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INSURANCE ADMINISTRATION

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# WEATHER RELATED DAMAGE

## FREQUENTLY ASKED QUESTIONS ABOUT INSURANCE COVERAGE



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INSURANCE ADMINISTRATION

While weather-related damage is beyond our control, we can take steps to ensure that the recovery and reconstruction go smoothly. This brochure is designed to help you understand your insurance coverage if you sustain weather-related damage to your property.

## AUTOMOBILE INSURANCE

### What coverage do I have?

If you sustained weather-related damage to your automobile, you will have coverage for this damage if you elected to purchase comprehensive coverage. However, if you do not carry comprehensive coverage on your policy (if, for example, you purchased only liability coverage), you will not have insurance coverage for your automobile damage. If you have comprehensive coverage on your vehicle and your vehicle is determined to be a total loss as a result of the weather-related damage, your insurance carrier will make you a settlement offer based on the actual cash value of the vehicle immediately prior to the loss (based on the current retail value of your vehicle minus the amount of your deductible). A total loss occurs when the cost to repair the vehicle is 75% or greater than the fair market value of the vehicle immediately prior to the loss. There are regulations setting forth an insurer's duties when a total loss is involved, so if you have any questions regarding a total loss settlement, you should contact the Maryland Insurance Administration; the MIA's contact numbers are at end of this brochure.

## HOMEOWNERS INSURANCE

### What coverage do I have?

#### REPLACEMENT COST VALUE VS. ACTUAL COST VALUE

If you have Replacement Cost Value (RCV) coverage, your policy will cover the cost up to the value stated in the policy to return your home to the condition it was in just prior to the loss. Usually a RCV policy will provide an insured with a lump sum payment reflecting the actual cash value (ACV) minus a hold back amount reflecting the RCV which will not be paid to the insured until the repairs are completed. The payment for the damage to the structure is paid under your dwelling coverage and is subject to the policy limit.

## FLOOD

### What coverage do I have?

The standard homeowner's insurance policy does NOT provide coverage for flood damage. You need to purchase a separate flood insurance policy to protect your home from damages due to flood. Flood insurance is offered by the Federal government under a program called the National Flood Insurance Program. A flood is defined in the Standard Flood Insurance policy as a "general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is your property) from overflow of inland or tidal waters, from unusual and rapid accumulation or runoff of surface waters from any source, or from mudflow." You do not have to be located near a body of water to be at risk for flood damage. Floods are often caused by storms, melting snow, hurricanes, wind-driven rain, dam failure or other causes. Therefore, regardless of where your property is located, you may wish to consider purchasing flood insurance. Although it is a Federal program, you may contact your agent or insurance company to obtain information about purchasing a flood insurance policy or you can call Federal Emergency Management Agency (FEMA) directly at 800-427-4661.

## TORNADOES

### What coverage do I have?

For insurance purposes, tornadoes are considered "windstorms" and are typically covered under homeowner's insurance policies. Typically, homeowner's insurance policies cover the building and its contents for damage from tornadoes, hail and other windstorms. Your policy's deductible for a wind damage claim may be a percentage of your dwelling coverage limit. You should read your policy and/or ask your producer (agent / broker) or insurance company if there is one deductible for all covered losses or if there is a different deductible depending on the type of loss.

## WATER SEEPAGE

### What coverage do I have?

If water seeps into your basement from the ground, you are generally NOT covered for the resulting damage. Water seepage is excluded under most homeowner's insurance policies. If the water seepage is not the result of a flood, you will not have coverage under your flood policy either. Problems from seepage are often considered maintenance issues and are not covered by insurance.

## **BURST PIPES**

### **What coverage do I have?**

If a pipe bursts inside your home and water flows all over your floors, assuming the house is occupied and you have maintained heat in the home, most homeowner's insurance policies will cover the damage caused by the water. However, the repair or replacement of the broken pipe may not be covered.

## **SPOILED FOOD DUE TO AN ELECTRICAL OUTAGE**

### **What coverage do I have?**

If you lose electricity and the food in your refrigerator spoils, you may or may not be covered for the value of the lost food. Coverage depends upon the language and terms of your policy. You should review your policy to determine whether you are covered for food spoilage under these circumstances.

## **TOTAL LOSS VS. CONDEMNED**

### **What coverage do I have?**

- Total loss means that the cost to repair the damage sustained to your dwelling and/or other structures on your property (such as a detached garage or shed) exceeds its value or is beyond the limit of your insurance coverage.
- A "Condemned Property" means that a governmental authority such as the County, City or other government jurisdiction has declared your property to be unsafe and in need of repair. Please note, even if the property is condemned, it does not mean your insurance company will consider it to be a total loss.

## **RECONSTRUCTION COSTS DUE TO NEW BUILDING CODES**

### **What coverage do I have?**

If your home is damaged and destroyed as a result of a covered loss and your local jurisdiction's current building codes are more stringent than those in place when your home was built, the cost to rebuild may be increased by the need to comply with these codes. As a general rule, homeowner's insurance policies exclude the costs associated with complying with ordinances or laws regulating the construction of buildings and thus, these additional costs are not generally covered. Most insurance companies do offer an endorsement which, for an additional cost, will provide coverage for the law and ordinance updates. Thus, you may want to

consider purchasing such an endorsement to your policy that provides coverage for the costs associated with bringing the property into compliance with current codes and ordinances when making required repairs.

## **ADDITIONAL LIVING EXPENSES (ALE) AND/OR LOSS OF USE (LOU)**

### **What coverage do I have?**

If, as a result of a covered loss, it becomes necessary for you to move out of your home due to the damages sustained and your policy provides for Additional Living Expenses ("ALE") or Loss of Use ("LOU"), your insurance company will reimburse you the costs of your additional living arrangements (hotel, trailer, apartment, etc.), including meals and other miscellaneous items. You will need to keep the original and submit copies of ALL of your receipts as proof of your claim for your additional living expenses in order to be reimbursed by your insurance company. You should contact your agent and/or insurance company for further details on this type of coverage.

## **GENERAL DEBRIS REMOVAL**

### **What coverage do I have?**

- If you are insured and experience a covered loss (such as a fire), the cost of debris removal should be part of your property insurance settlement. The general contractor usually handles debris removal as part of its repair contract.
- If you do not have insurance to cover you for the damage, your local jurisdiction may provide for debris removal from your property after a major storm. Watch for information in the local newspaper or on the radio for details. If there is debris removal by a government jurisdiction, you may need to sign a Right of Entry form allowing them to come onto your property to remove the debris.

## **DOWNED TREES**

### **What coverage do I have?**

Generally, if you have homeowner's insurance, your policy provides coverage up to \$500 towards tree removal. This limit of coverage applies to ALL the downed trees per loss and is not paid on a per tree basis. So, regardless of whether you have 1 tree or 12 trees come down from the storm, you will receive only one payment from your insurance company, usually in the amount of \$500.

If you have homeowner's insurance and a tree(s) falls on a covered dwelling (your home) or other structure (detached garage or shed), your insurance policy should cover the cost of removing the tree from the damaged structure. This would be paid under the dwelling portion of your policy. The tree(s) will then be placed on the ground for removal. The removal of the tree(s) usually will be included in the lump sum payment of \$500 for tree removal.

If a tree(s) falls on your property and does not damage any part of your insured dwelling or other structures, talk to your insurance agent or insurer to find out whether or not your policy will provide coverage, and if so, the amount of that coverage.

## **FIRE**

### **What coverage do I have?**

Virtually all homeowner's insurance policies provide coverage for fire damage. Before your home is destroyed by fire, you will want to be sure you have sufficient coverage in terms of the dollar limit that will enable you to rebuild your home. You do not want to find out after a loss that your coverage amount is insufficient to enable you to rebuild your home. The cost of rebuilding your home will depend on the square footage of the home, the type of exterior construction (e.g. frame, brick, stone, veneer), the type of roof, any attached structures, the number of rooms and bathrooms, any additional features such as custom cabinetry and fireplaces and the construction costs in your area. You should check with your insurance producer (agent or broker) and/or insurance company to be sure you are adequately insured. Many homeowners insurance policies with replacement cost coverage contain a provision requiring the limits to equal or exceed 80% of the cost to replace the home. If this provision is not complied with, a penalty may be applied when settling the claim. Therefore, it is important to periodically check and update the coverage limits on your policy. Any improvements or additions to your home will increase the cost to rebuild it in the event of a loss. Therefore, any improvements or additions should be reported to your insurance company as soon as they are completed so the additional coverage can be added to your policy. If you choose not to replace your home, you will receive the replacement cost of your home minus depreciation, or the Actual Cash Value. The Maryland Insurance

Administration has links on its website to enable a consumer to access the same types of programs that insurance companies use to determine what the replacement cost value of your home is.

## **YOUR RESPONSIBILITIES AFTER A LOSS**

- Report all claims to your insurance carrier immediately; however, please be aware that most insurance companies consider your claims history when determining whether to first insure you or to renew your insurance policy. Therefore, by filing small claims and receiving settlements, you may be at an increased risk of policy termination in the future. As a result, you should carefully weigh requesting payment for small losses.
- Document your entire loss with photographs, videos, etc.
- Keep a log of your personal property loss and gather all receipts (proofs of payment) for those items which have been damaged or destroyed. If you do not have proofs of purchase, photographs and videos may be substituted. If you do not have either, discuss suitable replacement of those pieces of property with your insurance carrier BEFORE you replace them.
- Mitigate your damages. This means that you should take whatever steps are necessary to prevent further damage and loss to your property until such time as your insurance company has a chance to inspect and assess the damages. Use tarps and plywood to protect the structure and clear away nearby hazards, as is safe to do. If you have questions, contact your insurance producer or company for advice.
- In addition to your regular deductible, your policy may also include a deductible that is specific for wind, hail or hurricane damage. Please refer to your policy to determine the amount of your deductible.