property owners who have difficulty securing insurance from usual sources.

Any property owner in the State of North Carolina may apply for insurance under the NCJUA. The NCJUA insures homes, rental dwellings and certain types of business property.

The NCJUA provides named peril insurance coverage for the properties it insures, including damage from fire, wind, vandalism, etc. Other causes of loss are also covered. Liability coverage is not included.

*For most, a NCJUA policy should be a temporary solution for property insurance needs.*

The NCIUA provides the same insurance coverages under the Coastal Property Insurance Pool as the FAIR Plan; however, the Coastal Property Insurance Pool provides a windstorm and hail only policy when written in conjunction with a fire insurance policy that is written with a private, licensed insurance company. The Coastal Property Insurance Pool also provides the Homeowners Broad Form (HO 00 02), Special Form (HO 00 03), Unit Owners Form (HO 00 06) and Modified Coverage Form (HO 00 08). This plan only provides coverage for properties located in the beach and coastal areas.

## INVENTORY YOUR BELONGINGS

Make a list of your belongings and be sure to include purchase receipts (the best documentation), especially of large items like refrigerators and stereos, showing the year purchased and amount paid. Photographs and videotapes of your possessions are also a good idea.

Preparing an inventory accomplishes two important things. First, it will make the process of filing a claim more orderly and less stressful, should you have a loss someday. Second, it can help you determine whether some of your more valuable possessions require more coverage than your present policy limits provide.

Just make sure you keep a copy of your disk, tape, written list or photos in a separate location such as with a relative, in a safe deposit box or in your desk at work. Gather up as many receipts as possible – especially those for major purchases such as furniture and appliances. Many agents also recommend that you keep a copy of your insurance policy at another location. Remember, do not store these records in your house! Update your list on a regular basis and keep records of any new purchases or remodeling. These records will be very important if you ever need to file an insurance claim.

## DISCOUNTS/DEVIATIONS/CREDITS

You may want to ask your agent or insurance company if you are eligible for any discounts. Following are some examples for which discounts may be offered.

- Your dwelling has a burglar alarm system.
- Your dwelling has dead bolt locks.
- Your dwelling is new.
- You have insurance on your home and automobile with the same company.

## INCREASE YOUR DEDUCTIBLE

You can lower your insurance premium by increasing your deductible. In doing this you will want to consider how much of a loss you can afford to absorb if you have a claim.

## KEEP YOUR COVERAGE CURRENT

Check with your agent at least once a year to make sure that your policy provides adequate coverage. You may be able to add an endorsement, which increases the amount of insurance, to keep pace with inflation.

## SHOP AROUND (COMPARISON SHOPPING)

The key to comparison shopping is to know what insurance coverages you need before you start and then to find out how much those coverages will cost from a number of insurers. Shop around, you may find substantial differences between quotes. Make sure you are comparing identical coverages when comparing companies.

Make sure you are dealing with licensed agents and companies. You can check the licensure status of companies and agents by calling the North Carolina Department of Insurance at 1-800-546-5664.



You can also check a company's ratings. Some examples of organizations that rate insurance companies are A.M. Best, Moody's Investors Service, Standard and Poor's Corporation (S&P) and Weiss Research. You can typically find information offered by these organizations at your local library or on the Internet.

### **PAYING YOUR PREMIUM**

Pay your premium in full. Also, pay on or before the due date to avoid the risk of cancellation. There is **NO GRACE PERIOD** for homeowners insurance. Use a check or money order. If you use cash, request a receipt and keep it in a safe place.

Pay your premiums even if you disagree with your insurance company. Failure to make premium payments may cause cancellation of your policy.

### **READ YOUR POLICY**

Read your policy and make sure that it lists all coverages you have requested. Know exactly what your policy covers and does not cover.

### **KNOW YOUR INSURANCE COMPANY**

Know the name of the insurance company with whom your policy is written. The name of your company can be different from that of your agent or agency. This information is found on your policy.

## **FOR YOUR PROTECTION**

North Carolina has a safety net to protect insurance consumers from financial loss in the rare instance that a company licensed in the state becomes insolvent. This fund is called the Insurance Guaranty Association. The fund is created by state law and is composed and funded by assessments of insurers licensed to do business in North Carolina. They pay the claims of policyholders and other claimants of an insolvent company. The fund should not be relied upon to eliminate all risks of loss to insureds due to insurer insolvency. Some types of policies may not be fully covered by the fund and significant delays could occur in settling obligations in cases of liquidation.



# TERMINATION OF INSURANCE COVERAGE

Insurance companies have the right to terminate your coverage; however, they must follow the guidelines listed in your policy to do so. The ways your policy can be terminated are cancellation and nonrenewal.

## CANCELLATION

Cancellation is when your policy is terminated during the policy period. You may cancel your policy by returning the policy to the company or agent or giving the company advanced written notice of the date you wish to cancel the policy.

When you have not paid the premium, the insurance company may cancel the policy by notifying you at least 10 days before the cancellation takes effect. Additionally, the insurance company may cancel your policy if it has been in effect for less than 60 days for any reason by letting you know at least 10 days in advance.

After the policy has been in effect for more than 60 days, or at any time the policy is subject to renewal, the insurance company can cancel the policy only for two reasons other than non-payment of premium. The company is required to give 30 days advance notification for cancellations involving the following:

- There has been a material misrepresentation of fact, which if known to the insurance company would have caused the insurance company to not issue the policy, or
- The risk has changed substantially since the policy was issued.

## NONRENEWAL

Nonrenewal denotes your company's refusal to renew your policy. An insurance company may nonrenew your policy for any reason by letting you know at least 30 days in advance of the renewal date of the policy.

## Refunds

All refunds, due to cancellation of the policy, are calculated on a pro-rata basis. The pro-rata basis will generate your refund, without any penalty, for cancellation during the policy period.

## HOW TO AVOID CANCELLATION

- Pay premiums promptly and timely.
- Maintain property in good repair. Keep your home clear of accumulated trash. Repair faulty wiring. Maintain "pride of ownership" by keeping roofs, siding and brickwork in good condition and freshly painted.
- Be careful in the selection of household pets. Having wild animals or dogs of certain breeds can result in your homeowners policy being cancelled or nonrenewed.
- Do not use your insurance policy as a maintenance policy, i.e., reporting small or possibly avoidable claims.
- Establish annual contact with your insurance agent to ensure that your property continues to meet the insuring guidelines of the company.

## WHAT OPTIONS DO I HAVE?

If you have been turned down for homeowners insurance by one company, try other companies. Do not assume that you will be turned down by all companies. Just as companies have different premiums, they have different underwriting requirements.

You may not be eligible for one of the "homeowners" policies. However, you may be able to purchase two separate policies, one containing only property damage coverage (called a "dwelling policy") and the other containing liability coverage. This may be more expensive than purchasing

a homeowners policy, but it is better than having no coverage at all.

If you are unable to obtain insurance for your home from a private insurance company after trying the above alternatives, you could try to purchase a policy through a “surplus lines” company or a policy through the North Carolina Joint Underwriting Association.

### **Surplus Lines**

Licensed insurance companies may not be able to provide the coverages every consumer needs. Surplus lines insurers may be able to help fill the needs of consumers who cannot obtain coverage from licensed companies.

An insurance company that provides certain financial information may receive approval from the Department to provide insurance as a surplus lines company. Freedom from some regulation, such as form and rate filings, allows

surplus lines insurers to respond to unmet needs of insurance consumers. However, since the Department of Insurance does not license these companies, the North Carolina Insurance Guaranty Association does not provide protection for claims if a surplus lines company goes bankrupt.

You should thoroughly read a surplus lines policy if obtained, since the Department does not regulate the rates these companies charge or the forms they use. The coverages and deductibles found in these policies frequently differ from those of licensed insurance companies.





Taking adequate steps to prevent and minimize damage to your home and injury to others is just as important as buying insurance to cover them. No insurance policy can compensate you for the pain, suffering or inconvenience brought about by a loss. Here are some tips to help you reduce your chance and amount of loss.

## **FIRE PREVENTION**

- Install and maintain smoke and heat detectors near sleeping areas.
- Clear accumulated trash, oily rags and combustible materials.
- Check lamps, lamp cords and light switches for faulty wiring.
- Plan a route for evacuation and practice home fire drills.
- Keep matches away from children.
- Never smoke in bed.
- If you are building a home, make sure that the contractor uses fire proof material in construction whenever possible.
- Do not store combustible items in the attic, basement or any place where heat builds up.
- Buy a fire extinguisher, keep it handy and know how to use it.

- If you purchase a wood stove, have a professional install it.
- Place decals on the windows of children or the elderly so they can be evacuated in an emergency. (Decals can typically be obtained at your local fire department.)

## **ROOF AND WATER DAMAGE**

- Clear snow from rooftops to prevent collapse and the formation of ice dams.
- Periodically check for loose shingles and repair.

## **LIABILITY**

- Swimming pools should be fenced and locked.
- Do not keep dangerous animals.
- Obey leash laws.
- Keep walkways and steps in good condition and clear of obstructions, including ice.
- Keep railings and handrails on decks, porches or landings in good repair to prevent people, including yourself, from falling.

## **BURGLARY PREVENTION**

- Exterior lights mounted out of reach can reduce the risk of break-in. Motion-sensitive lights are now available at relatively low prices.
- Make it time consuming for a burglar to break into your home by installing security devices such as electronic security systems, dead bolt locks, grates and window locks. Place valuables such as expensive electronic devices or artwork where they are not visible from the street.

- Trim trees and shrubs near doors and windows so you do not provide a convenient hiding place for a burglar.
- Do not leave ladders or tools in the yard or in an unlocked garage or shed. Your tools could be used to break into your home.
- Keep your garage door closed and locked at all times. A door leading from a garage into a house can offer an easy access point for a burglar.
- Display your house number conspicuously and have it well illuminated. This will help police and emergency personnel find your home quickly, if summoned.
- Engrave your valuables with your driver's license number to deter burglary and to prove ownership if the police recover the stolen article.
- Never leave notes that can inform a burglar that your house is unoccupied.

*For more information on residential burglary prevention, contact your local police department.*

## AFTER THE LOSS

*Contact your insurance agent or company immediately when you have a loss!*

### Take Precautions if the Damages Require You to Leave Your Home.

Secure your property. Remove valuable items. Lock windows and doors. Advise your agent or company how and where you can be reached. Take these same precautions if you are forced to evacuate before a storm.

### Make Emergency Repairs and Document Them.

Your policy requires you to make reasonable emergency repairs necessary to prevent further damage to your home and its contents. Keep all receipts and take photographs of the damages, before and after emergency repairs, to submit with your claim.



Do not make extensive repairs before the claims adjuster arrives. Do not throw out damaged personal property. Make a list of everything you would like to show the adjuster when he or she arrives.

### Policy Requirements

All homeowners policies in North Carolina require you to do the following when a loss occurs:

- Give prompt notice to your agent or company.
- If the loss is by theft, notify the police.
- If you have lost your credit card or ATM card notify the bank or credit card company.
- Protect your property from further loss or damage. If you make temporary repairs, keep a record of what you spend. This could include things like covering broken windows or putting a tarp on your roof.
- Give your agent a list of all damaged, destroyed or stolen property. Attach all bills, receipts and related information that would help document possession.
- Show the damaged property along with records and documents requested by your agent or company.

### WHAT HAPPENS NEXT?

You may be asked to sign a statement called a "proof of loss." Your insurance company may provide a standardized form to use. You could

be asked to provide a list of household items you have lost and their actual cash value. If you have replacement cost insurance on your home and personal property, you will need to provide your insurance company with proof of replacement within 180 days after the date of loss. It is important to do everything possible to prevent additional damage to your property.

The insurance company will reimburse you on an actual cash value basis until you provide evidence that the items have been replaced. Receipts are the best source of evidence. Photographs and videotape recordings can be instrumental in providing the proof of ownership of products and replacement value. The insurance company will use your proof of loss statement to start determining the value of your claim. It is important to list all items on this statement. Keep a copy of all documents for your records.

### **Obtaining Estimates**

An insurance adjuster will review the damage to your property and prepare an “estimate of loss” to repair or replace your home and personal items. The amount of money the insurance company offers will be based on this estimate, which should include any repairs necessary to restore your home to its condition prior to the damage.

### **Appraisal and Settlement**

If you and your company cannot reach a settlement figure satisfactory to both of you, either may demand an appraisal of the loss. You or your company will choose a competent and disinterested appraiser within 20 days after receiving a written request from the other. The two appraisers will choose a competent and impartial umpire. The appraiser will separately set the amount of loss. If the appraisers submit a written report of agreement to the company, the amount agreed upon will be the amount of loss. If they fail to agree they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss. Each party must pay its own appraiser and bear the other expenses of the appraisal and umpire equally.

### **Repair of Your Home**

You should hire the person or persons to make the repairs to your property. It is advisable to hire only licensed and insured contractors. You may want to consider using local service people, as they can be more easily reached should a problem develop.

Consumers can call the General and Residential Contractors Board at (919) 571-4183 to find out if a contractor is licensed. Also, ask to have a certificate of insurance issued to you by the contractors insurance company.



# FREQUENTLY ASKED QUESTIONS

## FAQ'S

### ***I've heard the term "dwelling policy." What is the difference between a dwelling policy and a homeowners policy?***

A dwelling policy provides more limited property coverage than a homeowners policy. The dwelling policy provides property coverage. The homeowners policy offers a combination of property and liability coverages.

Dwelling policies may be used to insure homes that do not qualify for homeowners insurance.

### ***What are the different parts of a homeowners insurance policy?***

The Declarations – Almost always on the first page of your policy, this part contains such information as the name of the insured, the address, the dollar amount of coverage provided, a description of the policy and the cost of the policy.

The Definitions – This section explains, as precisely as possible, the meaning intended for terms used in the policy. These definitions are key to understanding the extent of coverage your policy provides.

Coverages – Explains the extent of property and liability coverage. Be sure to check the standard exclusions.

Exclusions – This section details what is not covered by your policy, under both property and liability sections.

Conditions – The insurance policy is a type of contract. This section explains the obligations of the insured and the insurer (insurance company) under the policy, for both property and liability. It explains your duties in the event of a loss, and some details about how the company will settle these losses.

Endorsements – An amendment to your policy that adds, removes or otherwise changes the

standard coverage you have under your policy is called an endorsement. Through your agent many kinds of endorsements can be attached, and thus tailor a policy to any special needs you may have. An insurance company could use an endorsement to limit your coverage. Therefore, it is particularly important to read the endorsement section of your policy.

### ***When does coverage begin?***

To obtain a policy you must fill out an application. The application contains information to help the company decide whether to accept or reject the risk your application poses.

The agent or insurance company may issue you a binder, which is a statement that you have immediate protection for a specified time. The binder guarantees temporary coverage only, during which time the company decides whether or not to issue you a policy. At the end of the binder period, if the company accepts your application, you will be issued a policy.

The policy period is usually for one year. If the company decides not to issue a policy, you will be covered for the time period specified in the binder. If the binder period is about to expire and you have not heard from the company, it is best to inquire about the status.

### ***I'm planning to purchase an older home, built in the 1800s. Is there a policy available for older homes?***

Yes, the basic policy for older homes, HO 00 08, covers the home and your personal property.

Many older homes, especially those with historical significance or with unique architectural aspects, would cost more to replace than the home's market value. Some building materials used in the 1800s are no longer available today. Others would be so

expensive that it would be nearly impossible to return your home to its former condition. If you are interested in getting a rate for your policy to cover actual replacement cost, contact your agent.

***Who should I hire to make repairs?***

Deal only with reputable and insured contractors. Check the track record of anyone you are thinking of hiring and ask those you trust for recommendations. Call the Better Business Bureau to see if there are any complaints on file against the contractor or company. Remember to have a certificate of coverage sent to you by the contractor's insurance company.

***I have a collection of valuable art. What precautions should I take to be sure I'm covered if I have a loss?***

Be sure your agent knows about any valuable items you own when you purchase your policy. Keep documentation of the worth of these items in a safe location. Be sure you understand the limits and exclusions of your policy or any rider. If you have particularly valuable items or ones where the value might be disputed, you might consider hiring a reputable appraiser.

***If my roof is damaged, does the company have to replace my whole roof?***

No, they only have to replace the damaged area, even if the shingles will not match (e.g. the original shingles are now discontinued).

***A tree fell in my yard during a windstorm. My agent said my policy does not cover the cost of removing the tree. Why?***

The homeowners policy will pay reasonable expense, up to \$500 for any one loss, for the removal of trees from your premises provided the tree(s) damages a covered structure.

***If someone else is injured on my property, does my homeowners liability coverage cover the cost of his or her injuries?***

Only if you are negligent, causing the injuries. If you are not negligent, then coverage is available under the Medical Payments to Others coverage provision in the policy. This would cover only incurred medical expenses up to a limited dollar amount. It would not cover payment for pain and suffering, lost time, etc.

***How does depreciation apply under a homeowners policy?***

Depreciation applies when the loss to carpet, furniture and other items listed in the loss settlement conditions are covered under the actual cash value provisions of the policy. As a general rule, actual cash value is the replacement cost of the item, less depreciation. Thus using a television loss as an example, if the useful life of the TV is 10 years and it is five years old the depreciation would be one-half.

***If my house is destroyed, do I have to rebuild within a certain period of time?***

You may disregard the replacement cost loss settlement provisions and make claim under your policy for loss or damage to buildings on an actual cash value basis. You may then make claim within 180 days after loss for any additional reimbursement according to the Loss Settlement Provisions in your homeowners contract.

***Why did my agent tell me one price for my insurance and my company is charging me more?***

If an agent tells you one price, but your bill is for a higher premium, it could be that a simple mistake was made in processing your application. Check to see if the amounts of insurance, deductible, scheduled items and policy endorsements are the same on the policy and the quote. If you cannot find a discrepancy, check with your agent or company to find out if the bill is correct. If

the bill is higher than you expected, ask for an explanation. You will probably find there is an honest misunderstanding between you and your agent. These misunderstandings, or “misquotes,” can happen when the agent does not have accurate information about your property, or about what kind of coverage you want.

***Why didn't the insurance company pay me the appraised value of my loss?***

The appraised value of your property is the value when the appraisal was made.

If your house or personal property are damaged, your insurance company is responsible for your property's actual cash value at the time of the loss or its replacement value if your policy provides replacement cost coverage.

***My policy has a limit for other buildings and structures, but I do not have a garage or shed. Am I paying for coverage I do not need?***

The homeowners policy is a package policy designed to meet the needs of most homeowners. Although it may provide coverage that you do not need, it is less expensive for the company to issue a policy this way than to tailor it to each policyholder's needs. The result is a policy that provides broader coverage at a lower price.

***I submitted a claim for damage to my dwelling. I have replacement cost coverage, but my insurance company only paid part of the cost of repairs. Can they do that?***

The homeowners policy provides replacement cost coverage for covered buildings without deduction for depreciation. There are different ways in which the company may pay replacement cost. Usually the insurer will make a partial payment until the property has been repaired. Once the property has been repaired, the insurer will pay the difference between the amount already paid and the actual cost to repair the building with similar construction, up to the policy limits.

If you elect not to repair the house, you can submit a claim for the actual cash value of the damaged home.

***I recently submitted a claim for several items stolen from my home. The insurance company indicated it would not pay my claim unless I submit bills, receipts or related documents that will prove I owned these items and justify the values that I am claiming. Do they have the right not to pay unless I give the information?***

Yes. The insurance company has the contractual right to request any information it feels is necessary to confirm ownership and value of the items claimed. The ultimate responsibility of proving the loss is yours.

***How long does a company have to settle my claim?***

The company should acknowledge receipt of your claim within 30 days. There is no specific time limit in which the company must settle your claim since each claim is different and the length of time to settle may vary.

***I just received a nonrenewal notice because of two claims I made over the past couple of years. Why has the company nonrenewed my policy when these claims were not even my fault?***

Insurance companies develop guidelines that help them determine if you qualify for their policy. These guidelines may vary from company to company. Although companies are concerned if a loss is the result of negligence, they also review and consider the size of the loss(es) and how often losses occur.

The Consumer Services Division strives to respond promptly, clearly and courteously to consumers' insurance-related questions and complaints, in an effort to help consumers understand their options and resolve their insurance problems.

If you have a problem or concern with an insurance company or agent, the North Carolina Department of Insurance stands ready to assist you. A consumer complaint form is included in this brochure for your convenience.

## WHAT WE CAN DO TO HELP

- Forward a copy of your complaint to your insurance company, and require the company to provide a response/explanation.
- Review the company's response for compliance with applicable North Carolina statutes, regulations, and policy requirements.
- Require the company to take corrective action if we determine that the company's position does not comply with applicable requirements.
- Help you understand your insurance policy.
- Recommend courses of action that you can take to resolve your problem, if we do not have the regulatory authority to resolve it ourselves.
- If your situation involves a health plan's noncertification decision (denial based on lack of medical necessity), we will refer you to the Department of Insurance's Healthcare Review Program (HCR Program), for further guidance.

## WHAT WE CANNOT DO

- Act as your legal representative in or out of court.
- Intervene in a pending lawsuit, on your behalf.
- Consult with you if you are represented by an attorney, unless we have your attorney's written permission.
- Regarding a dispute between you and your insurance company, establish:
  - Who was negligent or at fault.
  - The value of a claim or the amount of money owed to you.
  - The facts surrounding the claim (that is, who is being truthful when there are differing accounts of what happened).
  - The facts regarding any other disagreement between you and another party.
- Address plans or companies that are not subject to the insurance laws of North Carolina, or that are governed by other state agencies.









North Carolina Department of Insurance  
Mike Causey, Commissioner  
1201 Mail Service Center  
Raleigh, NC 27699-1201  
[www.ncdoi.com](http://www.ncdoi.com)