

*A consumer's guide to:*

# Homeowner insurance

*Choosing and using your homeowner insurance coverage*



OFFICE of the  
**INSURANCE  
COMMISSIONER**  
WASHINGTON STATE

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# Understanding your homeowner insurance policy

Your insurance policy is a contract between you and your insurance company. It spells out exactly what the company agrees to do in exchange for the premium you pay. It also describes your responsibilities and the general terms of coverage. The contract is divided into two basic parts: a declarations page and the policy itself.

## The declarations page

This portion of the contract includes basic details of the agreement. It's important you review this page to ensure that all the information is correct and the coverages you requested are listed. The declarations page includes:

- Name of the insurance company
- Name(s) of the person(s) insured
- Location of the insured residence
- The policy number
- Policy period
- Property covered
- Coverages purchased
- Limits of liability for each coverage
- Applicable deductibles
- Your premium

## The policy

The second part of your insurance contract is the policy itself. This includes:

- Insuring agreements
- Definitions
- Additional coverages
- Exclusions
- Conditions

Section one of your policy describes your property coverages and the types of losses it covers.

Section two typically includes:

- Liability coverage (provides coverage if you're legally responsible for causing property damage or physical injury)
- Premises medical coverage (pays the medical expenses of others accidentally injured on your property)

Each section includes coverages, limitations, exclusions, definitions and conditions that apply only to that section.

Make sure you review your declarations page to verify your policy includes the types and amounts of coverage you requested.

# Types of coverage

A homeowner policy is a protection package that combines coverage for your home, personal property, other structures, loss of use, medical payments for others, and protection against claims someone else makes against you. This type of policy is available for primary residence homes occupied by the owners. It's often referred to as a "package" policy.

There are a wide variety of homeowner policies available, so be sure to read your policy to know what coverage your insurer provides. The following are typical coverages you'll find within this policy.

## Dwelling coverage

This coverage provides for the repair or replacement of the damaged portion of your home and attached structures, such as a garage or deck due to a covered loss. Most homeowner policies provide replacement coverage. This means the coverage could pay up to the actual cost to complete the covered repairs, up to the limits within the policy.

Some policies offer an endorsement you can buy to provide additional coverage above the stated policy limits for both your home and other structures. Most commonly, this endorsement is used when your entire home or other structure is completely destroyed due to a covered loss.

Before you have a loss, discuss with your agent or insurer what you're responsible for if a loss occurs, how replacement costs work and if there are any limits within the policy you need to know about.

## Coverage for other structures

This coverage provides for the repair of unattached, permanent structures located on your property that were damaged due to a covered loss. The limit is typically 10 percent of the dwelling coverage. Examples include loss to a detached garage, gazebo, personal workshop or detached fence. It usually will not provide coverage for other buildings on your property that renters occupy, or buildings you use

for business. Talk with your agent or insurer if you have an unusually large detached garage or several outbuildings on your property, as you may need to buy additional coverage.

## Personal property coverage

This coverage provides for cleaning, repair or replacement of your furnishings and personal items, such as your TV, stereo, clothing, dishes, etc. The coverage is usually 50-70 percent of the dwelling coverage for replacement costs, depending on your insurance policy. If you suffer a loss, the settlement (payment to you for the damages) is based on the used value until you actually replace the item(s). This means your insurer will initially pay you for the depreciated, used value of your item. After you replace the item(s) and submit receipts, you can request the insurer pay you the difference between the actual cost to replace the item and the original amount they paid you.

This coverage extends worldwide, but most policies will cap the limit at 10 percent of the personal property limit within your policy. You may be able to buy increased limits on personal property for an additional cost.

Insurers typically offer personal property coverage on a named peril basis. This means the policy will specify and list the perils that trigger coverage. Examples of covered events include fire, lightning, windstorm, hail, explosion, riot or civil commotion, aircraft, vehicles, smoke, vandalism and malicious mischief, theft, and damage caused by falling objects.

It's common for an insurance policy to limit the amount of coverage available for certain types of personal property, such as jewelry, cameras, furs, art, silver, firearms, stamp collections, etc. Ask your agent or insurer if you need to raise those limits.

Homeowner policies do have exclusions. For example, they don't cover a roommate's or renter's property, autos, and/or damage caused intentionally.

## Coverage for loss of use

This coverage pays for your additional living expenses if your house is unlivable due to a covered loss, such as a broken pipe that floods your home or a fire burns down your house. For example, it may cover your hotel/housing costs, increased mileage or increased costs for food. Many policies also offer loss of rent if you rented out a portion of your home. Keep in mind, your normal cost-of-living expenses, such as your house payment or utility bills, are not covered. This coverage typically has a dollar limit and a time-frame limit. Most policies set the limit for loss of use at 20% of your dwelling coverage limit. Your policy may include restrictions on this coverage, so check with your agent or insurer.

## Medical payments coverage

This coverage pays the medical expenses of others when they're accidentally injured on your property. Most policies include at least \$1,000 of coverage, but higher limits may be available. Generally, this coverage is limited to any non-resident on your property with your permission. The insurance company does not need to determine negligence to pay the injured person or their provider. This coverage also is called "good neighbor" coverage.

## Personal liability coverage

This coverage pays expenses for bodily injury and property damage sustained by others when you are legally liable. For example, if you knew you had a loose deck railing and someone leaned on it, and fell off your deck and was hurt, you could be liable. Most policies include at least \$100,000 of coverage, but higher limits may be available. When deciding how much coverage to buy, think about the value of your total assets, and how much you might lose if someone successfully sued you for damages.

Personal liability coverage extends beyond your property location. The coverage goes with you wherever you go, unless your policy excludes it.

## Additional coverages

This part of the policy lists additional coverage in the policy, such as:

- Debris removal
- Tree debris removal
- Damage to tree, plants and shrubs
- Refrigerated products
- Temporary repairs
- Building ordinances or laws
- Credit card coverage

Your policy may limit the amount of coverage available, it may limit it to specific perils and some coverages may have a different deductible than the policy deductible. Ask your agent or insurer what additional coverages are built in to your policy.

The following optional coverages or endorsements or policies are available to buy for an additional premium. An endorsement is a written form attached to your insurance policy that alters your policy's coverage, terms, or conditions. Endorsements are listed separately on the policy..

# Optional coverage

## Earthquake

This coverage provides for repair or replacement of your home following an earthquake. Not all companies offer this coverage. For those that do, you may have to meet specific requirements to qualify. For example, the insurer may require you to retrofit your home for earthquakes, or require you to strap your hot water tank to a wall. The amount of this coverage will match your dwelling coverage, but you will have a separate deductible, usually 10 to 20 percent of the coverage amount. Your insurer may offer higher deductibles. Your policy will define what constitutes an earthquake, and list any limitations that may apply.

## Flood

Your homeowner policy will not cover flooding. You must buy flood insurance separately. It provides coverage due to physical losses caused by flood, flood-related erosion, and abnormal tidal surges and mudslides. If your property is located in an area with a high chance of flooding, your lender may require you to obtain this coverage. Flood insurance is available through the National Flood Insurance Program (NFIP). For more information, contact your agent, or the NFIP at 1-888 FLOOD29 (1-888-356-6329), or at [www.floodsmart.gov/](http://www.floodsmart.gov/).

## Home daycare

Home daycare insurance provides liability coverage for daycare operations you conduct in your home when you care for a limited number of children.

## Home business

Your insurance company may offer home business coverage. Each insurance company defines the type of home business it is willing to cover on a homeowner policy.

## Umbrella liability policies

These policies provide excess liability coverage above the limits of the liability coverage you already have on your homeowner and auto policies. They provide you with an extra layer of protection once you exhaust the limits of these policies.

## Secondary residence premises endorsement

This coverage provides liability protection for a secondary residence, such as a summer home.

## Sewer backup or sump pump overflow endorsement

This provides protection if your sump pump overflows and floods your home, and if the sewer line backs up due to an issue off of your property.

## Watercraft endorsement

This endorsement provides coverage for small sailboats and outboard motor boats. It broadens personal liability and medical payments coverage. There are size limitations to watercraft and engine horsepower, so discuss this with your agent before a loss occurs.

## Credit card forgery and depositor's forgery coverage endorsement

This coverage provides protection against loss, theft, or unauthorized use of credit cards. It also covers the forgery of any check, draft, or promissory note. No deductible applies to this endorsement. However, check with your agent to see if this coverage has any exceptions.



## Other types of policies

### Renters policy

This coverage provides protection for personal belongings and personal liability when you rent an apartment or house.

### Mobile homeowner policy

This is a package insurance policy written specifically for mobile homes. It includes coverage on the mobile home and the contents. It also includes theft and liability protection.

### Farm or ranch policy

Coverage for a farm or ranch is similar to a homeowner policy in many ways. However, due to the many types of structures and equipment typically used on farms, the insurer can customize a farm policy to cover many items and property.

### Condominium owner policy

This policy covers your individual unit within a larger condo or townhome community. The homeowners association (HOA) insurance policy and your personal unit policy work side by side to cover losses. It's important to be familiar with the HOA governing documents as the required coverage for your unit is based on them.

Your individual unit policy may cover items, such as your cabinets, fixtures, flooring, wall coverings, appliances, custom features, etc. Typically, your condominium association's policy covers the main portion of the building and the common areas. Loss Assessment coverage helps you pay for an assessment the association may charge you to help them pay for covered losses that occur to common areas. Some condominium owner policies may include Loss Assessment coverage in the basic policy. Be sure to ask your agent or insurer.

## How we review homeowner rates

When an insurance company wants to change its auto or home insurance rates, it must file that change with the Office of the Insurance Commissioner (OIC).

Insurance rates are the base cost of insurance a company charges for the risk of a possible loss, such as storm damage to your home. It's the basic building block that goes into determining premiums. Insurance companies take their base rate and apply their rating factors to determine your premiums.

The OIC does not set rates; it reviews and either approves or denies rate filings from insurance companies. Actuaries review the rate requests to ensure the financial and statistical data they provide is accurate and sufficient to justify a rate change.

You can review insurance company rate filings at: [www.insurance.wa.gov/search-company-filings-serfff-filing-access](http://www.insurance.wa.gov/search-company-filings-serfff-filing-access)

### Why we approve rate increases

State law requires insurance rates must be "reasonable, and not excessive, inadequate, or unfairly discriminatory." Our actuarial staff reviews rate filings according to those standards.

Generally, rates increase when insurance companies can provide financial evidence that the costs to pay for claims and administrative costs is outpacing revenue from premiums.

# Shopping for coverage

## Determine how much coverage you need

Insurers use established formulas to help them decide the appropriate limits of dwelling and structure coverage. Most policies cover replacement costs, which considers the cost to rebuild your home. Insurers use the calculations to take into account the same type of information used in real estate appraisals, such as:

- Construction materials
- Type of floor plan (two-story, split level, ranch, etc.)
- Total square footage
- Number and types of rooms
- Type of garage or carport
- Special features

Current market value considers how much you could sell your home for. This is why the insurance amount for your home may not match the local government's assessed value for tax purposes.

You should review the coverage amount on your home annually. This will ensure your coverage maintains pace with inflation and other changes that affect the cost to repair or replace any damage to your home. Most policies automatically adjust your dwelling limit at renewal, so you may want to review it to make sure you have adequate coverage.

Notify your insurer when you make changes to your home, such as additions or major improvements. This is important — it can affect the amount of coverage you will need should you have a loss after completing the renovations or improvements. Talk to your agent before you make major improvements or renovations.

## Factors that affect underwriting

All insurers set underwriting and rating guidelines. They use these guidelines to determine whether to offer you coverage and how much to charge you. The factors that affect underwriting may include, but are not limited to:

- **Property information** – This includes your street address, the year your house was built, number of living units, type of construction material, type of foundation, living space square footage, number of rooms, age of the roof, roofing materials, and the age of heating, plumbing, and electrical systems.
- **Community fire protection** – These factors include the distance from your home to the nearest fire department and fire hydrant, and the fire department's response time.
- **Prior insurance** – Insurers look at your prior insurance history. For example, if you own an uninsured property for several years, and then decide to insure it, you will have a more difficult time getting insurance. Insurers consider this higher risk because you haven't had consistent coverage.
- **Claims and occurrence history** – Your insurer may ask you to disclose both claims and occurrences from the past. A claim is a loss you reported to the company for coverage. An occurrence is either a loss you did not report, or if you did report it, it did not result in an opened or processed claim. Insurers believe this represents the potential for loss, and may ask you about such events.
- **Stability** – Your insurer will ask you for information, such as your occupation and how long you have worked for your current employer.

- **Credit information** – Your insurer may ask you to provide information about any bankruptcy, judgments or credit problems. They may also obtain your credit history from one of the national credit reporting companies.

Your insurer may also require an inspection of the property. Once the policy is issued, they may require a re-inspection prior to a renewal.

## The cost of homeowner insurance

Insurers base homeowner rates on a variety of factors. Your premium consists of a “base rate” amount the insurer adjusts up or down to reflect specific risk factors. While the weight given to these risk factors will vary by company, the major factors are fairly universal. They include:

- **Territory rating** – Homeowner rates may vary according to geographical region. Some areas are more prone to wind or water damage. The crime rate and emergency response time in an area also can impact your rate.
- **Construction** – Wood frame construction is at greater risk from fire and other types of loss than homes built with concrete or masonry. However, masonry structures are more susceptible to earthquake damage than wood structures.
- **Amount of insurance** – Your premium will vary depending on the replacement cost of your home. Remember, the cost to actually rebuild your home may exceed its current market value or sales price. Talk to your agent to find out if you have an adequate amount of coverage.

- **Credit history** – Under federal law (Fair Credit Reporting Act), insurers can use credit history as one factor that impacts your homeowner rate. They may assign you an insurance score based on your credit history. They use your score as one factor to decide whether to accept or decline your coverage, or how much to charge you. However, the Insurance Commissioner believes the use of credit information in insurance is inherently unfair. The law limits the use of certain information in credit scoring. For more information, go to [www.insurance.wa.gov](http://www.insurance.wa.gov).
- **Claims history** – Some companies may charge you more based on the number of claims you have filed. They may even non-renew your coverage if you made several claims. Every company is different. Talk to your agent to find out how his or her company handles claims history.

## Reducing your rates

Every insurer that provides homeowner coverage uses its own package of “special” discounts to market its products to particular types of customers. The following list contains suggestions on how to reduce your rates. Be sure to ask your agent about:

- **Member discount** – Some insurers offer a discount when you’re a member of an affiliated organization.
- **Long-time customers** – Some insurers offer discounts to long-time customers with no claims history.
- **Multiple policies** – If you have your home, auto, liability, and other policies with the same company, it may offer a discount.
- **Protection devices** – If you have smoke detectors, burglar alarms, or automatic sprinkler systems, the company may offer a discount.

In addition to the discounts listed above, you may want to think about choosing a higher deductible to reduce your rates. If you have a lien holder, they may require a minimum deductible amount.

## Prepare ahead to ease the claims process

Insurance is something you hope you never have to use. If you should need to file a claim after experiencing a loss, the following suggestions can make the process easier:

- **Written inventory** – Create and regularly update a written inventory of your home’s contents. This is important for valuable items.
- **Video/photographic record** – Video or photograph the contents of your home, and the exterior from different viewpoints and angles and save it to the cloud

- Notify your agent or insurer.
- Ask your agent or insurance company what documents, forms, and other data you need to get your claim processed.
- Review your policy and ask your agent or insurer for an explanation of what is covered.
- **Appraisals** – Have someone appraise your jewelry, antiques, stamps, coins and other valuable collectibles.
- **Document security** – Keep your insurance policy, home inventory, appraisals, photos and video records in a secure secondary location (such as a safety deposit box or cloud storage). Update your records and documentation annually.

## If you experience a loss

- Protect your property from further damage. Save the receipts for temporary repairs, and submit them to the insurer for reimbursement. You should not make permanent repairs until after your insurance company has inspected the damaged property.
- If you are unable to live in your home, tell your agent or insurer where they can reach you.
- Itemize your losses and include copies of receipts for larger items, such as large appliances, furniture, expensive cameras, and computer and electronic equipment. If the loss is due to a criminal act, such as burglary or theft, notify your local law enforcement agency.

You must prove your loss – and receipts are the best way to do it. If you don't have receipts, then photos of the damaged or missing items may help document the loss. Promotional brochures and other information may be helpful as well. If your insurer requires you to submit a "proof of loss" form, complete and submit it in a timely and accurate manner. This will help prevent claim processing delays. Keep complete copies for your reference.

## Additional information

For more information about homeowner insurance, check our homeowner section at [www.insurance.wa.gov](http://www.insurance.wa.gov).

# Need more help?

Call our Insurance Consumer Hotline!

# 1-800-562-6900

**[www.insurance.wa.gov](http://www.insurance.wa.gov)**

Our professional consumer advocates educate the public about insurance laws and can receive complaints against insurance companies and agents.

We also offer individual counseling and group education on health care issues in your communities. Our highly trained volunteer Statewide Health Insurance Benefits Advisors (SHIBA) can help you understand your rights and options about health care coverage, prescription drugs, government programs, and more.



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