DOBI

New Jersey Department of Banking and Insurance

CONSUMER GUIDE

INSURING YOUR HOME

Jon S. Corzine
Governor

Steven M. Goldman
Commissioner

New Jersey Department of Banking and Insurance

Welcome

Welcome to the *Consumer Guide to Insuring Your Home.*

The New Jersey Department of Banking and Insurance (NJDOBI) prepared this Guide to help you and other consumers understand the sometimes complex world of Homeowners, Renters and Condominium Insurance.

With the help of this Guide you can:

Identify the kind of coverages you really need, and avoid paying for coverages you don't.

Learn how to compare policies from different companies in order to find the best values.

Learn how to protect yourself from improper sales practices, and to resolve disputes with an insurer.

Understand better the way homeowners insurance works, and the tools NJDOBI uses to help consumers and promote affordable, accessible and accountable insurance services.

Please take a moment to browse through the Guide. The answers to many questions can be found here, or on the web at www.njdobi.org. If you are still unsure about something, please don't hesitate to contact us by phone at 609-292-5360, or by mail at: Public Affairs, NJDOBI, PO Box 325, Trenton, NJ 08625. You can also contact the Office of Insurance Claims Ombudsman at PO Box 472, Trenton, NJ 08625-0572, telephone (800) 446-7467, e-mail: ombudsman@dobi.state.nj.us

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I. INTRODUCTION

If you are like most people, your home and the things inside it make up the biggest financial investment you have.

This can be just as true for renters as it is for homeowners. All those clothes and furniture, the dishes and kitchen appliances, tools, children's toys or a high-tech entertainment center – whatever you have, it really adds up. Can you imagine having to replace those things if they were destroyed in a fire? What if a thief took just one valuable thing, like a computer or stereo? Replacing it could be very expensive indeed.

If you have a mortgage, this big investment *may* already have *limited* protection in the form of an insurance policy. If so, the insurance company named on the policy will pay for needed repairs and replacements under certain *specific conditions*. The company could end up writing checks for thousands of dollars – even hundreds of thousands of dollars. You might have to spend very little of your own money.

But if your home – whether you rent or own – is not protected by any insurance, where will you get the money for new clothes and furniture, or a whole new home, if disaster strikes?

Whichever group you are in, you also risk being asked for money, or even sued in court, by someone claiming to have been physically or financially hurt by something you own, or something you've done. A stranger who falls on your front steps may blame you, claiming that you ignored a loose brick or dangerous crack in the cement. Your next-door neighbor may demand money if your sewer pipe breaks, pouring waste water into his garden or home.

Even if you already have good insurance coverage for all these misfortunes, *chances are you have no coverage at all for some other kinds of disasters*. For example, did you know that ordinary home insurance policies won't pay for *anything* that is damaged or destroyed in a flood? How many of your neighbors know that?

The bottom line? You have some decisions to make, and it certainly would help to know the costs, benefits and risks involved in choosing one insurance policy over another. That's why we wrote this Consumer Guide to Insuring Your Home. We want to help you make decisions that are right for *you*.

II. Questions and Answers

Q. *I'm paying a mortgage, so my home is already protected by homeowners insurance, right?*

A. Not necessarily.

Mortgage lenders do require some kind of homeowners insurance because, like you, they have a big investment in your home. *But mistakes do occur.* Many mortgages don't include insurance premium payments in your monthly mortgage bills. So you may think the mortgage lender is paying for the insurance while the lender thinks *you* are paying for it. Your insurance company is supposed to catch such mix-ups by reporting unpaid premiums to your lender. But just like any other message, it may get lost.

Contact your lender *and* insurance company to make sure the premium is getting paid.

Q. *I have the kind of homeowners policy that my mortgage lender required, so I'm covered for pretty much everything, right?*

A. Wrong.

A homeowners insurance policy may be one of the best investments you ever make. But that investment only pays off in very specific situations. If something you want to protect isn't specifically listed in your policy, it probably isn't covered. Your policy may pay for repairs or replacement of your house, for example, but not for the furniture and other things inside it. Some things inside your home may be covered while others are not. And damage from some kinds of disasters, such as floods, aren't covered at all by ordinary policies!

Read your policy carefully and think about the amount of protection you want. If you want a type of coverage not listed in your policy, ask your insurer how to get it. Or call the Department of Banking & Insurance hot line at 1-800-446-SHOP for more information about your options.

As always, be sure to shop around! Another insurance company may offer coverages that your insurer does not, or at prices that are significantly lower.

Q. *Could I have too much insurance coverage?*

A. Yes.

Depending on the value of your home or other possessions, you may be paying for a higher level of coverage than you really need, or for certain kinds of coverage that you are unlikely to ever use. Maybe you live simply, with very few possessions. If so, the cost to insure your possessions might be pretty high compared to the cost of replacing them. If that's the case with you, and you are only renting an apartment, you might need little to no insurance at all. If you own your home, you might need only "Dwelling Insurance," a less expensive policy that protects the building itself but not the things inside it. Remember, though, that you may still be asked for money or even sued by someone who suffers an injury or other loss related to you or your home. Liability insurance can help pay these costs.

III. Home Insurance Basics

When you begin to contact insurers, there are a few things you should know about how insurance companies work.

For the most part, insurance is sold either directly by a company or indirectly through an agent or broker. A **direct writer** is an insurance company that does not use agents or brokers. A direct writer company uses employees to sell and service policies directly to the public.

An **independent agent** may represent more than one, and sometimes several, insurance companies.

An **exclusive agent** sells solely for one company or group of related companies if the company or group writes that type of insurance.

A **broker** represents you in your dealings with an insurance company.

Agents and brokers are referred to collectively as **producers**.

When you first talk to an agent or insurer you should be prepared to discuss your insurance needs. Have all pertinent home and property information at hand when you contact your agent or insurer, as well as having any questions you may need to ask.

An agent or insurer should look for ways to get you the most protection at an affordable cost. Make certain that your agent or insurer agrees to review your coverage from time to time and will assist you when problems develop.

Agents and insurance companies are interested in selling package products or services to as many people as possible. While there is nothing wrong with low-cost, standardized products, they should fit your needs. If you are not convinced that a particular agent or insurer understands your needs or will give you the service you want, look for another one.

Agents and insurance companies differ. Friends may have some recommendations. If not, try the yellow pages. Agents and insurers are listed alphabetically and by location. The *New Jersey Department of Banking and Insurance* will also be able to provide the names and addresses of any companies in which you might be interested.

Before signing an application for any insurance coverage, you may want to call the *New Jersey Department of Banking and Insurance, Division of Insurance*, at *(609) 292-5316* and verify that the insurance company and the agent you are dealing with are licensed in our state. It is illegal for unlicensed insurers or producers to sell insurance.

You should be aware that a homeowners insurance policy is a legal contract. It is written so that your rights and responsibilities (as well as those of the insurance company) are clearly stated. When you purchase homeowners insurance, you will receive a policy. Read it carefully, and make sure that you understand its contents. If you have questions about any insurance policy, contact your agent or insurance company for clarification. Keep your policy in a safe place and know the name of your insurer. If you still have questions, call the New Jersey Department of Banking and Insurance.

Note: New Jersey law provides that any person who includes any false or misleading information on an application for an insurance policy is subject to criminal and civil penalties.

A. BASIC COVERAGES INCLUDED IN HOMEOWNERS POLICIES

The homeowners insurance policy is a package policy that combines more than one type of insurance coverage in a single policy form. There are four types of coverages contained in the homeowner policy:

- Dwelling and personal property damage
- Personal liability
- Medical payments
- Additional living expenses

PROPERTY DAMAGE COVERAGE

Property damage coverage helps pay for damage to your home or personal property and will cover the loss of:

- Household furnishings
- Clothing
- Other personal belongings

The personal property coverage limit is typically 50 percent of the dwelling limit, but more can be purchased. Personal property coverage pays the actual cash value (ACV) of item(s) destroyed unless replacement cost coverage was purchased.

Property Damage coverage also pays for damage to the structure of your home as well as to accessory buildings on your property, such as:

- Detached garage
- Tool shed

Typical coverage for other structures is 10 percent of the coverage limit on your house.

Off-premises coverage protects:

- Your belongings against theft when they are not on your premises
- Replaces lost or stolen items with items of similar age and condition. For example, the policy will reimburse the cost of replacing your suitcase and contents with items of similar age and condition if lost or stolen while on vacation.

If personal items are stolen from your vehicle, they are covered if there is proof of forcible entry, unless the items are specifically excluded by the policy, or are specifically included under the vehicle policy.

Personal Property Floater or Endorsement

Your homeowners insurance policy may provide only limited coverage for furs, jewelry, silver, and other valuables. It may be necessary to insure these valuables with a special addition to your policy, such as a *personal property floater*, also known as a *personal property endorsement*. A personal property floater will schedule (or itemize) each article, will give a description of it, and will list excluded perils. It often provides broader coverage than would be granted in the basic homeowners policy. You may be required to provide a recent appraisal of the item being insured. Discuss this with your insurance agent or insurer to determine the availability and cost of this extra coverage.

Miscellaneous

Your homeowners policy does not cover your pets, your car, or any aircraft. Although your policy does not cover your pet or the damage it does to your possessions, your liability coverage will cover damage or injury that your pet causes to others or to their possessions.

PERSONAL LIABILITY COVERAGE

Homeowners policies provide personal liability coverage that applies to:

- Non-auto accidents
- Injury or damage caused by you, a member of your family, or your pet

The liability coverage in your policy pays for the cost of defending you, and for any damages for which you might be liable, up to the limit of liability stated in the policy.

Unlike other coverage in your policy, the liability coverage has no deductible that you must meet before the insurer begins to pay a loss. The basic limit for liability coverage is usually $100,000 for each occurrence. Higher limits are available for an additional cost.

MEDICAL PAYMENTS COVERAGE

Medical payments coverage does not apply to you or to members of your household.

This coverage pays if someone outside your family is injured at your home regardless of fault. This includes payment for reasonable medical expenses incurred within one year from the date of loss for a person who is injured by an accident in your home. The medical payments coverage will also pay if you are involved in the injury of another person away from your home in some limited circumstances. Medical payments coverage limits are generally $1,000 for each person. Higher limits are available for additional cost.

Additional Living Expense

If it is necessary for you to move into a motel or apartment temporarily or to incur other costs (e.g., food and laundry) above the norm because of damage to your home caused by a peril covered by your policy, your insurance company will pay reasonable and necessary additional living expenses. For example, your homeowners insurance may reimburse you the cost of a local hotel/motel or apartment complex, but will not, under normal circumstances, pay for you to stay at a high-priced resort.

A typical policy will pay an amount up to 20 percent of your dwelling policy limit for additional living expenses. If you move in temporarily with a friend or relative and do not have any extra expenses, your insurance company will not pay you additional living expenses.

B. ADDITIONAL COVERAGES

Your homeowners policy generally covers the following additional costs, and possibly others as well, that go beyond the expenses for the repair of your house:

Credit Card Coverage

Personal property coverage extends to credit cards. Most policies will pay up to $500 to cover the unauthorized use of your credit cards.

Debris Removal

The policy covers the expense of having debris left as a result of a covered loss removed from the premises. For example, the policy would pay for the removal of burned materials after a fire. The limit for this coverage is part of the overall property damage limit.

Trees, Plants and Shrubs

Trees, plants and shrubs around the house are usually covered for up to 5 percent of the insurance on the house, up to $500 per item. A homeowners policy provides this coverage against theft, fire, lightning, explosion, vandalism, riot, and even falling aircraft. It does not cover against windstorm damage. Wind causes so much damage to gardens and landscaping that including it in coverage would make the insurance unaffordable for most people.

C. COMMON EXCLUSIONS

All homeowners policies include a list of exclusions, or things the policy will not cover. It is important to be familiar with the exclusions itemized in your policy.

All homeowners policies exclude water damage caused by flood.

Most homeowners policies do not provide coverage for such things as:

- Normal wear and tear of personal property
- Loss of animals, birds or fish
- Damage to automobiles

Homeowners policies also typically exclude:
- Flood
- Surface water
- Overflow of a body of water, or
- Spray from any of these, whether or not driven by wind
- Water damage due to sewer or drain back-ups (but this coverage may be available as an endorsement)
- Damages resulting from war, nuclear hazard, neglect, earth movement, or power failure
- Additional cost of repairs due to changes in building codes or local laws enacted since the home was built are not normally covered but may be available as an added endorsement

If you own a boat, you should ask your agent or insurer if it is covered. Some policies cover small motorboats and sailboats, but not larger ones.

What is, as well as what is not, covered by your homeowners policy, will vary from insurer to insurer. Coverage for some excluded perils may be obtainable through separate policies or endorsements covering those perils. Talk to your agent or insurance company about your concerns and ask them what is available.

D. INSURANCE FORMS

An insurance form is another name for an insurance policy. It specifies what perils your home and belongings are insured against. A **peril** is a type of accident or event.

The following are descriptions of the various insurance forms available for homeowners, renters and condominium owners. Not all insurers use these exact names or terms to describe their home insurance forms. You will need to speak with your agent or insurance company to be assured of getting the policy form and coverages you want.

Types of Policies

There are several types of homeowners policies available in New Jersey. They vary according to the coverages in the policy and the type of dwelling being insured.

Exclusions, coverage limitations and deductibles exist on all policies, and may exist for any peril. It is important that you read and understand your policy.

If you have questions, call your agent or insurer to discuss your concerns.

HO-1 Policy

An HO-1 policy, although available in New Jersey, is not often sold. The coverages are limited and resemble those offered by a dwelling policy.

Broad Form (HO-2)

The broad form (usually called HO-2) covers the following specified perils:

- Fire or lightning
- Windstorm or hail
- Theft
- Explosion
- Smoke
- Damage from vehicles and aircraft
- Glass breakage
- Removal of property endangered by a peril
- Vandalism and malicious mischief
- Riot and civil commotion

The HO-2 also covers:

- Building collapse
- Freezing of or accidental discharge of water or steam from within plumbing, heating, or air conditioning systems and domestic appliances
- Falling objects
- Weight of ice, snow, or sleet
- Rupture or bursting of steam or hot water heating systems

Special Form (HO-3)

The special form (HO-3) provides comprehensive coverage for “all risks” *except* for certain specified perils, such as earthquake or flood, and provides coverage for damage to personal property caused by any of the perils covered by the HO-2. For an additional premium, a special endorsement (HO-15) can be added to extend the HO-3 to provide “all-risks” coverage on unscheduled personal property.

Comprehensive Form (HO-5)

The comprehensive form (HO-5) is not often sold today, but you might still have one from earlier years. It has an even shorter list of exclusions. Not all insurers offer the HO-5, but many offer policies similar to an HO-5.

Modified Coverage Form

Your home may not qualify for one of the homeowner package policies; therefore, a company may offer you limited coverage such as **Fire and Extended Coverage** on your house. This coverage will protect your house, and only your house, for damages due to very specific perils or losses.

Dwelling Policy

A dwelling policy provides more protection than Fire and Extended Coverage; however, the dwelling policy provides less coverage than a homeowners policy. The dwelling policy provides property coverage only (protection for individuals and families against loss to a dwelling or personal belongings). A homeowners policy covers more by offering property and liability coverages.

Dwelling policies may be used to insure homes that do not qualify for homeowners insurance. For example, they are commonly used to insure seasonal homes that are unoccupied for portions of the year. To qualify for dwelling insurance, a building does not have to be occupied by the owner, and it may even be under construction. Some types of stationary mobile homes qualify, as well as homes with up to five boarders and four-unit apartment buildings.

You will also see the term "dwelling" appear in a homeowner policy. In this context, "dwelling" means the structure in which the homeowner lives.

Renters Insurance (HO-4)

If you rent an apartment or a house, you are responsible for insuring your personal possessions and for personal liability coverage. Personal liability coverage for a renter is the same as it would be for a homeowner. The owner of the property is responsible for insuring the building and for obtaining his/her own liability coverage. The tenants form (H0-4) or renters policy insures your household contents and personal belongings against the perils included in the HO-2 policy. Like homeowner insurance, it provides coverage for additional living expenses, medical payments coverage, and includes personal liability protection.

Condominium Insurance

Your condominium association should purchase a policy that covers the building, including any common walls and grounds, and includes personal liability protection associated with common properties. You have the right to examine the association policy.

Condominium Unit-Owner Form (HO-6)

To protect your contents and interior walls, you may purchase a unit-owner form (HO-6). An individual unit-owner policy is similar to the homeowners and renters insurance policies.The (HO-6) provides coverage for a condo-owner who wishes to insure his property or to cover any items not covered by the association's policy.

A condominium unit-owner policy will also pay for property damage to personal property, wall, floor and ceiling coverings and any accessories not originally installed in the unit. It also provides personal liability protection. Without an HO-6 policy, the personal property of the condo unit-owner will not be protected.

Check with your agent or insurer to see if **loss assessment coverage** is included in the policy. Loss assessment coverage provides an additional $1,000 coverage if the condominium association levies an assessment against its unit owners to cover expenses for direct losses to the common property that result from a peril covered by the unit-owner's individual policies.

Additional coverage may be available for an increased premium.

E. OTHER TYPES OF POLICIES

Mobile Homeowners Policy

The mobile homeowners policy is a package of insurance written specifically for mobile homes that includes coverage on the mobile home as well as theft and liability protection.

A mobile homeowners policy can be either a **named peril** or a **comprehensive policy**. The named peril policy usually provides coverage for fire, lightning, explosion, transportation, theft, windstorm, riot or civil commotion, as well as personal effects. The comprehensive policy provides protection against all risks of physical loss, with stated exceptions. You should be aware that you are liable for any damages resulting from an unnamed risk or for exceptions in your comprehensive policy.

Not all mobile home policies are alike. Different insurance companies charge different premiums for the coverage provided by their policy. Make sure you understand all coverages and costs.

Home Business

If you operate a full-time or part-time home business, your homeowners policy may not cover you for business-related losses. The policy may provide limited business coverage, but this is generally limited to $2,500 for business equipment and $250 for losses away from your premises.

Note: Homeowners policies do not cover business-related liability losses.

This could be of particular concern if you have customers or suppliers who come into your home as part of your business and could be injured. If you operate an in-home day care service, for example, there may not be coverage under your standard home insurance policy if a child is injured while under your care.

A homeowners policy does not insure against your inability to collect your accounts receivable if your business records are damaged. The policy also will not cover your loss of income if you cannot operate your business due to damage to your home.

There are coverages available that will protect home businesses. You should discuss with your insurance agent or insurance company any business activities you do in your home for which you are paid. They can advise you of the appropriate business coverages to suit your needs.

Farm or Ranch Policies

A farm-owner policy resembles a homeowners policy in many ways. However, standard farm-owner policies do not provide replacement cost coverage on your dwelling, no matter what policy limits you purchase. You can buy replacement cost coverage for your farm, but you must ask for it.

Livestock, crops and farm equipment typically must be insured by separate endorsements to a standard farm policy. Check with your agent or insurance company to make sure that your entire farm operation is adequately insured.

Flood Insurance

Homeowners insurance policies exclude water damage that results from flooding.

New Jersey regulation requires a written notice to be sent periodically to *all* homeowner policyholders defining a flood loss and advising that flood insurance is available as a separate policy. You may be able to purchase flood insurance through the National Flood Insurance Program (NFIP). To qualify for the NFIP, you must live in a designated community that complies with the government guidelines for flood prevention. The best person to help you and answer questions about flood insurance is the agent or insurer from whom you bought your homeowners policy.

Some insurance companies actually issue flood insurance policies in partnership with the federal government as a service and convenience for their policyholders. In those instances, the insurer handles the premium billing and collection, policy issuance, and adjustment of claims on behalf of the federal government. These insurers are called "Write Your Own" (WYO) companies. If your agent or insurance company is not in the WYO program, you may be referred to another agent or insurer in the program. Your agent or insurer may also order the policy for you directly from the federal government.

For general information on the flood insurance program, you may call or write:
National Flood Insurance Program
P. O. Box 459
Lanham, MD 20706-6620
1-800-638-6620
http://www.fema.gov/nfip

Sewer Backup

Losses resulting from a sewer or sump pump backup are normally not covered under your homeowners policy, and are probably not covered by your flood insurance policy. Coverage for sewer/drain backup is an endorsement that may be available from your insurance company but it may not be offered when buying homeowners insurance unless you ask for it. Ask your agent or insurer for more information about the availability of sewer backup coverage.

Umbrella/Excess Liability Insurance

Umbrella policies:

- Supplement the liability coverage provided by your home and auto insurer
- Provide an extra layer of protection
- Kick in after the liability insurance in your home or auto policy runs out
- Enable people to protect themselves against catastrophic lawsuits. For example, if you are responsible for a judgment of $150,000 and the liability limit of your homeowner policy is $100,000, an umbrella policy will pay the additional $50,000
- Usually protect policyholders wherever they travel
- Are in high demand among individuals with substantial assets who may be especially vulnerable to lawsuits or costly judgments

Many insurance companies:

- Require that your primary insurance coverage be with them before they will sell you an umbrella policy
- May stipulate that your auto or homeowners liability limit is at least a certain amount, such as $200,000 or $300,000, before agreeing to sell you an umbrella policy

F. FAIR PLAN

If you have been unsuccessful at obtaining coverage for your property in the voluntary insurance market, you may be able to obtain coverage through the *New Jersey Insurance Underwriting Association*, known as the FAIR Plan. When a property is rejected by a company, the owner is advised of the existence of the Plan. Any licensed agent can assist a property owner in applying to the FAIR Plan, or the Plan can be contacted directly. The Plan insures homes, mobile homes, rental units, most commercial buildings and business property. The FAIR Plan does not insure farms.

The Plan provides basic property coverage ***only*** for the following:

- Fire
- Wind
- Vandalism and
- Other causes of loss

Unlike homeowners policies, the FAIR Plan ***does not*** include coverage for theft and mysterious disappearance.

Burglary/robbery coverage is available for a higher premium but the maximum available limit is $15,000 and the coverage requires verified forced entry or physical threat to your person.

The FAIR Plan ***does not*** provide Personal Liability coverage. If, as the result of your negligence, someone is harmed or injured on your property, the Fair Plan offers no protection for your liability.

The FAIR Plan has underwriting guidelines for the properties it insures, and they are substantially broader than those used by regular insurers. For example, while it will not insure properties that are vacant because of abandonment, it will insure vacant properties that are undergoing rehabilitation. Properties can be temporarily insured by the Plan until repairs are completed to make the property acceptable in the voluntary insurance market.

The FAIR Plan charges rates approved by the Commissioner of Banking and Insurance. Because the type of properties insured by the FAIR Plan have been rejected by the voluntary market and generally experience larger and more frequent losses than properties insured in the voluntary market, the premiums charged by the Plan are often higher for less comprehensive coverage.

You may obtain an application form from any insurance agent or directly from the FAIR Plan itself. Complete the application and submit it to an insurance agent or directly to the Plan. Once your application is received, a field representative will survey your property to see if it meets minimum standards and is physically sound. Any of the following conditions may make your property temporarily ineligible for FAIR Plan consideration:

- Poor physical condition of the property (faulty construction, wiring, or plumbing, for example)
- Overcrowding or vacancy
- Improper storage of rubbish or flammable materials

Each property is evaluated on its own merits. If your property is found to be insurable, a one-year policy will be issued after payment of the full annual premium. If your property does not measure up to standards, you will be advised what must be done to qualify for eligibility. Conditions beyond the owner's control, such as location of the property, do not constitute conditions for rejection.

IMPORTANT: The FAIR Plan is property insurance of last resort. Consider the FAIR Plan only if you cannot obtain insurance from any other source.

For more information about the FAIR Plan, contact:

New Jersey Insurance Underwriting Association
744 Broad Street
Newark, New Jersey 07102-3881
973-622-3838
www.njiua.org

G. SURPLUS LINES INSURANCE

In some cases, insurance companies licensed in New Jersey (also known as the *admitted market*) cannot write certain risks. Perhaps a home has a very high value that is beyond the limits of coverage that any insurance company offers, or is vacant and unoccupied, and no insurer will provide coverage.

Sometimes a property is very unusual or difficult to evaluate and finding insurance coverage in the admitted market is not possible. In such situations, New Jersey law allows some non-admitted insurance companies to sell insurance on a "surplus lines" basis.

If an insurance company is not licensed in New Jersey and is not an eligible surplus lines insurance company, it is illegal for them to sell you insurance. If you wish to check if an insurance company is eligible as a surplus lines insurer, you can call the New Jersey Department of Banking and Insurance at (609) 292-5316, or view the list on the Department's website:
http://www.naic.org/nj/eligible.htm
Sometimes it is necessary to purchase surplus lines coverage, but it is important to first shop for coverage in the admitted market. Surplus lines insurers are not regulated the same as admitted insurance companies. Surplus lines policies may offer different coverages and/or lower limits than those of admitted companies. Many consumer protection rules that apply to the admitted market specifically exempt surplus lines companies.

You should check with as many agents or insurers as possible to see if a policy can be written for you in the admitted market before placing coverage in the surplus lines market, where charges are unregulated and may be higher.

H. COASTAL COVERAGE CONCERNS/WINDMAP

The Windstorm Market Assistance Program (WindMAP) is a network of insurance companies, agents and brokers who, on a voluntary basis, help qualified applicants in coastal areas of New Jersey obtain homeowners coverage. WindMAP applies to residential properties in 92 coastal zip codes. The WindMAP operates under a Plan of Operation approved by the New Jersey Department of Banking and Insurance. It is governed by a Governing Committee and is administered by the FAIR Plan.

WindMAP insurers may write policies for properties they ordinarily might not accept under their underwriting guidelines. The WindMAP uses two methods of operation. Under the first and preferred method, policies are written directly by WindMAP carriers using their normal marketing systems. Under the second method, WindMAP business is processed through a rotation system operated by the FAIR Plan.

For more information about WindMAP, call: The Windstorm Market Assistant Program (973) 622-3838, extension 147. Or visit the FAIR Plan web site at www.njiua.org.

IV. BUYING A POLICY

A. BUYING THE CORRECT AMOUNT OF COVERAGE

Typical Coverages

In homeowners policies, the amounts of personal property and other coverage automatically provided is a fixed percentage of the amount of the coverage on the home. The chart on the following page will show you an example under a Homeowner Form HO-2.

Special Deductibles

In addition to the standard deductibles in a homeowners policy, there are also separate deductibles that you may encounter.

Wind Loss Deductibles

Wind loss deductibles apply year-round to any loss caused by wind. This is a separate deductible from the standard homeowners policy deductible that applies to all other perils. For many years, insurers have offered, for a reduced premium, optional wind loss deductibles that are higher than the standard homeowners policy deductible. Some insurance companies now have mandatory wind loss deductibles. If you would like to buy an optional wind loss deductible, or increase your mandatory wind loss deductible to help reduce your premium, contact your agent or insurance company.

Type of Property	Insured For	Percentage of Dwelling Coverage
If dwelling is insured for:	$60,000	
Detached garages, storage sheds, etc:	6,000	10%
Unscheduled personal property (possessions) on premises:	30,000	50%
Unscheduled personal property off premises:	3,000	10% of personal property limit
Additional Living Expenses:	12,000	20%
Personal Liability	100,000	Per occurence
Medical Payments	1,000	

Choosing Policy Limits

When deciding how much coverage to have on your house and its contents, you should consider:

- The kind of coverage you want and are willing to pay for
- The value of your home and its contents
- Whether or not you want full coverage or are willing to share the cost of a loss with your insurer

REMEMBER: The more perils your policy covers, the more you will pay for it.

Buying Enough Coverage

Before buying homeowners insurance, you should understand the difference between *"replacement cost"* and *"actual cash value."* Typically, homeowner policies provide replacement cost coverage on the home and actual cash value on personal property.

Actual Cash Value is an amount representing the replacement cost of the stolen or damaged property *less depreciation*. ***Replacement Cost*** is the amount it would take to replace or rebuild your home or to repair damages with materials of like 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. In order to qualify for replacement cost coverage, you generally must insure the dwelling to at least 80 percent of the replacement cost.

If you are underinsured and you suffer a **total loss**, you may be reimbursed up to your policy limit. But if you are underinsured and suffer a **partial loss,** the **co-insurance penalty** will apply and the settlement will be pro-rated by the amount you were underinsured. For example:

Let's suppose that your home is now worth $100,000 and you have a $60,000 policy limit. Then, you have a loss of $40,000. Since your $60,000 policy is less than 80 percent ($80,000) of the replacement value, your company would pay for the damage based on this formula:

$$\frac{\$60{,}000\ (\text{coverage})}{\$80{,}000\ (80\%\ \text{of}\ \$100{,}000)} = 75\%$$

75% of the $40,000 loss = $30,000 (total claim payment)

Don't confuse replacement cost with market value. Market value is a real estate term that describes what the current value of your home would be if you were to sell it, including the price of the land. The market value may be higher or lower depending on a number of factors. Discuss this matter with your insurance agent or insurer.

Extended Replacement Cost is the most complete type of coverage available for your home. For additional premium the insurer will pay the full amount needed, up to 120 percent/150 percent of the policy's dwelling coverage limit, to replace your home if it is destroyed by a covered peril. For this kind of coverage, you typically must purchase dwelling limits equal to 100 percent of replacement cost and increase the amount of your insurance on a monthly, quarterly, or yearly basis to keep up with the inflation rate. Many homeowner policies include or offer an ***inflation guard*** that will automatically increase the value of your policy. This also increases your premium.

Many companies will not offer ***extended replacement cost*** coverage on older homes. Check with your insurance agent or insurer to determine availability and whether any exclusions or conditions apply.

Guaranteed replacement cost coverage is no longer readily available for purchase. However, some insurers may still offer it, and policyholders may still have this coverage in effect on older policies. Guaranteed replacement cost coverage may pay the full amount needed to replace your home if it is destroyed by a covered peril, even if that amount is more than the policy's coverage limit, with no stated maximum.

Whether your home is insured for replacement value or actual cash value, it is important to keep track of its value. A room addition, new insulation, and yearly inflation all increase the replacement cost of your home while the actual cash value may decrease over time. Check with your agent or insurance company at least once a year to be sure that your policy continues to provide adequate coverage.

Optional Coverages

Credit Card Forgery and Depositors Forgery Coverage Endorsement

Loss, theft, or unauthorized use of credit cards (with certain exceptions) are covered by this endorsement. Also covered is the forgery of any check, draft, promissory note, etc., (again with certain exceptions). No deductible applies to this endorsement.

Identity Theft

Because of the proliferation of the Internet and the rapid exchange of information, Identity Theft or Identity Fraud has increased in recent years. Victims of Identity Fraud suffer ruined credit histories that can sometimes require hundreds of hours and significant expenditures to restore. Some homeowners insurers offer, for a modest additional premium, coverage for the expenses incurred by an insured as a direct result of any one identity fraud commenced during the policy period. These expenses include lost wages, notarizing expenses, certified mail to agencies, loan application fees and legal expenses to remove wrong civil or criminal judgments. This is an optional coverage, which may be well worth the additional premium.

Personal Recreational Vehicles

Several types of vehicles fall under this category. Some examples and the means to insure them are briefly discussed below:

Small Sailboats and Motor Boats

Homeowners policies offer limited property damage coverage for small sailboats and outboard motor boats**,** but **not** personal watercraft (such as “Wave Runner” or “Jetski”). The homeowner policy liability coverage for small sailboats and outboard motor boats has many limitations and exclusions as to size and horsepower of the craft. You can purchase a **Watercraft Endorsement** that will broaden the personal liability and medical payments coverage on your homeowners policy for small sailboats and outboard motor boats.

Personal Watercraft

Personal watercraft, for example, a “Wave Runner” or “Jetski,” must be insured separately. Call your agent or insurance company to purchase the necessary coverages.

Motorized Personal Recreational Land Vehicles

This category includes such things as All Terrain Vehicles (ATVs), snowmobiles, dune buggies, mopeds, motorscooters, minibikes and go-carts. All of these vehicle types should be registered as motor vehicles and be specifically added to your automobile policy to be sure that you maintain the proper coverages. Golf carts can be endorsed to either a homeowners or to an auto policy.

Not all automobile insurance companies will cover personal recreational vehicles. If you have such a vehicle(s) to insure, call your agent or insurance company to discuss and obtain the necessary coverage.

Secondary Residence Premises Endorsement

The homeowners coverage under this endorsement applies to a secondary residence such as a summer home. Remember that secondary residences are not automatically covered by the homeowners insurance policy you carry on your primary or principal residence.

Remember that secondary residences are not automatically covered by the homeowner insurance policy you carry on your primary or principal residence.

Hurricane Deductibles

After Hurricane Andrew in 1992, some insurers began to use hurricane loss deductibles that are higher than the standard homeowners policy deductible.These deductibles do not apply to every wind loss, but only to losses from storms designated as hurricanes, generally by the National Weather Service.

There are several types of hurricane deductibles available in the market. Some are optional and others mandatory. Some deductibles may be used on a statewide basis, while others only apply to the 92 WindMAP zip codes. Some insurers use the deductibles only on new business, while others use them for both new and existing insureds.

Most of the hurricane deductible programs recently approved by the New Jersey Department of Banking and Insurance contain the following features:

- The hurricane deductible applies only to losses from a storm designated as a hurricane by the National Weather Service, **and** only if sustained wind speeds of 74 mph have been measured somewhere in this state.
- Any hurricane deductibles used on a statewide basis must be optional or must allow the insured to reduce that deductible down to the amount of the standard policy deductible by paying additional premium.
- **Mandatory** hurricane deductibles may be used only on properties located in the 92 WindMAP coastal zip codes. The mandatory deductibles vary from 2 percent to 4 percent of the dwelling’s insured value. The actual percent varies, based on the property’s distance from the coast.
- Coastal insureds who are subject to mandatory hurricane deductibles may be able to reduce or eliminate the deductible if the property has certain construction features that would provide protection to the property from damage in the event of a hurricane.
- Companies with mandatory “any named hurricanes” deductibles must have a **Loss Mitigation Plan** to inform insureds what criteria must be met to reduce or eliminate this deductible. Examples of criteria include installing certain types of shutters or meeting components of New Jersey’s Building Code. In order for you to qualify for the reduction or elimination of your hurricane deductible, your efforts to mitgate or control potential loss may need to be inspected and certified before the hurricane that caused the loss. Ask to see the underwriting guidelines of your insurance company to determine its loss mitigation requirements, or discuss the matter with your agent.

Because of variations in the hurricane deductible programs that are available, be sure you understand how any hurricane deductible on your policy would apply in your situation. Ask questions and shop carefully. If you are subject to a mandatory hurricane deductible, discuss with your agent or insurance company how you may reduce or eliminate the deductible through loss mitigation. Be sure you do this before you undertake such projects.

Important: Generally, it is not possible to purchase new homeowners insurance, or to request upgrades to an existing policy, within a specific time period of an approaching hurricane.

Ask your agent or insurance company to review with you the underwriting guidelines of any policy you may be considering so that you understand its limitations.

B. UNDERWRITING GUIDELINES

Every insurance company has underwriting guidelines. Underwriting guidelines are the factors the company uses to determine which risks it will accept and which it will reject or refuse. Insurance companies have the freedom to set their own underwriting guidelines. The New Jersey Department of Banking and Insurance requires that these guidelines not be arbitrary, capricious or unfairly discriminatory.

Underwriting guidelines will differ from company to company. Certain ***risk factors*** may make your property difficult to insure (see examples below). However, other insurance companies may consider your property to be less objectionable. It pays to shop around for your homeowners insurance protection.

Risk Factors are incorporated into the underwriting guidelines of each company. Such factors are considered when issuing new policies or when renewing ongoing policies to help the company determine the insurability of the property. Some risk factors routinely considered (not in order of importance) are:

- The presence or absence of utility upgrades in the home
- The overall condition of the property
- Updating or remodeling of the home
- Trampoline on site
- Vicious dog, or presence of a breed known for viciousness, regardless of the dog's own history
- Swimming pool on site
- Whether the home meets construction codes
- Excessive claim history

In addition, applications for property insurance may ask for personal information, such as the type of job you have, where you work, your leisure activities and details of any recent claims you may have had.

Job and Work Information

Information about your job and where you work alerts your agent and insurance company to gaps in your coverage and possible hazards. If you work at home, you may need special advice on insurance to cover items used for your business, or more liability insurance. (See Home Business section.)

Leisure Activities

Certain leisure activities may also increase your chances of having a loss. Hobbies that involve the use of flammable chemicals, paints or varnishes, present a higher than normal fire hazard. If you are an antique or art collector, you may need to insure these activities separately.

Claims History

A history of claims can also affect your application for insurance. Your agent and insurer will need to know what caused past claims in order to determine if the same type of claim is likely to occur again. Have you taken all reasonable actions to prevent repeated losses? Is your home subject to repeated losses simply because of its construction or design?

Frequent claims caused by factors beyond your control, such as wind and hail, may also pose a problem. In this case, the insurer may ask you, as a new policyholder, to carry a higher deductible (the portion of a claim you pay out of your own pocket).

As the result of New Jersey legislation, as of March 2000, no insurance company may cancel or non-renew any policy covering an owner-occupied one-to-four-family dwelling exclusively because of claims or losses due to weather-related damage or because of a third-party criminal act committed by a non-household member. A company is permitted to continue coverage on altered terms and conditions if the insured fails to make necessary repairs or fails to take other remedial action to reduce the risk of additional claims or losses.

Credit Information

An insurer may request consumer credit reports when writing new or renewal policies. Some companies use credit information as an indicator of the frequency and severity of future claims.

The federal Fair Credit Reporting Act gives consumers certain rights. If adverse action is taken (such as rejecting your application for insurance) because of information in your credit report, you have the right to review the report at no charge. You must request a copy of the report directly from the credit agency. Your insurance company will provide you with the credit agency's name, address, and telephone number.

C. COST OF INSURANCE

Comparison shopping for homeowners insurance can be worth the effort. Be a wise consumer and shop around for the product that's best for you. Insurance companies vary substantially in the price of their policies and in the level of service they provide to consumers. Make sure you are comparing policies with the same deductibles and levels of coverage.

The cost of coverage depends on the type of building, the location and the amount of insurance. A brick building is generally more fire resistant than a wood-frame building and may cost less to insure. Many insurers charge less to insure a newer home because newer homes are often less likely to sustain damage in fires and storms. In addition, some areas have greater crime and vandalism problems than others do. This, too, can affect the cost of insuring against such losses.

Contact the New Jersey Department of Banking and Insurance for rate comparison information at (800) 446-SHOP.

Fire Protection

The building's location affects the cost of coverage because some communities have better fire protection than others. Insurance companies divide the state into rating territories. Each city and locality in New Jersey is given a fire protection classification ranging from 1 to 10, depending upon the fire protection available in the area. These rating classes depend on such factors as water pressure, access to fire department, and the training and skills of the firefighters.

Most of the larger cities in New Jersey are in classes 1 to 4. Small towns and rural areas have higher fire protection ratings and generally higher prices. Any agents who sell property insurance should be able to tell you the community fire protection class.

While the price you pay is important, buying the cheapest policy is not necessarily a good idea. An insurance policy that sounds too good to be true probably is just that. Neither should you look only at policy benefits, or you may end up paying for more than you really need. All of the following should be considered when you choose an insurance company and a policy:

- Premium cost
- Benefits (including exclusions and limits)
- Service (How do I make a claim?)
- Renewability (Can I be cancelled?)
- Financial strength and reliability of the company (Will the insurance company be around in the future if I have a loss?)

V. SAVING YOUR MONEY

A. PRICE QUOTATIONS

When shopping for homeowners insurance, premium quotations are a useful tool for comparing different companies' products. When asking for price quotations, it is crucial that you provide the same information to each agent or company.

To give you an accurate quote, the agent or insurance company will usually request the following information:

- Description of your house
- Complete address
- What your house is made of (for example, all wood, all brick, brick and stucco)
- Is your house one story, two stories, a split-level, something else?
- How many rooms?
- How old is your house?
- Distance from the nearest fire department and fire hydrant
- Square footage
- Security devices
- The coverages you want
- The limits you want
- The deductibles you want

B. LENDER REQUIREMENTS

Your lender will require you to cover the house for at least the amount of the mortgage. You need to be sure that the amount of coverage you purchase is appropriate for the property being insured. Generally, the lender will require you to have a homeowners policy in force at the time of the closing. The lender will usually request a copy of the policy and the cover page (declarations page) showing coverage amounts and may request a paid receipt for the policy as well.

Your lender also will require you to name the lending institution as a loss payee (i.e., they will be listed as a co-payee along with you on any checks the insurer writes to pay for damage to the dwelling). You are not required to buy the insurance from the company recommended by your lender.

If you fail to keep your coverage in force, the lending institution will purchase coverage that protects only its own interest in the property. You will have to pay for this coverage. It is generally much more expensive than insurance you can buy to protect both your interest and the lender's.

C. REDUCING THE COST OF YOUR INSURANCE

Discounts

Every homeowner insurer has its own package of "special" discounts to attract particular types of customers. Below is a sample of discounts to ask your agent about.

Multiple policy discounts

Many insurers that sell homeowners, auto, and liability coverages may give you a 5 percent to 10 percent discount off your premium if you keep two or more policies with them. If you already have an auto policy with one insurer, find out if the same company will give you a discount on homeowners insurance.

Credits for protection devices

You can usually get discounts of 2 percent to 5 percent for a smoke detector or burglar alarm. Some insurers offer to cut your premium by as much as 15 percent to 20 percent if you install a sophisticated sprinkler system and a burglar alarm that is wired directly to the police station. Be aware that these systems are costly and not every system on the market will qualify for discounts. Before taking any action, find out the cost of such systems and compare that to how much premium you could save.

Nonsmoker discounts

Some insurers offer to reduce premiums for homeowners who do not smoke. You will not qualify for this discount if any family member who lives with you is a smoker.

Fire-resistant building materials

A few insurers offer discounts for homes that are made of fire-resistant materials.

Long-time policyholders

If you have maintained coverage with an insurer for several years, you may qualify for special consideration. Several insurers will reduce your premium by 5 percent if you stay with them for three to five years and by 10 percent if you remain a policyholder for 6 or more years.

A good agent or the insurance company will ask you about your circumstances, acquaint you with any applicable discount packages, and answer your questions about how different deductible choices will affect the cost of your insurance.

VI. IF YOU HAVE A LOSS

A. BEFORE THE LOSS

Inventory List

It is very helpful to prepare some type of inventory of your possessions now, before something happens to them. A simple way to do this is to go methodically from room to room and make a written list of your possessions and record their values. You may want to stick with items worth $100 or more; adjusters generally do not question claims for common possessions that most people would be expected to own. Do make special note of property that is unusual, or unusually valuable. Do not forget the garage, basement, attic, and outdoor storage areas. Taking pictures of your belongings is even easier. A video camera does an especially quick, thorough job of documentation.

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

However, a written list – while very helpful – may not be acceptable proof to an insurance company that an item existed or that you owned it. Purchase receipts are the best documentation. You should keep all receipts and photos with your inventory list. Arrange to store your documentation other than at your home – for instance, in a safe deposit box or with a trusted friend. That way, you will not have to worry that a fire or other calamity will destroy your records just when you need them most.

Loss Prevention Tips

Taking steps to prevent losses is just as important as buying insurance to cover them.

- Install smoke, heat and carbon monoxide detectors near sleeping areas.
- Keep your house or apartment clear of accumulated trash, oily rags and combustible materials.
- Check lamps, cords, and light switches, making sure there is no faulty wiring.
- Practice home fire drills; make sure everyone (especially children) knows what to do in case of a fire.
- Keep matches away from children; make sure smokers do not smoke in bed.
- Install adequate locks and take precautions, such as not letting papers or mail accumulate when you go away.
- Many insurers, fire companies, and civic organizations provide window decals to identify rooms occupied by the elderly, by children, or by disabled persons so they may be evacuated first in an emergency.

B. AFTER THE LOSS

Call the police

Report theft losses to the local police immediately. If you have lost your checkbook or credit cards, notify the bank or credit card company as well. If there has been a major storm or other disaster in your area, check with the police or local news sources to see if a disaster assistance center has been set up.

Call your agent or insurance company

Phone your agent or insurance company promptly to report your loss. Whenever possible, notify your agent or company before *any* repair work is begun. Have your policy number ready along with any information that may be relevant. Ask your agent or insurance company what documents, forms and data you will need to present your claim. If you have any questions, your agent or insurance company will be able to assist you in filling out the required claim forms.

Make necessary repairs

If your property has been damaged, it is important to make any necessary *temporary* repairs to protect the property from further loss or damage. (The insurance policy's term for this is "mitigating your damages.") For example, if windows are broken, have them boarded up to protect against vandalism or weather. Expenses for making necessary temporary repairs are covered under your policy. Be sure to save all receipts or bills. Permanent repairs must wait until the insurance adjuster has reviewed the damage.

Determine the extent of your damage

This can be emotionally upsetting, but is absolutely critical. Begin by making a written list of what was damaged. Make a separate list of possessions that have been damaged beyond repair. If you have maintained a household inventory, this process will be easier. Contractors, catalogs and local retailers are good sources for current cost information. Don't discard any damaged property until after the insurance company has had a chance to inspect it.

Submit a copy of your list to your insurer

The list should include information used to support the actual cash value (or replacement cost, if you have that coverage) of the damaged items. The necessary information includes purchase dates, purchase price, and the cost to replace with a similar item. Make your list as complete as possible. Provide receipts, photos, or other information that is still available to help you prove the value of your claim.

How to claim additional living expenses

If you cannot live in your damaged home, keep all of your receipts for additional living expenses, list them and submit a copy to your insurer so it can be determined how much you should be repaid under the additional living expenses coverage in your policy.

When a settlement is offered

It is important to keep the lines of communication open between you and the insurance company representatives throughout the claim process. When a settlement figure is offered, you will receive an itemized estimate of repair or replacement explaining how the company arrived at the settlement figure. You should review and discuss the estimate with your contractor of choice. If either you or your contractor have questions or concerns, discuss them with your agent and/or the claims adjuster before you accept the settlement offer, if possible. The insurance company must give you the name of a contractor who will do the work at the price quoted by the insurer. The insurance claims adjuster is generally the person best able to resolve your concerns and finalize the claim to your satisfaction.

If, once the claim process is complete, you still feel that the amount of money being offered to settle your claim is not fair, there are several courses of action you may consider:

- You can file a notice of disputed claim with your insurer and request that the company's Internal Appeals Panel review your claim. The company generally will ask you to submit your dispute in writing, including any documentation you have to support your position.

The Panel will review the entire claim and make a determination. The panel may agree with your position, accept the company's original position, or it may investigate further and come to its own decision. You will be informed of the decision of the Panel.

- You can, at any point in the claim process that you are dissatisfied, contact the New Jersey Department of Banking and Insurance at (609) 292-5316 and file a complaint.
- If you are dissatisfied with the decision of the company's Internal Appeals Panel, you can file a notice of disputed claim with the Office of the New Jersey Insurance Claims Ombudsman.
- You can request to have independent appraisers evaluate your loss. See the appraisal clause of your policy to determine how to do it and what it costs.
- You can hire an attorney to represent your interests.

VII. CAN YOUR POLICY BE CANCELLED?

A. TERMINATIONS, DENIALS, AND CANCELLATIONS

New Policies

When a policy first takes effect, the insurer has a right to cancel that policy any time within the *first 60 days* for any reason not otherwise prohibited by law. The cancellation is not effective until at least 10 days after the insurance company mails or delivers to you a written notice of cancellation.

Renewal on Altered Terms

Sometimes an insurer will renew a policy, but will raise the rates or make the terms less favorable. An insurer is not allowed to change the terms of coverage unless it gives written notice of the changes to the insured, along with the renewal offer. To be effective, the notice must be mailed or delivered no more than 120 days, and no less than 30 days, before the renewal date.

Mid-term Cancellation

A mid-term cancellation is the termination of a policy during the policy term and before the policy expiration or renewal date. An insurer is not allowed to cancel coverage during this period unless the premium is not paid or unless the policy provides other reasons for canceling.

All mid-term cancellations require a written notice to be mailed or delivered to the policyholder before the termination date of the policy.The insurance company must provide 10 days written notice of a cancellation for non-payment or for "moral hazard," such as using your home for a criminal activity or engaging in other behaviors that pose a high risk of danger or destruction of property. Mid-term cancellations for all other reasons require longer periods of advance written notice, generally 30 days. Your policy will itemize the reasons for which your insurer may cancel you, and will also state the notification requirements.

Non-renewal

Non-renewal of a policy refers to the termination of a policy at its expiration date without an offer by the insurer to continue coverage. If the insurance company decides that it does not want to renew your policy, it must mail or deliver to you a written notice at least 30 days, and no more than 120 days, before the expiration date. The non-renewal or cancellation notice must include the specific reason for the non-renewal or cancellation as well as the facts that make that reason applicable to your policy. Refer to your insurance policy for a list of the reasons your company may non-renew your homeowners policy.

If you are non-renewed solely because of the termination of your agent's contract with your insurance company, the insurer must continue your coverage unless you ask otherwise, in writing, before the expiration date.

No insurance company may cancel or non-renew any policy covering an owner-occupied one-to-four-family dwelling exclusively because of claims or losses due to weather-related damage or because of a third-party criminal act committed by a non-household member (See the Underwriting Guidelines section for more detail).

If your policy has been non-renewed, your agent may be able to help you obtain replacement coverage. Under certain conditions, the *New Jersey Insurance Underwriting Association (FAIR Plan*) or *the surplus lines market* can offer property insurance to people who are unable to get coverage in the voluntary market. (See the sections entitled "FAIR Plan" and "Surplus Lines" for more information.)

Note: There is no grace period for premium payment for homeowners insurance. Always be sure to pay your premiums promptly.

VIII. PROBLEMS WITH INSURANCE

If you are having a problem with your insurance, it is always best to contact your agent or your insurance company first to try to settle the matter. Most insurers have policyholder service offices set up to handle such questions.

If you are still dissatisfied, call the New Jersey Department of Banking and Insurance (NJDOBI) at 1-800-446-7467 or write the Department at *P.O. Box 329, Trenton NJ 08625-0329* for information on filing consumer complaints. Make sure you include details about your insurance problem.The more complete and accurate this information is, the more likely your problem can be resolved. Be sure to include the correct name of your insurance company and your policy number if you have it. Many companies have similar names and listing the wrong one can delay the investigation of your complaint.

The Department of Banking and Insurance investigates complaints to determine if any insurance laws have been violated. If so, action may be taken against the agent or insurer involved. These actions could include imposing fines or suspending or revoking licenses.

The New Jersey Department of Banking and Insurance is here to help you with your insurance questions and problems. Don't hesitate to contact us if you need our assistance.

IX. GLOSSARY OF INSURANCE TERMS

ACTUAL CASH VALUE
An amount equivalent to the replacement cost of a stolen or damaged property at the time of the loss, ***less depreciation***.

ADMITTED COMPANY (ADMITTED INSURER)
An insurance company licensed to do business in New Jersey. See also *Surplus Lines.*

AGENT
A licensed person or organization authorized to sell insurance by or on behalf of an insurance company. An agent represents the insurance company, not the insured.

AUTOMOBILE INSURANCE
Coverage on the risks associated with driving or owning an automobile. It can include collision, liability, comprehensive, medical, and uninsured motorist coverages.

BINDER
A temporary or preliminary agreement that provides coverage until a policy can be written or delivered.

BROKER
A licensed person or organization paid by you to look for insurance on your behalf. A broker represents the insured, not the insurance company.

BURGLARY
The unlawful entry into a structure to commit a felony. A burglary is committed when one or more persons enter the premises of another with the intent to steal property. For insurance purposes, there must be evidence of forceful entry. See *Robbery and Theft*

CANCELLATION
The termination of insurance coverage during the policy period. *Flat cancellation* is the cancellation of a policy as of its effective date, without any premium charge.

CARRIER
See *Insurer*

CLAIM
Notice to an insurer that under the terms of a policy, a loss may be covered.

CLAIMANT
Any person who asserts a right of recovery under an insurance policy; the first or third party. If the person making the claim is the insured, he is a "first party claimant"; if someone outside of the insurance contract is making the claim, he is referred to as a "third party claimant".

CO-INSURANCE
Many insurers require that homeowners insure their homes for at least 80 percent of *Replacement Cost*. If the home owner fails to insure to 80 percent, a penalty is applied to partial losses. This penalty is usually referred to as the *Co-insurance penalty.*

DECLINE
Refusal by an insurer to accept the request for insurance coverage.

DEDUCTIBLE
The amount of the loss which the insured is responsible to pay before benefits from the insurance company are payable. You may choose a higher deductible to decrease your premium.

DEPRECIATION
A decrease in value due to age, wear and tear, and the like.

EARNED PREMIUM
The premium retained by the company for the period the policy was in effect.

EFFECTIVE DATE
See *Inception Date*

ENDORSEMENT
Amendment to the policy used to add or delete coverage. Sometimes referred to as a *Floater* or *Rider*

EXCLUSION
Certain causes and conditions listed in an insurance policy, that are not covered by that policy.

EXPIRATION DATE
The date on which the policy ends.

FIRE INSURANCE
Coverage for loss of or damage to a building and/or contents due to fire.

FLOATER
See *Endorsement*

GRACE PERIOD
A period after the premium due date, during which an overdue premium may be paid without penalty. The policy remains in force throughout this period. There is no grace period on Home Insurance policies.

HOMEOWNERS INSURANCE
An elective combination of coverages for the risks of owning a home. Can include losses due to fire, burglary, vandalism, and other PERILS. There are variations of Home Insurance that provide coverage for Renters, Condominium Unit Owners, Mobile Home dwellers, Farm and Ranch owners.

INCEPTION DATE
The date on which a new policy begins.

INSURED
The policyholder - the person(s) protected in case of a loss or claim.

INSURER
The insurance company.

LIMIT
Maximum amount a policy will pay either overall or under a particular coverage.

MATERIAL MISREPRESENTATION
A false statement of an important fact on an application; for instance, false information regarding the condition or construction of the dwelling.

MISQUOTE
An incorrect estimate of the insurance premium.

PERIL
The cause of a possible loss; for example, fire, theft, or windstorm. A *covered peril* is a peril that is insured against by a policy.

POLICY
The written contract of insurance.

POLICY LIMIT
The maximum amount a policy will pay, either overall or under a particular coverage.

PREMIUM
The amount of money an insurance company charges for insurance coverage.

PREMIUM FINANCING
A policyholder contracts with a lender to pay the insurance premium on his/her behalf. The policyholder agrees to repay the lender for the cost of the premium, plus interest and fees.

PRODUCER
An agent or broker licensed to sell insurance. The term may refer to either an individual within a firm or to the firm itself.

PRO-RATA CANCELLATION
When the policy is terminated midterm *by the insurance company*, the earned premium is calculated only for the period coverage was provided.

QUOTE
An estimate of the cost of insurance, based on information supplied to the insurance company by the applicant.

REPLACEMENT COST
The cost to repair or replace an insured item. Some insurance only pays the actual cash or market value of the item at the time of the loss, not what it would cost to fix or replace it. If you have personal property replacement cost coverage, your insurance will pay the full cost to repair an item or buy a new one.

REPLACEMENT VALUE
The full cost to repair or replace the damaged property with no deduction for depreciation, subject to policy limits and contract provisions.

REINSTATEMENT
The restoring of a lapsed policy to full force and effect. The reinstatement may be effective after the cancellation date, creating a lapse of coverage. Some companies require current evidence of insurability and payment of past due premiums plus interest in order to reinstate.

RETURN PREMIUM
The amount of money the insurance company has to give back to you in the event of a mid-term PRO-RATA CANCELLATION or a SHORT-RATE CANCELLATION of your policy.

RIDER
See *Endorsement*.

ROBBERY
A "holdup", for example, would be considered a robbery.

SHORT-RATE CANCELLATION
When the policy is terminated prior to the expiration date *at the policyholder's request.* The short-rate earned premium is more than the pro-rata earned premium. Generally, the return premium would be approximately 90 percent of the pro-rata return premium. However, a company may establish its own short-rate schedule.

SURPLUS LINES
Non-admitted insurance companies are permitted to write unusual or difficult risks that the admitted market cannot write. Surplus Lines policies are not regulated the same as a standard homeowner policy and the coverages may be different and have lower limits.

THEFT
The unlawful taking of another person's property. Theft includes *Burglary* and *Robbery*.

UNDERWRITING
The process of selecting applicants for insurance and classifying them according to their degrees of insurability so that the appropriate premium rates may be charged. The process includes rejection of unacceptable risks.

WAITING PERIOD
A period of time set forth in a policy that must pass before some or all coverages begin.

For more information, visit

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