

# ***Consumer's Guide to Homeowner's Insurance***

This guide explains:

- The basic coverages included in homeowner's policies
- The types of policies
- What you should do if you have a loss
- The Wisconsin Insurance Plan

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the Commissioner of Insurance . . .  
Leading the way in informing and protecting  
the public and responding to their insurance needs.**

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## Why You Need Homeowner's Insurance

The largest single investment most people make is in their home. You can protect your home, possessions, and liability with a homeowner's insurance policy.

In addition to its availability to homeowners, similar coverage is available to those who rent homes or apartments. These policies are referred to as tenants' or renters' homeowner's policies. If you are a renter, you do not need protection against damage to the building itself, but you do need protection against damage to or theft of your personal property and liability in the event someone falls or gets hurt on the part of the premises you rent.

A condominium owner may purchase a condominium homeowner's policy to insure personal property. Some policies may also include any additions or alterations not insured by the condominium association. It is important to check with your condominium association and your agent before buying a policy to make sure you are adequately covered.

## Basic Coverages Included in Homeowner's Policies

The homeowner's insurance policy is a package policy that combines more than one type of insurance coverage in a single policy. There are four types of coverages that are contained in the homeowner's policy: dwelling and personal property, personal liability, medical payments, and additional living expenses.

### Dwelling and Personal Property Coverage

Dwelling and personal property coverage helps pay for damage to your home and personal property. Other structures such as a detached garage, a tool shed, or any other building on your property are usually covered for 10% of the amount of coverage on your house.

Personal property coverage will pay for personal property including household furniture, clothing, and other personal belongings. The amount of insurance coverage is usually 50% of the policy limit on your dwelling. The coverage is also limited by the types of loss listed in the policy. The coverage only pays the current cash value of the item destroyed, unless you purchased replacement cost coverage.

Your homeowner's policy also provides off-premises coverage. This means that the policy covers your belongings against theft even when they are not inside your home. Your insurer will reimburse you for the cost

of replacing your suitcase and its contents if it were lost or stolen while you were on vacation, but only for replacing them with items of like kind and quality.

### Personal Property Floater

Your homeowner's 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 homeowner's policy, such as a personal property floater. A personal property floater itemizes each article, gives a description of the article insured, and lists excluded perils. It often provides coverage that is broader than the coverage granted in the home insurance policy. You should discuss this with your insurance company or agent to determine the availability and cost as well as your need for this additional coverage.

Your homeowner's insurance policy does not cover your pets, your car, and any aircraft. Although your policy does not cover your pet or damage it does to your possessions, it will cover injury or damage your pet does to others or their possessions.

### Personal Liability Coverage

Homeowner's policies provide personal liability coverage that applies to nonauto accidents on and off your property if the injury or damage is caused by you, a member of your family, or your pet. The liability coverage in your policy pays both for the cost of defending you and paying for any damages the court rules you must pay. Unlike the other coverages in your policy, liability insurance does not have a deductible that you must meet before the insurer begins to pay losses. The basic limit for liability coverage is usually \$100,000 for each occurrence. You can request higher limits that are available for an additional cost.

### Medical Payments Coverage

Medical payments 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 in an accident in your home. The coverage does not apply to you and members of your household. The medical payments portion of your homeowner's policy 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 of medical payments coverage are available at additional cost.

## Additional Living Expenses

If it is necessary for you to move into a motel or apartment temporarily because of damage caused by a peril covered by your policy, your insurance company will pay reasonable and necessary additional living expenses. The typical policy will pay an amount up to 20% of the policy limit on your dwelling for these expenses. If you move in temporarily with a friend or relative and do not have any extra expenses, you will not be paid any additional living expenses by your insurance company.

## Additional Coverages

Your homeowner's policy generally provides the following additional coverages for expenses that go beyond the repair of the house:

**Debris Removal.** The policy covers the expense of having the debris that is left as a result of the loss removed from the premises.

**Trees, Plants, and Shrubs.** Trees, plants, and shrubs around the house are usually covered for 5% of the insurance on the house, up to \$500 per item. A homeowner's policy provides coverage against theft, fire, lightning, explosion, vandalism, riot, and even falling aircraft. However, it doesn't cover them against windstorm damage. Because wind causes so much damage to gardens and landscaping, including coverage for windstorm damage would make the insurance unaffordable for most people.

**Credit Card Coverage.** Personal property coverage extends to credit cards as well. Most policies will pay up to \$500 to cover unauthorized use of your credit cards.

## Common Exclusions

*One major exclusion in most policies relates to water damage.* Water damage caused by flood, surface water, overflow of a body of water, or spray from any of these whether or not driven by wind is usually excluded. Water damage due to sewers or drains that have backed up is also excluded.

Most homeowner's policies do not provide coverage for loss of animals, birds, fish, or damage to automobiles. Damage resulting from war, nuclear hazard, neglect, earth movement, or power failure is not covered. If you own a boat, you should ask your agent about whether it is covered under your policy. Some policies cover small motorboats and sailboats, but not larger ones.

What is covered by your insurance policy as well as what is excluded from your policy varies from insurer to insurer. **Ask questions before you purchase a policy.** Here is a sample of commonly asked questions:

In case of serious damage:

- What kinds of proof of loss will I need?
- How do the deductibles work?
- What happens when a tree falls on my roof?
- How does the insurer figure depreciation?
- Is ice damage covered?
- What about debris removal? - from my buildings?  
- from my neighbors' buildings?
- Does my homeowner's policy provide coverage for my personal computer?
- Am I covered for food spoilage during a power failure?
- How does the additional living expenses benefit work?

## Insurance Policy Forms

An insurance policy form is another name for an insurance policy, and it specifies what perils your home and belongings are insured against. The following are descriptions of the various insurance forms available for homeowners, renters, and condominium owners. Not all insurers use these exact terms to describe their home insurance forms.

### Types of Policies

There are several types of homeowner's policies available in Wisconsin. They vary according to the coverage in the policy and the type of dwelling being insured.

The **broad** form (usually called **HO-2**) covers fire or lightning, windstorm or hail, theft, explosion, smoke, damage from vehicles and aircraft, glass breakage, removal of property endangered by peril, vandalism and malicious mischief, and riot or 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; and rupture or bursting of steam or hot water heating systems.

The **special** form (**HO-3**) insures your dwelling and detached structures against loss or damage from any peril except for the ones specifically listed in the policy

as being excluded. An HO-3 also provides coverage for damage to personal property caused by any of the perils covered by the HO-2. For an additional premium, a special personal property coverage endorsement (HO-15) can be added to extend the HO-3 to provide "comprehensive" coverage on unscheduled personal property.

The **comprehensive** form (**HO-5**) is not often sold today, but you could 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 the HO-5.

The **modified coverage** form (**HO-8**) is designed to provide package coverage to the owner-occupants of homes that do not meet all the requirements applicable to other homeowner policies. An HO-8 provides building and personal property coverage slightly more restrictive than that of other homeowner policies for owner-occupants that include a replacement cost clause. The HO-8 is particularly well suited for residences that have suffered extensive depreciation.

Your home may not qualify for one of the homeowner's package policies; therefore, a company may offer you limited coverage on your house. This coverage may be Fire and Extended Coverage. Your home and only your home would be covered for damage due to very specific perils or losses.

### **Dwelling Policy**

A dwelling policy provides more limited property coverage than a homeowner's policy. The dwelling policy only provides property coverage (protection for individuals and families against loss to a dwelling or personal belongings). It does not provide liability coverage. The homeowner's policy covers more. It offers a combination of property and liability coverages.

Dwelling policies may be used to insure homes that don't qualify for homeowner's insurance. For example, they are commonly used to insure seasonal homes which 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 complexes. (Although some mobile homes may qualify for the broader coverage of a homeowner's policy.)

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

### **Renter's Insurance**

If you rent an apartment or a house, you are responsible for insuring your personal possessions and for personal liability coverage. Personal liability coverage protects renters the same as it would if you were a homeowner. The owner of the property is responsible for insuring the building and for obtaining his or her own liability coverage.

**Tenants Form (HO-4)** or renter's policy insures your household contents and personal belongings against the perils included in the homeowner's HO-2 policy. Like homeowner's insurance, it provides coverage for additional living expenses, medical payments, and includes personal liability protection.

### **Condominium Insurance**

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

To protect your contents and interior walls, you may purchase a Unit-Owners Form. An individual unit-owner policy is similar to the homeowner's and renter's insurance policy.

**Condominium Unit Owners Form (HO-6)** provides coverage for a unit owner who wishes to insure his or her property or to cover any items not insured by the association's policy. An HO-6 policy will also pay for property damage to personal belongings, wall, floor, and ceiling coverings and any accessories not originally installed in the unit. It also provides personal liability protection.

Check with your agent to see if loss assessment coverage is included in the policy. Loss assessment coverage provides an additional coverage of \$1,000 when the condominium association levies an assessment to cover expenses for direct losses to the common property. Additional coverage may be available for an increased premium.

### **Other Types of Policies**

#### **Mobile Homeowner's Policy**

The mobile homeowner's 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 homeowner's 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, and 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.

A mobile homeowner's policy also provides personal property coverage, personal liability coverage and medical payments coverage.

A mobile homeowner's policy provides the following optional coverages:

- **Consent to move endorsement** waives the prohibition against moving the mobile home and extends coverage for 30 days.
- **Transportation coverage** provides collision coverage for your mobile home and its contents against damage by collision or upset while being transported from one location to another.
- **Lienholder's single interest coverage** provides coverage to protect a lienholder's interest in a mobile home and its equipment against loss due to collision damage or embezzlement, conversion, or secretion while the mobile home is in lawful possession of the insured. The premium charged for such coverage must be paid for by the lienholder and not by the tenant or the person owning the mobile home.

### **Mobile Home Tie-Down Requirements**

An insurer may require that your mobile home be secured to the ground by approved tie-downs and ground anchors, unless the mobile home is secured to the ground on a permanent foundation. It is up to the home owner to provide for such tie-downs or there is a possibility that insurance coverage will not be provided because of the eligibility requirements imposed by the company.

Tie-down requirements vary among insurers. Contact your insurance agent or insurance company to see exactly what your insurance company's requirements are with respect to tie-downs.

### **Items to Remember**

Mobile home policies are written on an **actual cash value basis**, which means that the depreciation of the mobile home is taken into consideration at the time of a loss. There are a few companies currently writing replacement cost coverage on mobile homes. You need to check with your agent to see if this coverage is available.

Mobile home policies may require either a wind deductible and/or hail deductible. Some companies offer higher deductibles that will reduce your total premium charge. Be sure you understand what specific deductibles are involved with your mobile home policy.

Make sure any additions to the mobile home are added to your insurance policy. Check with your agent to be sure that adjacent sheds, tipout rooms, skirting, and built-on rooms are covered by your policy.

If your mobile home is to be moved by a common carrier, you should be sure that the carrier provides adequate protection in the event of a loss. The common carrier's protection may not be enough and you may need to buy more. Contact your insurance agent before you move your mobile home to another location.

Before you buy mobile home insurance, make sure your agent explains the coverage provided by the policy and the cost of the coverage. Not all mobile home policies are alike or standard. Different companies charge different premiums for the coverage provided by the policy. Make sure you understand all coverages and costs.

### **Home Business**

If you operate a home business full- or part-time, you might be uninsured and not realize it. Many home business owners believe that their homeowner's insurance policy covers all their home business needs. You should not assume that your homeowner's insurance policy will cover your home business. Your homeowner's policy may provide coverage but probably only to a maximum of \$2,500 for business equipment in the home and \$250 away from the premises.

Your homeowner's policy usually does not cover business-related liability, for example, if a customer or supplier is injured on your property. A homeowner's policy does not insure your inability to collect your accounts receivable if your business records are damaged, and your policy will not replace lost income if you cannot operate your business due to damage to your home.

Discuss your home business insurance needs with your agent to buy the policy that best fits your needs.

### **Farm or Ranch Policies**

A farmowner's policy resembles a homeowner's policy in many ways. The usual farmowner's policy does not provide replacement cost coverage on your dwelling no matter what policy limits you may purchase. You can buy replacement cost coverage for your farm, but you must ask for it. Crops, livestock, and farm equipment usually must be insured under separate policies. Check with your agent to make sure that your entire farm operation is adequately insured.

### **Flood Insurance**

*A homeowner's insurance policy excludes water damage as a result of flooding.* You may, however, be able to purchase flood insurance through the National Flood Insurance Program (NFIP). To qualify for the NFIP program, you must live in a designated community that complies with the federal government's guidelines for flood prevention. The best person to help you buy flood insurance is the agent or the insurer from whom you obtain your homeowner's or automobile insurance. Flood insurance may be bought through any licensed property or casualty insurance agent in Wisconsin.

Some insurers actually issue the 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 loss adjustment on behalf of the federal government. These insurers are called Write Your Own (WYO) insurers. If your agent or insurer is not in the WYO Program, you may be referred to another agent or insurer involved in the program. Your agent 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  
E-mail: [FloodSmart@dhs.gov](mailto:FloodSmart@dhs.gov)  
1-888-379-9531  
[www.floodsmart.gov](http://www.floodsmart.gov)

### **Sewer Backup**

Losses from the backing up of a sewer or sump pump are not covered under your homeowner's insurance policy,

and are probably not covered by your flood insurance policy. Sewer backup coverage is an endorsement available through most insurance companies, *but it may not be offered to you when purchasing homeowner's insurance coverage if you don't ask for it.* Ask your agent for more information on sewer backup coverage.

### **Umbrella Liability Insurance**

Umbrella policies supplement the liability coverage you already have through your home and auto insurance and provide an extra layer of protection. Umbrella policies kick in after the liability insurance limits in your homeowner's and auto policy are exhausted.

For example, if you are responsible for someone's injury that required \$150,000 of medical treatment and the liability limit of your homeowner's policy is \$100,000, your umbrella policy will pay the additional \$50,000. Also there are some situations, such as libel and slander, that a standard policy does not cover. An umbrella liability policy enables people to protect themselves against catastrophic lawsuits in such situations.

Umbrella policies are sold with a variety of limits, commonly \$1 million or \$5 million. Many companies won't sell you an umbrella policy unless your primary insurance coverage is with them. In addition, your insurer may stipulate that your auto or homeowner's liability limits be at least a certain amount, such as \$200,000 to \$300,000. Umbrella policies are usually sold with a deductible that can range from \$250 to \$1,000.

Umbrella liability policy coverage usually protects policyholders wherever they travel. Many such policies will cover legal defense costs even if the charges are proved baseless. Umbrella liability coverage is often in high demand among individuals who have substantial assets and who may be especially vulnerable to lawsuits and costly judgments.

## **Buying the Correct Amount of Coverage**

### **Typical Coverages**

In a homeowner's policy, the amounts of personal property and other coverage automatically provided is a fixed percentage of the amount of the coverage on the home.

For example, under a Homeowner's Form 2, this is how it would work:

Type of Property	Insured For	Percent of Dwelling Insurance
If Dwelling is Insured for	\$60,000	
Detached Garages, Storage Sheds, etc.	6,000	10%
Unscheduled Personal Property on Premises (Possessions)	30,000	50%
Unscheduled Personal Property off Premises	3,000	10%
		of personal property
Additional Living Expenses	12,000	20%
Personal Liability	100,000	per occurrence
Medical Payments	1,000	

### Choosing Your Policy Limits

In deciding how much coverage to have on your house, or the contents, you should consider:

- The kind of coverage you want and are willing to pay for.
- The value of your home and/or contents. This amount could vary depending on the type of coverage you want.
- 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 the policy. The loss chart on page 12 shows the perils covered by each homeowner policy.*

It is important to have a list of your possessions, with values and serial numbers. It will help you decide how much coverage you need and you can use it when you have to make a claim.

### Buying Enough Coverage

Before buying homeowner's insurance, you need to understand the difference between "replacement cost" and "actual cash value." Most homeowner policies contain replacement cost coverage on the home and actual cash value coverage on personal property.

**Replacement cost** is the amount it would take to replace or rebuild your home or repair damages with materials of similar kind and quality, without deducting for depreciation. Depreciation is the decrease in home or property value since the time it was built or purchased because of age or wear and tear. In order to qualify for replacement cost coverage, the dwelling is required to be insured to at least 80% of the replacement cost.

The amount of replacement cost coverage available is limited to the amount of insurance you choose to buy. The coverage amount is stated on the declarations page of your policy. If you purchase an amount less than 80% of replacement cost of your home, your insurance company will not be obligated to pay the total cost of loss to your home even if there is a small loss. The "loss settlement" section of your policy explains how the settlement is calculated.

*Do not 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.*

**Actual cash value** is the value of your property when it is damaged or destroyed. This is usually figured out by taking the replacement cost and subtracting depreciation. Contents coverage (for such items as furniture, television sets, and appliances) is usually on an actual cash value basis. For example a chair that costs \$500 to replace may have a reasonable "life" of 20 years. If it is destroyed after 10 years, its actual cash value will be much less than \$500, probably about \$250.

Most policies pay for losses to your contents on an actual cash value basis, but a better option is the replacement cost coverage. Although the cost is higher, in most cases, the extra protection may be worth it. Replacement cost coverage is available for an additional premium. You should discuss with your insurer or insurance agent which coverage is right for you.

**Guaranteed replacement cost coverage (also called extended replacement cost).** Guaranteed replacement cost coverage is a more complete coverage for your home. It will 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 limits that are stated on the declarations page of your policy. To obtain this type of coverage, you typically must meet specific underwriting rules and conditions of the company. This may include selecting a dwelling limit equal to 100% replacement cost and increasing the amount of your insurance on a monthly, quarterly, or yearly basis to keep up with the inflation rate. Many companies will not offer this additional protection on

older homes. Check with your insurance agent to determine if an additional premium is required and if there are exclusions or conditions that apply.

Most homeowner's policies include an **inflation-guard**. This automatically increases the value of your policy as the value of your home increases. **Even if you have this, you should check periodically to see that your home is insured to its full value.**

Whether your home is insured for replacement value or actual cash value, it is important to keep track of its value. For instance, the addition of a room, new insulation, and yearly inflation all increase the replacement cost of your home, while the actual cash value of the home may decrease over time.

**Check with your agent or insurance company at least once a year to make sure your policy provides adequate coverage.**

#### Optional Coverages you May Wish to Consider

**Secondary Residence Premises Endorsement.** Homeowner's coverage under this endorsement applies to a secondary residence (example: summer home). Remember that these secondary residences are not automatically covered by the home insurance policy on your primary or principal residence.

**Watercraft Endorsement.** Applicable to small sailboats and outboard motor boats, this endorsement broadens personal liability and medical payments coverage on them.

**Theft Coverage Protection Endorsement.** As a result of this endorsement, your theft protection is broadened. The contents of your motor vehicle, trailer, or watercraft are covered without proof of forcible entry. This endorsement applies only to forms HO-2, HO-3, and HO-4.

**Credit Card Forgery and Depositors Forgery Coverage Endorsement.** Loss, theft, or unauthorized use of credit cards (with certain exceptions) is 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.

#### Deductibles

Deductibles reduce costs because you pay the first \$250, \$500 or \$1,000 of every loss. The deductible applies to only coverage on your house and personal property. Since you are actually "self-insuring" for the

deductible amount, you should ask if the savings is worth it.

There are many kinds of deductibles. Some insurers have "flat" \$50 or \$100 deductibles applying to all covered losses. Others apply the deductible only to certain losses. Some provide a "disappearing" deductible. The deductible decreases as the amount of the loss increases. When your loss exceeds a certain amount, the deductible "disappears" and the insurer pays the full amount.

The higher the deductible, the lower the premium on your policy will be. For example, homeowner's policies that provide for \$100,000 to \$250,000 coverage, the standard deductible is \$250. If you take a deductible of \$500, the premium may be about 5% to 10% lower.

#### Reducing the Cost of Your Homeowner's Coverage

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 homeowner's, auto, and liability coverage may take 5% to 15% 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 that insurer would give you a discount on homeowner's coverage.

**Credits for protection devices.** You can usually get discounts of 2% to 5% for a smoke detector or a burglar alarm. Some insurers offer to cut your premium by as much as 15% to 20% if you install a sophisticated sprinkler system and a burglar alarm that rings bells at the police station. But these systems are costly and not every system on the market may qualify for the discount. *Before taking any action, find out what devices would cost versus how much premium you would save.*

**Nonsmoker discounts.** A few 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 considerations. Several insurers will

reduce their premiums by 5% if you stay with them for 3 to 5 years and by 10% if you remain a policyholder for 6 or more years.

A good agent will be able to inquire about your particular circumstances to acquaint you with all applicable discount packages offered by the insurer he or she represents.

## Inventory List

It is very helpful to prepare some type of reasonable inventory of your possessions 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, since adjusters generally don't question claims for the common possessions which most people would be expected to own. Do make special note of property that is unusual, or unusually valuable. Don't forget the garage, basement, attic, and outdoor storage areas. Taking pictures of your belongings is even easier. A video camera does an especially quick and thorough job of documentation.

Preparing an inventory accomplishes two important things. First, it will make the process of filing a claim more orderly and less stressful should you have a loss someday. Second, it can help you determine whether some of your more valuable possessions require more coverage than your present policy limits provide. OCI publishes a recommended Personal Property Home Inventory, which can be downloaded or printed from [oci.wi.gov/pub\\_list/pi-224.pdf](http://oci.wi.gov/pub_list/pi-224.pdf).

A written list, which is very helpful, may not be acceptable proof to an insurance company that an item existed or that you owned it.

Receipts for purchases are the best documentation. You should keep all receipts and photos with your inventory list. Arrange to store your documentation at a site other than your home—for instance, a safety deposit box or the home of a responsible friend. That way, you won't have to worry that a fire or other calamity will destroy your records just when you need them most.

## If You Have a Loss

**Call the police.** Report theft losses to your local law enforcement agency immediately. If you have lost your checkbook or credit cards, notify the bank or credit card companies.

**Call your agent.** Phone your agent promptly. Have your policy number ready and any information that might be relevant.

**Ask your agent.** Find out what documents, forms and data you'll need. If you have any questions, your agent will be able to assist you in filling out the forms.

**Make necessary repairs.** If your property has been damaged, it is important to make any necessary temporary repairs to protect from further loss or damage. For example, if windows are broken, have them boarded up to protect against vandalism or weather damage. A claimant has a legal obligation to mitigate their damages to a reasonable degree.

**Save receipts.** Expenses for making necessary temporary repairs are covered under your policy so be sure to save any receipts or bills. Permanent repairs must wait until the insurance adjuster has had a chance to review the damage.

**Determine the damage to your property.** Begin by making a written list of what was damaged. Make a separate list of personal property items damaged beyond repair. If you have maintained a household inventory, this process will be much easier. Contractors, catalogs, and local retailers also are good sources for current cost information.

**Submit a copy of your list to your insurer.** The list should include information used to support the actual cash value or, if your policy covers the replacement cost of personal property, the replacement cost of the damaged items. The necessary information includes purchase dates, purchase price, and cost to replace with a similar item.

Make your report of the damage and your list as complete as possible. Use any purchase receipts, photos, or other information that is still available to help prove the value of your claim.

If you cannot live in your damaged home, keep all receipts for additional living expenses, list them, and submit a copy to your insurer. Your insurer will make an offer to repay you for the additional expenses covered by your policy.

**It is important to keep the lines of communication open between you and the insurance company representatives.** If you feel the amount of money offered by the insurer is not fair, there are several alternative courses of action that you may consider:



## Some Tips on Loss Prevention

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

- Install smoke and heat detectors near sleeping areas.
- Keep your house or apartment clear of accumulated trash, oily rags, and combustible materials.
- Check lamps, lamp cords, and light switches to make 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 that smokers do not smoke in bed.
- Install adequate locks on your home and take other precautions such as not letting newspapers accumulate in your absence.
- Many insurers, fire departments, and civic associations provide window decals to identify rooms occupied by the elderly and children so that these may be evacuated first in the event of an emergency.

## Underwriting Guidelines

Applications for property insurance often ask for personal information, such as the type of job you have, where you work, your leisure activities and whether or not you have had recent claims.

**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 items used for your business or more liability insurance.

**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 objects 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 whether or not 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, can still pose a problem. In this case, the insurer may ask that you carry a higher deductible, the portion of a claim that you would pay out of your own pocket.

**Credit information.** Consumer credit reports may be requested by an insurer when writing new or renewal policies for both commercial and personal risks. Some insurance companies use credit information as an indicator of the frequency and severity of future claims.

Insurance companies that use credit information must do so in a way that is not unfairly discriminatory. *If an insurer rejects your insurance application based on information contained in your credit report, you have the right to review the report information for accuracy, 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.

Insurers may use credit information as one of the criteria they consider when underwriting personal lines insurance. However, it is the position of OCI that insurers should not use credit information as the *sole reason* to refuse an application, cancel a new insurance policy in its first 60 days of coverage, or nonrenew an existing policy.

For more information on the Fair Credit Reporting Act see the Consumer Financial Protection Bureau (CFPB) Web site at [www.consumerfinance.gov/blog/category/fair-credit-reporting-act/](http://www.consumerfinance.gov/blog/category/fair-credit-reporting-act/).

OCI publishes a fact sheet that answers questions about how insurance companies use credit history in their underwriting process. The fact sheet, *Understanding How Insurance Companies Use Credit Information*, is available on OCI's Web site at [oci.wi.gov/pub\\_list/pi-204.htm](http://oci.wi.gov/pub_list/pi-204.htm) or call 1-800-236-8517.

## Lender Requirements

Your lender will require you to cover the house for at least the amount of the mortgage. This may be either too little or too much coverage for your individual circumstances. Generally, the lender will require you to have a homeowner's policy in force at the time of closing. The lender will usually request a copy of the policy and the cover page showing coverage amounts.

Your lender will also require you to name the lending institution as a loss payee (i.e., protects the lending institution in case of loss). You are not required to purchase insurance from the insurer recommended by your lender. However, if you fail to keep your coverage in force, the lending institution will purchase coverage that protects its interest and you will most likely have to pay for this coverage. This type of coverage, known as lender-placed insurance, is much more expensive than an insurance policy that you can purchase.

## Price Quotations

When shopping for homeowner's insurance, premium quotations are a useful tool for comparison of 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 company will usually request the following information: (This information is available on the real estate listing for the house.)

- description of your house;
  - complete address
  - what is your house made of (all wood, all brick, 2/3rds brick, stucco)
  - is your house one story, two stories, split level, other
  - how many rooms
- how old is your house?
- distance from the nearest fire department and fire hydrant;
- square footage;
- security devices;
- the coverages; and
- limits and deductible you want.

## Insurance Marketing

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

Insurance is sold directly through a company or indirectly through an agent or broker. An **independent agent** may represent more than one, and sometimes several insurance companies. An **exclusive agent (or captive agent)** sells solely for one company or group of related companies if the company or group writes that type of insurance. Independent agents, as well as exclusive agents, may place business with another company if the company(s) he or she represents does not write

the type of insurance needed. A **broker** represents you in your dealings with an insurance company.

When you first talk to an agent, be sure that he or she is willing and able to explain various policies and other insurance-related matters. An agent should look for ways to get you the most protection at an affordable cost. Make certain that your agent agrees to review your coverage from time to time, advises you about other financial services, and assists you when problems develop.

Many people 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 understands your needs and will give you the service you want, seek another agent.*

Agents and companies differ. Friends may have some recommendations. You may also want to try the yellow pages or the internet to find a suitable agent or insurance company.

Before signing an application for any insurance coverage, check the OCI Web site to verify that the company and the agent you are dealing with are licensed in the state. It is illegal for unlicensed insurers to sell insurance. Business cards are not proof of a licensed insurance agent or company. If you do business with an unlicensed agent or company, you have no guarantee that the coverage you pay for will ever be honored. If you purchase insurance from companies not legally doing business in the state, you will not be protected by the Wisconsin Insurance Security Fund should the company fail.

If you are contacted by an unlicensed agent or company, call OCI immediately so that regulatory action can be taken. By doing so, you may protect someone less knowledgeable than you from being victimized.

All states require insurance agents and companies to be licensed to sell insurance.

All companies and agents doing business in Wisconsin are licensed by OCI. Licensing information about agents and companies can be found on OCI's home page under "How Do I?" "Search for ..." or call 1-800-236-8517.

You should be aware that a homeowner's 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 homeowner's insurance, you will receive a policy.

You should read that policy and make certain you understand its contents. If you have questions about an insurance policy, contact your insurance agent or company for clarification. Keep your policy in a safe place and know the name of your insurer. If you still have questions, call OCI.

## Terminations, Denials, and Cancellations

### New Policies

When your policy first becomes effective, the insurer may cancel your policy any time within the first 59 days without providing you with a reason for the cancellation. 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 to the insured. An insurer may not alter the terms of coverage until 60 days after a notice is mailed to you. To be effective, the notice must be mailed or delivered prior to the renewal date. If the notice is given less than 60 days before the renewal date, the new terms or premium increase will not become effective until 60 days have elapsed from the date the notice is given. By state law, these conditions do not apply if the only change is a rate increase of less than 25%.

### Midterm Cancellation

A midterm cancellation is a cancellation that occurs during the policy term and prior to the policy's expiration or renewal date. An insurance company may cancel coverage during this period only if the premium is not paid or if the policy states other reasons for canceling. The insurer must either mail or deliver to you a written cancellation notice. By state law, no cancellation is effective until at least 10 days after the mailing or delivery of the notice.

### Nonrenewals

Nonrenewal of a policy refers to the termination of a policy at the expiration date. If an insurer decides it does not want to renew your policy, it must mail or deliver to you a nonrenewal notice at least 60 days before the policy's expiration date. The nonrenewal notice must provide the reason for the nonrenewal. For a homeowner policy, the insurer must also provide information in the notice on how to apply to the Wisconsin Insurance Plan

for coverage. In most cases, these plans offer property insurance to people who are unable to obtain it in the voluntary market.

If an insurer fails to provide notice prior to the expiration date, it must continue your coverage under the terms and premium of your prior policy for the term of the policy or one year, whichever is less.

If you are nonrenewed solely because of the termination of your agent's contract with your insurer, the insurer must continue your coverage if you request the insurer to do so in writing prior to the expiration date and you meet the insurer's eligibility requirements.

**Note: There is no grace period required for property insurance.**

### Anniversary Cancellations

This refers to a policy written for an indefinite term or for more than one year. These policies may be canceled on any anniversary date if the policies contain cancellation provisions. If your insurer decides to cancel your policy on an anniversary date, it must mail or deliver to you a written notice at least 60 days prior to the anniversary date.

If you have any questions regarding any renewal, cancellation or nonrenewal issues involving your insurance company, you may want to contact OCI for clarification.

### General Anti-Discrimination Laws

There are statutes and rules that protect consumers from unfair discrimination in insurance policies.

- Insurers may not refuse to insure you or refuse to renew your policy on the basis of sex.
- For auto or homeowner's policies, insurers may not refuse coverage to a class of risks solely on the basis of past criminal record, physical disability, past mental disability, age, marital status, sexual preference, "moral" character, or the location or age of the risk. Insurers may not use these classifications to charge different rates without credible supporting information. No insurer may cancel or refuse to issue or renew an automobile insurance policy wholly or partially because of one or more of the following characteristics of any person: age, sex, residence, race, color, creed, religion, national origin, ancestry, marital status, or occupation.

Some of these classifications may be used by an insurance company if its experience supports differences in losses from these classifications.

## For Your Protection

Information is available to consumers from a number of sources. These sources include public libraries, state insurance departments, consumer groups, and consumer publications. Financial strength and being able to meet financial obligations to policyholders is very important.

### Financial Strength

Independent organizations such as A.M. Best, Standard & Poors, Moody's Investors Service, and others publish financial ratings. These rating organizations do not rate the quality of the company's policies, practices, agents, or service. You should consider checking with at least two organizations to evaluate a company's strength. The ratings for insurers can be found in most public libraries, by asking your agent, or links to rating organizations can be found on OCI's Web site at [oci.wi.gov/rateserv.htm](http://oci.wi.gov/rateserv.htm). OCI does not offer independent evaluations of companies, but will provide the A.M. Best ratings, the date a company was licensed in Wisconsin and the premium volume of a company in Wisconsin and nationwide.

**NOTE:** These agencies rate companies according to their present financial ability to pay claims, not by quality of products offered or by past or future ability to pay claims. *You should check with your insurance agent to discuss which products best fit your needs.*

### Guaranty Fund

Every state has a safety net to protect insurance consumers from financial loss in the rare instance that a company becomes insolvent. This safety net is called a "guaranty fund." The guaranty funds are established by state law and are composed of licensed companies in the state. They pay the claims of policyholders and other claimants of an insolvent company. The money to pay the claims against the insurance company comes from assessments made against all of the insurance companies that are members of the guaranty fund.

In Wisconsin, this fund is called the Insurance Security Fund (Fund). The Fund is created by state law and is funded by assessments of insurers licensed to do business in Wisconsin. In general, the Fund protects

residents for most claims of licensed insurers in liquidation. The Fund should not be relied upon to eliminate all risks of loss to insureds due to insurer insolvency. Some types of policies may not be fully covered and significant delays could occur in settling obligations in cases of liquidation.

Questions about the coverage and limitations of the Insurance Security Fund can be addressed to:

Wisconsin Insurance Security Fund  
E-mail: [Wisconsin@wisf-madison.org](mailto:Wisconsin@wisf-madison.org)  
2820 Walton Commons West, Suite 135  
Madison, WI 53718-6797  
(608) 242-9473  
[www.wilifega.org](http://www.wilifega.org)

## Cost of Insurance

Be a wise consumer and shop around for the best price. Make sure you are comparing similar policies between companies, with the same deductibles and levels of coverage.

Comparison shopping for homeowner's insurance is worth it. Insurance companies vary substantially both in the price of their policies and the level of service to consumers. The cost of homeowner's insurance depends on the type of building, the location, and the amount of insurance. A brick building, for example, is more fire-resistant than a frame building and therefore sometimes costs less to insure.

Many insurers also charge less to insure a newer home than an older one because newer homes are less likely to sustain damage in storms and fires. Some areas have greater crime and vandalism problems than others, which affects the cost of insuring against such losses.

The building's location affects the cost of coverage because some communities have better fire protection than others. The majority of insurance companies divide the state into rating territories. Each city and locality in Wisconsin is given a fire protection classification ranging from 1 to 10, depending on the amount of fire protection in the area. These rating classes depend on such factors as water pressure, access to a fire department, and the training and skills of firefighters. Most of the larger cities in Wisconsin are in classes 1-4, the lowest rating classes. Small towns and rural areas have higher fire protection classes and generally higher prices.

Any agent who sells property insurance would be able to tell you the community's fire protection class.

While the price you pay is important, buying the least expensive policy is not necessarily a good idea. Insurance that sounds too good to be true probably is too good to be true. Then again, looking only at benefits could result in paying a higher than necessary premium. You should consider all of the following when choosing a company and a policy:

- Premium
- Benefits, including any coverage exclusions or limits
- Service (what's involved in making a claim?)
- Renewability (how easily can you be canceled?)
- Financial strength and reliability of the company
- Company management philosophy

## Wisconsin Insurance Plan

If you try several insurance companies and cannot find coverage, you most likely can be insured through the Wisconsin Insurance Plan (WIP). WIP operates like a small insurance company. WIP underwrites applications, surveys properties, and adjusts claims. Independent service providers are used for claim handling and surveys outside of the Milwaukee area. WIP maintains its own accounting system and issues its own return premium, commission, and claim checks.

WIP is administered by a Governing Committee subject to the supervision of the Commissioner of Insurance. The Governing Committee consists of 8 insurer representatives, 2 insurance agents, and 5 public members.

Any property owner in the state of Wisconsin may apply for insurance under WIP if he or she has had difficulty obtaining property insurance through conventional sources. WIP provides basic property insurance for homes, rental dwellings, and certain types of business properties. It does not insure farms, commercial properties classified as manufacturing, or motor vehicles.

### How to apply to WIP

Licensed property insurance agent must help you in applying to WIP or you can apply without using an insurance agent. *Because buying insurance is complicated, WIP recommends you use an insurance agent. WIP does not have sales agents.*

If your property is rejected by a licensed insurance company, you are notified of the existence of WIP. WIP does have both eligibility and acceptability standards. WIP is not required to insure all properties.

To apply, you and your agent must submit:

- A properly completed application.
- A deposit premium.
- Documentation your property has been rejected for coverage by one other insurance company.

The application is reviewed to decide if all the necessary information is included. If not, WIP will write to you or your agent.

You may apply for a binder (temporary insurance coverage). WIP will decide if a binder will be issued. Sometimes a binder will not be issued. If a binder is issued, WIP will decide the type and amount of coverage provided.

Next, a WIP representative visits your property, makes notes on its condition, and takes pictures. Finally, a decision is made on whether or not to offer you a policy. If a policy is offered, you will receive a premium notice. If the decision is made not to offer you a policy, you will receive a cancellation notice listing changes or repairs you must make to be insured by WIP. Usually WIP provides coverage for a brief time while you make the changes or repairs. Sometimes you may be offered coverage under a different insurance program that WIP has available, such as its dwelling coverage program.

Premium notices are mailed to you, your insurance agent, and any mortgage holder or additional insureds listed in the policy. It is your responsibility to make sure that WIP receives the proper payment before the due date.

### Homeowner Program

The homeowner policy provides property coverage for damage caused by (subject to the provisions of the policy) fire and lightning, extended coverage perils, vandalism or malicious mischief and theft on-premises (\$1,000 basic limit).

Personal property losses are settled on an actual cash value basis (subject to the provisions of the policy). Partial dwelling losses are settled on the cost of repairs using common construction methods (subject to the provisions of the policy). WIP does not offer replacement cost settlements for personal property or dwelling coverages.

The only liability coverage offered by WIP is in the Homeowner Program. There is no liability coverage in either the Dwelling or Commercial Programs.

### Condition Charges

Condition charges are additional premiums added to the basic policy premium due to conditions needing minor repair that are present at the property. For example, the property may need paint or have a few shingles missing from the roof. These are conditions that WIP finds concerning but nevertheless decides to insure the property.

Condition charges are usually not added onto the first year premium. During the initial policy period, WIP sends a notice and the property survey to you advising of the conditions needing repair. You are advised the premium charged will increase on the next (renewal) policy period if the conditions are not repaired. You must complete the repairs and notify WIP in writing 90 days prior to the renewal date. The amount of the condition charge is specifically listed on the first renewal premium notice.

If you repair the conditions after the policy renews, the customer will receive either a return premium or a reduction in future installment payments due. You must notify WIP immediately after the repairs have been made.

Not all WIP customers have condition charges added to their premium.

### Vacant Property

WIP can insure vacant property while it is undergoing active renovation. The policy should meet the requirements of your lender and allow you to get a repair loan.

Be sure to request an amount of insurance that includes both the purchase price of the property plus the cost of the repairs. After the repairs are completed, shop for coverage from another insurance company.

You should consider a WIP policy as temporary coverage. Always continue to shop for other insurance coverage. Different insurance companies have different rules for insuring properties. If you shop, you may be able to find better coverage or similar coverage at a lower premium. You can keep your coverage with WIP while you shop.

After WIP has insured you for four years, WIP will not renew your policy. You and your agent must shop for coverage from another insurance company. If you can't find coverage, you may reapply to WIP.

### How To Appeal WIP's Decisions

If WIP declines to insure your property, reduces coverage on your policy, cancels or nonrenews your policy, you have the right to request a hearing before an administrative law judge. Your request for a hearing must be made within 30 days of the date of the notice you received from WIP to OCI, P.O. Box 7873, Madison, Wisconsin 53707-7873, 1-800-236-8517. Please include your name, address, location of the property involved, the policy number, and your reasons for the request.

In most cases a WIP policy is a temporary solution for property insurance problems. WIP is property insurance of the last resort. Consider WIP only if you cannot obtain insurance from any other insurance company. For more information contact:

Wisconsin Insurance Plan  
E-mail: [planmanager@wisinsplan.com](mailto:planmanager@wisinsplan.com)  
600 West Virginia Street, Suite 101  
Milwaukee, WI 53204  
(414) 291-5353  
[www.wisinsplan.com](http://www.wisinsplan.com)

**IMPORTANT: WIP is property insurance of the last resort. Consider WIP only if you cannot obtain insurance from any other insurance company.**

### Problems with Insurance

If you are having a problem with your insurance or a particular insurance company, it is always best to contact the insurance company first and attempt to settle the matter. Most insurance companies have consumer service offices set up to handle such questions.

If you are still dissatisfied, you can file a complaint on the OCI Web site, call OCI's Insurance Complaint Hotline at 1-800-236-8517 or write to OCI at P.O. Box 7873, Madison, Wisconsin, 53707-7873.

Make sure you have included detailed information about your insurance problem. The more complete and accurate this information is, the more likely it is that your problem can be resolved. *Be sure that you have included the correct name of the insurance company from which you bought the policy. Many companies*

have very similar names. Listing the wrong name may delay the investigation of your complaint.

OCI investigates complaints to determine if any insurance laws have been violated. If so, the office may take action against the agent or company involved. These actions can include imposing forfeitures or suspending or revoking licenses.

For more information, see *Insurance Complaints and Administrative Actions* on OCI's Web site at [oci.wi.gov/pub\\_list/pi-030.htm](http://oci.wi.gov/pub_list/pi-030.htm).

The following industry associations also may be of help if you are dissatisfied with the service you receive from your insurance company or agent:

Independent Insurance Agents of Wisconsin  
[www.iiaw.com/general/?type=CONTACT](http://www.iiaw.com/general/?type=CONTACT)  
725 John Nolen Drive  
Madison, WI 53713  
(608) 256-4429

Professional Insurance Agents of Wisconsin  
6401 Odana Road  
Madison, WI 53719  
(608) 274-8188  
Toll Free: (800) 261-7429  
[www.piaaw.org](http://www.piaaw.org)

Community Insurance Information Center  
600 West Virginia Street, Suite 101  
Milwaukee, WI 53204  
(414) 291-5360  
[insuranceinfo-ciic.org](http://insuranceinfo-ciic.org)