



Maryland
INSURANCE ADMINISTRATION



Understanding your Homeowners Coverage



This presentation does not provide legal advice.
You should discuss specific questions with your
trusted financial advisor or insurance producer.

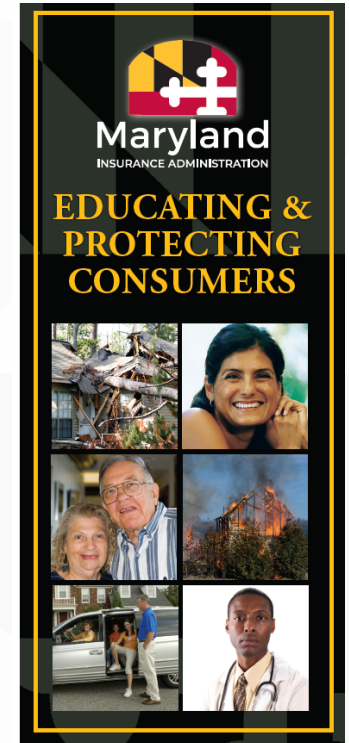


What is the Maryland Insurance Administration

The Maryland Insurance Administration (MIA) is the state agency that regulates insurance in Maryland. The MIA:

- Licenses insurers and insurance producers (agents or brokers).
- Examines the business practices of licensees to ensure compliance.
- Monitors solvency of insurers.
- Reviews/approves insurance policy forms.
- Reviews insurance rates to ensure rates are not inadequate, excessive or unfairly discriminatory.
- Investigates consumer and provider complaints and allegations of fraud.

[Video: How the MIA Can Help](#)



What is the Maryland Insurance Administration?

If you feel that your insurer or insurance producer acted improperly, you have the right to file a complaint. Examples of improper actions include:

- Improperly denying or delaying payment of all or portions of a claim;
- Improperly terminating your insurance policy;
- Raising your insurance premiums without proper notice;
- Making false statements to you in connection with the sale of insurance or processing of insurance claims; and,
- Overcharging you for services, including premium finance charges.

What is homeowners insurance?

Homeowners insurance can help you manage the financial risks of homeownership. Homeowners insurance may:

- Help you recover financially following a covered loss to your:
 - a. Dwelling
 - b. Personal Property (contents)
 - c. Other Structures
- May protect you financially if someone is hurt or their property is damaged because of something you did or something that happens on your property by providing liability coverage and/or paying for medical payments.



What are the basic parts of a homeowners insurance policy?

The terms and amount of coverage for a particular loss will depend upon the terms of your policy. Generally, homeowners policies include the following parts:

- **Dwelling Coverage** –provides protection if a covered peril damages or destroys your home.
- **Other Structures** – provides protection if a covered peril damages or destroys detached outbuildings and structures, like fences, that are not part of your dwelling.
- **Personal Property (contents)** –provides protection if your personal property is lost, damaged or destroyed by a covered peril.
- **Additional Living Expenses (ALE)** – may pay for additional expenses you incur when you cannot live in your home because of damage or loss that is covered by your policy. Generally, coverage will only pay for living expenses that are not “normal and customary”.
- **Liability Coverage** – may provide protection if you or a member of your family are legally responsible for an injury to another person or cause damage to another person’s property. Liability coverage generally pays for attorney’s fees and any settlement amount up to policy limits
- **Medical Payments** – provides payment up to a specified amount for reasonable and necessary medical expenses incurred by people injured in an accident in your home regardless of fault (**does not apply to you or member of your household**). This provision will pay covered medical expenses for a minimum of up to three years from the date of injury or accident.



Understanding Your Declarations Page

When you purchase a homeowners insurance policy, renew your policy, or make any changes to your policy, the insurer will give you a document called a “Declarations Page.”

The declarations page is the part of your policy that is specific to you and provides important information about your policy limits for each type of coverage

Your Insurance Company 3535 Second Street Company Town, USA 54321		Policy number: XX-XXXXXX-XX	Expiration date: July 1, 2015	1
		Policy period: 6 months	Effective date: January 1, 2015	
Homeowners Insurance Policy <SAMPLE>				
Named Insured	Address	Mortgagee	Address	
John E. Doe	123 E. Main Street Insured Town, USA 12345	Bank of USA	1212 First Street Company Town, USA 54321	
XYZ Insurance Company considers your claims history when determining whether to cancel or to non-renew your insurance policy.				
Coverages & property		Liability limits	Inflation coverage index	XXX.X
SECTION I				
A Dwelling	\$250,000		Deductibles	
B Dwelling extension (garage)	\$25,000		All peril	\$2,000
C Personal property	\$125,000		In case of loss under this policy, the deductible will be applied per occurrence and will be deducted from the amount of loss. Other deductibles may apply – refer to your policy.	
D Loss of use	Actual loss sustained		Policy premium	\$1,000
SECTION II				
L Personal liability (each occurrence)	\$300,000		Discounts applied	
Damage to property of others	\$1,000		Home/Auto	
M Medical payments to others (each person)	\$2,000		Home protection (burglar and fire alarms, smoke detectors)	
			Claim record/Customer longevity	
Loss of settlement provisions (see policy)				
A1: Replacement cost – Similar construction				
B1: Limited replacement cost – Coverage B				
Forms, options and endorsements				
Replacement cost coverage	xx-xxxx			
Mold, fungus, wet rot, dry rot or bacteria	xx-xxxx			
Ordinance or law coverage:				
10% of Coverage A	xx-xxxx			
Earthquake excl. masonry veneer	xx-xxxx			
Sewer, water backup coverage:				
\$10,000/\$500 deductible	xx-xxxx			
Increase dwelling, up to \$50,000	Option XX			
Jewelry and furs, \$5,000 each	Option YY			
Your policy consists of this page, any endorsements and the policy form. Keep together.				

Understanding Your Declarations Page

The Declarations Page will show:

- The name of the insurer and the name of your insurance producer (agent or broker)
- The insured's name(s), and the address of the insured location
- It may also list your mortgage company, if there is one, as an "additional insured".

It is important to be sure that all of the information listed on the declarations page is correct.

Your Insurance Company
3535 Second Street
Company Town, USA 54321

Policy number: XX-XXXXXX-XX
Policy period: 6 months
Effective date: January 1, 2015
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Homeowners Insurance Policy <SAMPLE>

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Damage to property of others	\$1,000	
M Medical payments to others (each person)	\$2,000	

Loss of settlement provisions (see policy)
 A1: Replacement cost – Similar construction
 B1: Limited replacement cost – Coverage B

Forms, options and endorsements	
Replacement cost coverage	xx-xxxx
Mold, fungus, wet rot, dry rot or bacteria	xx-xxxx
Ordinance or law coverage:	
10% of Coverage A	xx-xxxx
Earthquake excl. masonry veneer	xx-xxxx
Sewer, water backup coverage:	
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Understanding Your Declarations Page

Coverage listed on your Declaration Page:

- ✓ Coverage A – Dwelling. This amount is the estimated cost to rebuild your home if it is considered to be a total loss caused by a covered peril or cause of loss.
- ✓ Coverage B – Other Structures, which generally provides coverage for structures that are not a part of the house such as a stand-alone garage, shed, fence, etc.
- ✓ Coverage C – Personal Property, which generally provides coverage for loss or damage due to a covered peril to personal property, such as clothing and furniture

Understanding Your Declarations Page

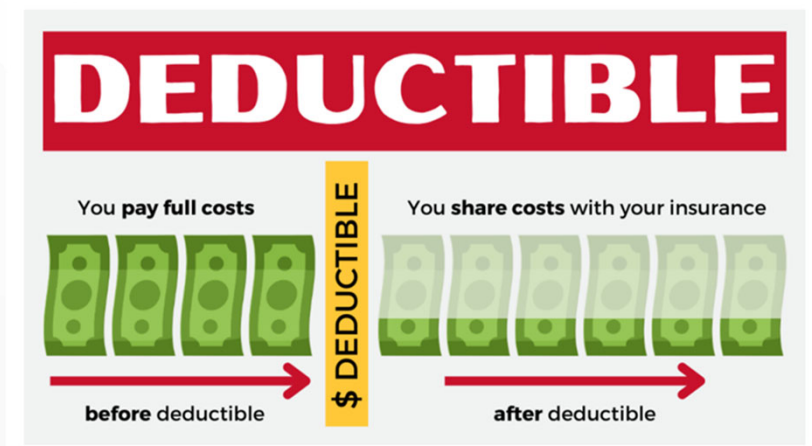
The amounts of each of these coverages will usually be based upon a percentage of that Coverage A. You will need to read the policy forms though to understand what is and what is not covered under each type of coverage for your policy.



Understanding Your Declarations Page

The dec page will also indicate the policy deductible(s). There are three different types of deductibles.

- The first type is a **flat, all peril deductible**. This will be a set amount that you, the policyholder, will pay out of pocket before there is any payment under your policy. This amount is a set dollar amount, such as \$1,000, \$2,000, etc.



Understanding Your Declarations Page

- The second type is a **percentage deductible**. This is a percentage of the amount of your dwelling coverage (the Coverage A policy limits shown on the dec page), not a percentage of the claim. For example, if the Coverage A policy limits amount is \$200,000 and the deductible is 5%, the deductible would be \$10,000.
- The third type of deductible is a **combination** of the first two. Some policies have a percentage deductible for a specific cause of loss, like damage caused by a wind storm, and a flat deductible for all other covered perils like a fire.

Understanding Your Declarations Page

- The dec page will list any endorsements, like water/sewer backup coverage, ordinance and law coverage, mold coverage and replacement cost coverage that may be included in the policy. The amount of the coverage limits will be listed as well. But to understand the terms of coverage for these additional protections, and any others listed on the dec page, you would need to read the forms and endorsement(s) provided with your policy.

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Additional Coverages

Water/Sewer Backup Coverage

- Water that backs up through sewers or drains when this backup is not due to the negligence of the insured.
- Typically not covered under a standard homeowners policy, but you can purchase water/sewer backup coverage. **This coverage protects your home when water overflows a sump pump or sewage enters your home through pipes designed to carry it away.**
- Most insurers offer several different coverage limit options.
- When deciding on coverage amounts, factor in what it would cost to replace everything that is at risk of being damaged in a worst-case drain backup or sump pump overflow situation.
- You typically have a deductible separate from your standard homeowners deductible for a **Water/Sewer Backup** claim.



Additional Coverages

Ordinance or Law Coverage

- Ordinance or law coverage pays expenses associated with bringing your home up to current building standards after a claim.
- If your home is damaged during a disaster, you may be required to perform expensive upgrades to your property to comply with your county's current building codes.
- Ask your insurance producer if the insurer offers building ordinance or law coverage.

Additional Coverages

Buried Utility Lines Coverage

Some insurers now offer an additional coverage for the utility or service lines that are buried underground outside of the home on the insured's property.

Includes:

- Underground pipes, including any underground connections, valves or equipment associated with such underground pipes
- Underground wires, including any underground connections or equipment associated with such underground wires , that provide a utility service such as water, sewage, drainage, electricity, gas, steam or communication services to or from the insured residence premises

Additional Coverages

Buried Utility Lines Coverage

Usually this coverage **does not include** pipes or wires within or under the insured house.

This coverage is different than service line coverage offered as a warranty by companies other than insurance companies and may provide different protections.



Additional Coverages

This additional coverage may pay, up to the coverage limit, for physical loss or damage caused by a disruption.

A “disruption” is generally defined as a leak, break, tear, rupture, collapse or electrical arcing. Usually coverage does not provide protection for blockages or low pressure problems if there is no physical damage from a covered cause of loss to the service/utility line.

Additional Coverages

Buried Utility Lines Coverage

May pay to repair or replace the service/utility line, including

- the cost of excavation, as well as additional living expenses, if your home is rendered uninhabitable by a covered loss.
- It may also pay for damage to outdoor property, including trees, shrubs, plants, lawn, walkways, and driveways, that is damaged as a result of a service line failure or is damaged during excavation.



Additional Coverages

Buried Utility Lines Coverage

- Your insurer may limit the coverage, usually dependent upon the age of the covered service/utility line.
- Generally, the most that will be paid on a one-time failure to a covered line that is less than 50 years old is \$10,000 and for lines 50 years or older is \$2,500.
- The loss is also subject to any deductibles as stated in the homeowners' policy.

Summary: Tips

- Ask about additional coverages like water/sewer backup and ordinance or law coverage and Buried Utility Lines Coverage
- Make sure you read your policy especially your declaration page to know about your policy limits for each type of coverage and to understand what is and what is not covered under each type of coverage for your policy.
- Read your policy for clauses such as an “anti-concurrent causation” clause. Damages incurred by a combination of covered and non-covered perils are typically not covered.

helpful
tips

Publications Available on MIA's Website

Check out the following publications for more information

Consumer Guide to Homeowners Insurance

www.insurance.maryland.gov/Consumer/Documents/publications/homeownersinsguide.pdf

Understanding your Homeowners Declarations Page

www.insurance.maryland.gov/Consumer/Documents/publications/understandinghodeclarationspage.pdf


Insurance Preparedness for Natural Disasters Page


www.insurance.maryland.gov/Consumer/Pages/InsurancePreparednessNaturalDisasters.aspx




Additional Resources


National Flood Insurance Program

 800-427-4661


 www.floodsmart.gov

Maryland Department of Emergency Management

 877-636-2872

 www.mdem.maryland.gov

Federal Emergency Management Agency

 202-646-2500

 www.fema.gov

Contact Information

Maryland Insurance Administration

 **800-492-6116 | 410-468-2000 | 800-735-2258 (TTY)**

 insurance.maryland.gov

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Questions

