



State of Illinois
Illinois Department of Insurance

Property Insurance Consumer Guide



DEPARTMENT INTRODUCTION

The Illinois Department of Insurance (DOI) is the state agency that regulates the insurance industry in Illinois. We work directly with consumers to address many insurance-related issues. This publication mainly focuses on issues related to property ownership.

The Department encourages you to visit our website: www.insurance.illinois.gov for general information on all types of insurance and regulatory functions performed by the Department.

Although we cannot act as your legal counsel or representative or make decisions on your behalf, we can explain the rights and responsibilities related to your auto, homeowners', renters' or business insurance policy. Additionally, the Department's consumer assistance area can investigate any issue you may have with your insurance company.

Natural disasters can occur at any time and any place. Illinois is no exception. In the last few years, Illinoisans have sustained a significant amount of damage to their homes and personal property as a result of tornadoes, floods, harsh winters and other natural disasters. While natural disasters cannot be controlled, there are steps you can take to lessen your loss and to ensure that you have appropriate insurance to cover potential damages.

This guide is designed to help you understand the different types of insurance coverage available to you. It will also help you prepare, before and after a disaster occurs, in the event you need to file a claim.

Please read through this material as it contains valuable information to help you understand your policy and how to file a claim. Please feel free to call our toll free number (866) 445-5364 to speak with a trained insurance analyst about any insurance question or issue you may have.

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DO YOU HAVE THE RIGHT INSURANCE?

Homeowners' Insurance

Talk to your insurance agent or company about the property you want to protect and the property perils for which you would like to be protected. A peril is an insurance term for a specific risk or reason for a loss; one example is wind. Some policies cover all perils except for ones specifically excluded while others may only cover the perils named in the policy. Your agent can discuss and provide you with the appropriate coverage for your specific needs. He/she will answer any important questions you have about your insurance.

Also, check your insurance coverage limits to ensure that you will have sufficient funds to repair or rebuild your home in the event of a loss, taking into account current costs of material and labor. You should also review the amount of coverage you have for personal property. Review the [Shopping for Homeowners' Insurance](#) section of this guide.

Homeowners' insurance is a combination of coverage that addresses the perils of owning a home. A Homeowners' policy has several options, but the insurance will generally include coverage for losses due to fire, severe weather damage, burglary and other perils.

Homeowners' insurance is an important purchase for two major reasons:

1. To protect you and your property in the event of a loss
2. To satisfy your mortgage lender

Homeowners' typically provides coverage for:

- **Dwelling:** Damage caused by a sudden or accidental occurrence to your house and attached structures. This includes damage to fixtures such as plumbing, electrical wiring, heating and permanently installed air-conditioning systems.
- **Other Structures:** Pays for damage to fences, tool sheds, freestanding garages, guest cottages and other structures not attached to your house.
- **Personal Property:** Reimburses you for the value of your possessions including furniture, electronics, appliances and clothing, damaged or stolen even when they are not on your property.
- **Loss of Use:** Pays for some of your additional living expenses while your home is being repaired.
- **Personal Liability:** Covers your financial loss if you are sued and found legally responsible for injuries or damages to someone else.
- **Medical Payments:** Pays medical bills for people hurt on your property or hurt by your pets

Exclusions and limitations associated with a homeowners' policy

A typical homeowners' policy usually DOES NOT cover:

- Flood
- Earthquake
- Landslide or mudslide
- Sewer backup

- Identity theft
- Wear and Tear

Your homeowners' policy MAY NOT cover claims related to:

- Dog bites
- Swimming pools or trampolines
- Operating a business from your home

Be sure to ask your agent about exclusions and limitations that may be applicable to your policy. You may be able to buy separate coverage for some or all of the limitations contained in your policy.

A homeowners' policy usually LIMITS coverage for these items:

- Mold
- Jewelry, guns, electronics, collectibles, and antiques
- The costs of meeting updated electrical, fire, plumbing, and building codes

Flood Insurance

Standard homeowners' and renters' policies do not cover flood damage. However, if you have a flood insurance coverage, your company or the National Flood Insurance Program will assign an adjuster to handle your claim.

If your home is not covered for flood damage, you should ask the representatives at the local disaster application center or the toll-free disaster tele-registration hotline if you are eligible for financial assistance.

Mine Subsidence Insurance

Mine subsidence is the sinking or collapsing of underground mines; which can cause damage to buildings and other property above them. By statute, all insurance companies writing property insurance in Illinois must provide coverage for mine subsidence. Select counties within Illinois are designated as *mandatory counties*. Insurers are required to include mine subsidence coverage in policies issued in *mandatory counties*. You may reject the coverage by signing a waiver provided by your insurer.

If you live in a non-mandatory county, you may add mine subsidence coverage to your insurance policy. You should check with your insurance agent or company for more specific information about mine subsidence insurance.

Earthquake Insurance

Standard homeowners' policies do not cover damage due to earthquakes unless you paid an additional premium for an earthquake policy or endorsement. If you do not have earthquake insurance, any damage that can be directly attributed to the quake would not be covered.

If you purchased an earthquake coverage endorsement, your company will assign a representative to evaluate your damage. If you did not purchase earthquake coverage, you should ask the representatives at the local disaster application center or the toll-free disaster tele-registration hotline if you are eligible for financial assistance.

Homeowners' insurance contracts generally have a stated deductible (e.g. \$500) for claims such as fire and theft. The deductible for earthquake coverage is generally stated as a percentage (e.g. 5%) of the amount of insurance you carry for each coverage under the policy.

If, for example, a homeowners' policy provides \$100,000 of coverage on the dwelling, \$50,000 on the contents, and \$10,000 on an unattached garage and the earthquake deductible is 5%, there would be an earthquake deductible of \$5,000 on the dwelling, \$2,500 on the contents and \$500 on the unattached garage.

Since all insurance contracts are different, you should ask your insurance agent to review your policy and earthquake deduction.

Condominium Insurance

The condo unit owner is generally responsible for insuring their personal property, betterments, and improvements to the unit. The condo association may have coverage for fixtures and equipment originally installed in the unit. To adequately insure one's unit, it is important to review the condo association's bylaws and proprietary lease to find out which structural parts of the condo units are covered by the association and which are not.

Renters' Insurance

Renters face many of the same risks as homeowners. Your landlord may have insurance, but it only protects the building structure, not your personal property. Renters' insurance can protect your personal property in case of disaster. Liability protection is also standard with most renters' policies.

Automobile Insurance

Your car is not covered under your homeowners' policy. In case of loss, if your automobile policy has the appropriate comprehensive or collision coverage your company should reimburse you for the damage to your car just like any other auto claim. Check with your insurance agent.



ARE YOU PREPARED?

Insurance Check-up

Talk to your insurance agent or company about the property you want to protect and the property hazards from which you would like to be insured. Your agent can review the coverage provided by your policy and discuss options specific to your situation. They will answer any important questions you may have.

Suggested Questions to Ask Your Agent

- What type of policy do I currently have?
- What does the policy cover?
- What does the policy not cover? Is that coverage available?
- How much coverage for my personal property do I need?
- How much liability coverage is included in my plan?
- Should I buy flood insurance or earthquake coverage?
- What are the current policy limits available under my policy?
- What are my current deductibles?
- Does my insurance provide coverage for items belonging to other people such as a roommate?
- How should I determine value for my items?
- Are my agent and the insurance company licensed by my state insurance department? For how long?
- How can I find out the claims history of the home before I buy it?
- If I submit a claim, how may it affect *my* premium when I renew the policy?
- What discounts are available?
- How will *my* credit history affect *my* premium?
- Am I in your lowest-priced company or tier? If not, why?
- How can I get a better rate?

Pre-disaster Checklist

Homeowners' or renters' insurance is your protection against a devastating loss. It is important to have some form of insurance coverage for your property and personal belongings. If you rent, your landlord may insure the building you live in, but the landlord's insurance does not cover your personal belongings.

Here are some things you can do **before** a disaster strikes to make claim handling a little easier:

- Inventory your personal property. Record and maintain model numbers, serial numbers, and receipts for large or expensive items – this will provide information such as purchase price, purchase date, name of store, etc.
- You should consider video recording or photos of the inside your home. The use of an encrypted USB or other external electronic storage device is recommended. **Note: Inventory records should be kept at a location other than your home.**
- Make photocopies of your insurance policies and keep the copies in a secure location away from your residence. Keep important papers together so they will be readily available when you need them.
- Have your insurance agent and insurance company's telephone numbers readily available.

- Be familiar with the coverage of your insurance policy. Make sure you understand the difference between actual cash value (ACV) and replacement cost coverage for your contents. ACV replaces contents at cost minus depreciation. Replacement cost replaces your contents at today's prices.
- Remember: Basic homeowners' insurance policies do not cover flood, earthquake or mine subsidence damages. Coverage for these perils can be added to your homeowners' insurance policy for an additional premium. Contact your insurance producer for more information.

Protect your privacy

Your first concerns in an emergency should be your safety and basic needs such as shelter, food, and water. While there are many resources that can assist you with those concerns you will also want to protect your privacy and personal information during and after a disaster.

With this in mind, here is a collection of tips that can help protect your privacy and personal information during a disaster:

- Create a list of account numbers and contact information for banking, credit cards, insurance policies, investments and other financial service providers. You can also include basic medical and prescription drug information. This list can also be saved on an encrypted USB drive and stored securely. Remember to keep this information up-to-date for yourself and family members.
- Be sure that original copies of important documents (such as birth certificates, wills, marriage certificates and Social Security cards) are properly secured. Some documents can be legally filed with local municipal or county clerks. For instance, wills can be filed with the Clerk of the Court. Your proof of military service, DD-214s, can/should be filed with the County Recorder. This is just another safeguard to prevent loss or destruction of personal documents.
- Each alternative comes with its own risks. You risk loss or theft if you carry these documents with you. But, if placed in a safe deposit box, you may not have access to them if you need to relocate far away or if access to the box is temporarily impeded by the disaster. You may consider keeping the originals in a safe deposit box and copies with you. If you do use a safe deposit box, you will be given two keys. You may want to keep one key in a very secure yet quickly accessible location (perhaps where you store a USB with important information). You may want to carry the second key with you, in case you need to leave quickly.
- If you decide to carry the information with you, never let these documents out of your sight (or that of a family member). You might consider a backpack or attaching a bag with the documents to the inside of your clothing with safety pins. Some travel catalogs sell pouches that are worn under the clothing.
- All unnecessary documents containing personal information should be shredded or carefully secured on an ongoing basis—before disaster strikes. Shred unnecessary documents containing sensitive information regularly, and secure important documents in a locked file cabinet. During a flood or tornado, documents could be scattered over a wide area. If looting were to occur, thieves might enter your home in search of such documents.

- Computer files are subject to the same considerations. You might choose to carry your laptop with you, or remove the hard drive from your desktop computer and take it with you.
- If you do not carry your checks, at least carry your bank's routing number and your account number with you. You may be able to authorize an important payment by providing this information to a payee. Likewise, having direct deposit set up before a disaster will make it easier for you to have salary, Social Security, pensions and other payments deposited directly into your account.
- If you live in an area that might be prone to flooding, place important documents and portable media devices (USB sticks and hard drives) in an airtight, waterproof plastic bag to help protect from water damage. This also applies to documents and devices stored in safe deposit boxes in flood-prone areas.
- You likely will need to have originals of documents such as driver's licenses and passports. You may need such documents to prove who you are in order to obtain benefits, claim your property or, if relocated permanently, to apply for a new driver's license or a new job. Keep your passport (which is not normally something that you carry with you in your wallet) in a secure but accessible place where you can grab it quickly.
- Remember that financial networks may be down after a disaster. ATMs and credit card processing may not be available so be sure to have a supply of emergency cash for essentials. Small denominations are best.
- During and after a disaster, scammers may try to obtain your personal information. Be cautious when giving out your personal information, particularly your Social Security number. It is the most valuable piece of information to identity thieves.

Planning ahead is the key to protecting your privacy, your personal information, and avoiding identity theft. Take a few moments now and be ready if disaster strikes. For more information please read the FDIC's Consumer News at: <https://www.fdic.gov/consumers/>.



WHAT TO DO AFTER A LOSS

Post Disaster Checklist

BE SAFE! - DO NOT ENTER YOUR HOME BEFORE MAKING SURE THE STRUCTURE IS SAFE TO ENTER.

A few suggestions from the Department of Insurance that may help speed up the insurance claims process and repairs include:

- Immediately contact your agent and give a detailed description of the damage to your property. Your agent will report the loss to your insurance company or to a qualified adjuster who will contact you to arrange an inspection.
- Take photographs of the damaged property only if it is safe to access the area. Photo documentation will help with the claims process and can assist the adjuster in the investigation. This should be done BEFORE you begin cleanup efforts.
- Make whatever temporary repairs you can. Cover broken windows and damaged roofs and walls to prevent further damage. Save the receipts for any supplies and materials you purchase as your insurance company will reimburse you for reasonable expenses in making temporary repairs.
- Prepare a detailed inventory of all damaged or destroyed personal property and make two copies -- one for yourself and one for the adjuster. Your list should include a description of the items, dates of purchase or approximate age, cost at time of purchase and estimated replacement cost.
- Collect canceled checks, invoices, receipts or other papers that will assist the adjuster in obtaining the value of the destroyed property.
- Secure a detailed estimate for permanent repairs to your home or business from a licensed contractor and give it to the adjuster. The estimate should contain the proposed repairs, repair costs and replacement prices. However, watch out for "storm chasers" or contractors just arriving from other states and communities wanting to "assist" you.
- Keep a record of all expenses, such as hotel and restaurant receipts, if your home is severely damaged and you need to find other accommodations while repairs are being made. Homeowners' policies will pay some of the "additional" costs of living away from home if it has been damaged by a covered disaster.

Temporary Repairs

To protect your property from further damage, you should make all necessary temporary repairs, such as boarding up windows and patching holes in walls or roofs, as soon as possible--even if you have not yet seen the company representative. Listed below are some tips on making temporary repairs to your property.

- It is your responsibility to mitigate against the possibility of further damages. This may include contacting your utility providers (i.e. water, gas, electric) to have utilities discontinued if necessary.

- Do not dispose of items you believe may be a complete loss until the company representative has examined them.
- Board up windows and holes in the walls or roof.
- Cover furnishings with heavy-duty plastic or tarps, or store elsewhere.
- Be sure to get approval from your insurance adjuster **before** you contract for repairs.
- Be cautious when signing repair contracts. Deal with local, reputable contractors. Contact the Better Business Bureau and/or the Illinois Attorney General's Office to check on a contractor's reputation.
- Discuss payment terms **before** you sign any contract.
- If there is a lot of water in your home, try to get it out and ventilate your property to allow for drying.
- Clean and dry furniture, bedding, rugs, and carpet as soon as possible.
- Try to prevent metal objects (appliances, drapery rods, etc.) from rusting by drying and rubbing or spraying with oil.
- Have electrical equipment checked by a professional before use.
- Take small valuables (jewelry, silverware, etc.) to a safe place.

Services Provided by Your Insurance Company

An adjuster from the company may come to your home and prepare a written damage estimate for the company. Be sure to get the name and telephone number of your adjuster in case you need to contact him/her or provide information to the company. You should obtain a copy of the estimate report, and do not hesitate to ask questions if you do not understand it. If you have questions or need additional assistance regarding your adjuster or company, contact the Department of Insurance.

Public Adjusters

There are three general types of claims adjusters.

- A "company adjuster" is an employee of your insurance company. They represent the interest of the insurance company and are paid by the insurance company. They will not charge you a fee.
- A "independent adjuster" is an individual hired on a contractual basis by your insurance company. They also represent the insurance company's interest in the settlement of your claim and are paid by your insurance company. They will not charge you a fee.
- A "public adjuster" does not work for any insurance company, is not a public employee, and does not work on behalf of the State of Illinois, Department of Insurance, or any other public agency. They work for you to assist in the preparation, presentation and settlement of your claim. You hire a public adjuster by signing a contract agreeing to pay a fee or commission (usually 10% or more of your claim.) Please be aware that fees charged by public adjusters are not covered by your insurance.

Choose a public adjuster carefully. Be sure you understand what services the public adjuster will provide and the fees he/she will charge. Illinois law requires that the public adjuster and the contract you enter be licensed/approved by the Department of Insurance. You do not have to hire a public adjuster. You may contact the Department to verify a public adjuster is licensed and the contract has been approved.

Additional information and details regarding public adjusters are available on the Department's web site.

The Claim Process

The claim process may begin in one of two ways: your insurance company may send a claim form, known as a "proof of loss form," for you to complete; or a claims adjuster may contact you before you are asked to fill out any forms. A claims adjuster is a person who is professionally trained to assess the damage. He/she may be a company employee or work under contract with the company.

Your policy divides your claim into separate parts – one for the house itself and one for the personal property or contents. You may also be entitled to reimbursement for additional living expenses. The check or draft payment for the contents will be made out to you. However, the check or draft for the house may be payable to you and your mortgage holder if there is a mortgage on your house.

You may receive an advance check immediately after the disaster to cover such items as additional living expenses and clothing. It is important for you to keep receipts for all items purchased with this money because when the claim is finally settled, these expenses will be deducted. For example, documented clothing and personal expenses will be deducted from the amount allowed for contents; living expenses (i.e. motel bills or temporary housing expenses) will be deducted from the amount allowed for additional living expenses.

Personal Property Damage

It is beneficial for you to have an inventory, description and replacement costs for your damaged items. You will need to list where you bought each item, how much you paid for it and how much it will cost to replace. It may also be helpful to include brand names and model numbers if you know them. The more information you can supply, the better your adjuster will be able to assist with your claim. **Do not throw out damaged furniture or other items of value.** The adjuster will want to see them.

If you do not have or cannot locate a complete inventory, try to picture the contents of every room and then list and describe all the damaged or destroyed items. Include furniture, major appliances, electronics equipment, pictures or accessories in each room, as well as hobby items such as fishing or camping equipment, tools, other maintenance items and seasonal items such as holiday decorations and outdoor furniture. Determining replacement costs may help speed up the settlement process.

Building Damage

Obviously, you should not endanger yourself or your family. If your home appears to be unsafe to live in, report this fact to the insurance company and reside elsewhere. You should make a list of all structural

damage to property that you want to bring to the adjuster's attention. If the company representative agrees the house is structurally unsafe, the company may hire a structural engineer to inspect your home. Your insurance provider may pay for the inspections.

However, if you and your contractor cannot agree with the company's determination, you may have to pay the costs of a mutually agreed upon structural engineer to inspect the house. If possible, get written bids from reliable, licensed contractors. The bids should include details of the materials to be used and prices on a line-by-line basis. This information should make the claim process faster and easier.

If the structural engineer determines that the dwelling is repairable, the insurance company is obligated only for the repairs. If the dwelling is not repairable, the company will adjust your claim in accordance with your policy limits and will reimburse you for the cost of the inspections.

If Your Company Does Not Respond to Your Claim

Insurance companies will most likely give top priority to critical facilities such as hospitals, police and fire stations, and then to homes that were entirely destroyed. Depending upon the severity of your property damage, it may be some time before the company representative contacts you. In the meantime, you should take temporary measures to protect your property from further damage and begin listing all damaged items that you plan to report.

If it is necessary to vacate your home, be sure to report the address and phone number where you can be reached.

Disasters - Who Can You Contact?

There are agencies and groups available to help ease the burdens caused by major disasters - tornadoes, floods or earthquakes. This fact sheet links consumers to organizations that offer information and assistance before, during and after a disaster.

- **American Red Cross** <http://www.redcross.org>

The American Red Cross responds to more than 67,000 different disasters - helping people in emergencies and victims of disaster. Services offered by the American Red Cross include: armed forces emergency services, biomedical services, community services, disaster services, health and safety services, international services, nursing, and youth involvement. To find your Red Cross chapter, go to Find Your Local Red Cross on their web site and enter your zip code.

- **Federal Emergency Management Agency (FEMA)** <http://www.fema.org>

FEMA, an independent agency of the federal government that reports to the President, assists consumers in preventing, preparing for, responding to and recovering from disasters. FEMA has ten regional offices, and two area offices. Illinois belongs to Region V, and the office is located at 536 South Clark St., 6th Floor, Chicago Illinois 60605. The FEMA Operations Center can be reached at (800) 621-3362.

- **Illinois Emergency Management Agency (IEMA)** <http://www.illinois.gov/iema>

With resources from state, local, and federal agencies and voluntary relief organizations, IEMA offers prompt and effective response and recovery to those dealing with disaster. The IEMA office is located at 110 East Adams, Springfield, Illinois, and can be reached at (217) 782-7860.

- **Illinois Insurance Hotline** <http://www.illinoisinsurance.org>

The Illinois Insurance Hotline (1-800-444-3338) is an information source for Illinois consumers. The Hotline is operated by the Illinois Insurance Association (IIA). The IIA is a non-profit service organization supported by the property and casualty insurance industry in Illinois. Hotline consultants are available to answer insurance questions from 9 a.m. to 4 p.m., Monday through Friday.

- **Institute for Business and Home Safety (IBHS)** <http://www.ibhs.org>

IBHS is a non-profit organization, with a membership of insurers and reinsurers. Disaster information, guides, and brochures can be found on the IBHS web site. The IBHS office is located at 1408 North Westshore Blvd., Suite 208, Tampa, Florida 33609, and can be reached at (813) 286-3400.

- **Insurance Information Institute** <http://www.iii.org>

The Insurance Information Institute reports news stories, handles requests for information, and answers questions from consumers. The Institute publishes pamphlets and books on insurance-related topics. The Insurance Information Institute is located at 110 William Street, New York, NY 10038, and can be reached at (212) 346-5500.

- **National Flood Insurance Program (NFIP)** <http://www.floodsmart.gov>

The NFIP, affiliated with FEMA, offers federally-backed flood insurance to communities with floodplain management ordinances. The NFIP Bureau and Statistical Agent Regional Office for Illinois is located at 1111 E. Warrenville Road, Suite 209, Naperville, Illinois 60563, and can be reached at (630) 577-1407.

- **University of Illinois Extension - Disaster Resources** <http://www.ag.uiuc.edu/~disaster>

Disaster Resources provides access to information on disaster preparedness and recovery, links to disaster agencies, organizations, and information networks. Extension office locations can be found on their web site or by calling the Extension's home office at (217) 333-5900.

SHOPPING FOR HOMEOWNERS INSURANCE

Note: This information was developed to provide consumers with general information and guidance about insurance coverages and laws. It is not intended to provide a formal, definitive description or interpretation of Department policy. For specific Department policy on any issue, regulated entities (insurance industry) and interested parties should contact the Department.

Who Needs Homeowners' Insurance

Homeowners' insurance protects you from financial losses resulting from theft or damage to your house, other buildings on your property and your personal belongings and from liability if you are legally responsible for causing injury to others or damage to their property. Most lenders require you to have homeowners' insurance.

Renters need insurance too. Your landlord may insure the building you live in, but the landlord's insurance does not cover your personal belongings.

Homeowners' policies can vary among companies, so it is important to shop around and to read your policy.

Helpful Tips When Shopping for Insurance

- **Find a reliable company.** The Department's web site: <http://insurance.illinois.gov/> contains a number of useful resources. You can verify the license status of a company: Company Profile. You can see various reports regarding the number of complaints the Department has received on any company: Complaint Reports. You can obtain additional information on a number of topics and various types of insurance at: Consumer Fact Sheets.
- **Find a reliable agent.** Some companies sell through local agents and some through direct marketing or group plans. If you wish to buy insurance from an agent, look in the yellow pages or ask people you know and respect for their recommendations. Look for a licensed agent (insurance producer) who is reliable and helpful in answering your questions. You can verify an agent's licensing status by contacting our Department or visiting the Producer Licensing Record on our website.
- **Shop carefully.** Insurance is expensive. You should shop around for the best product at the best price. The key to comparison-shopping is to determine what coverage you need, how much of it you need and what it will cost. Obtain more than one estimate or quote. Do not be rushed into buying a policy by high-pressure sales tactics. Do not be misled by advertising or buy a policy simply because it is endorsed on television, radio, in newspapers or other advertisements by famous people.
- **Understand what you are buying.** Ask for a detailed explanation in layman's terms. Do not accept calculations or examples you don't understand. Remember, if it sounds too good to be true, it probably is.
- **Fill out your application completely and accurately.** It is important to give correct and complete answers when applying for insurance. You should personally review the application to assure all questions are responded to. If you omit or misrepresent information, the company can void the contract.

Basic Homeowners' Insurance Coverages

- **Liability Coverage** – Pays for bodily injury to another person or property damage for which you or members of your household are legally responsible. It may also pay for a lawyer to defend you if you need one.
- **Medical Payments Coverage** – Pays for injury to another person who is accidentally injured on your property or injured by you or members of your family. It pays up to the limit of medical payments coverage you purchased. This coverage pays no matter who is at fault. It does not apply to your own injuries or your family members living with you.
- **Property Coverage** – Pays for physical damage to your home, personal property and detached buildings on your property such as garages and tool sheds. Property coverage is the most complex part of your policy and generally includes coverage for:

Covered perils – events such as fire, windstorm and theft that cause sudden and accidental damage to your property. Your personal property is covered anywhere in the world. Keep in mind though that policies often limit how much you can recover for belongings damaged or destroyed away from home or on high-priced items like jewelry, antiques, art or computers.

Additional living expenses – costs incurred above your normal living expenses when a covered loss forces you to move from your home temporarily. For example, it may pay a portion of your additional living and restaurant expenses if a fire destroys your home.

Common Homeowners' Policies

Most insurance companies offer the following policy forms, although the company may call them by other terms (such as HO-2 = Silver Policy; HO-3 = Gold Policy, and HO-5 = Platinum Policy):

- **Broad Form (HO-2)** – Covers only the perils specifically listed in the policy.
- **Special Form (HO-3)** – Offers property and liability coverage for the dwelling, other structures, and loss of use of the dwelling and other structures for all risks specifically listed in the policy (e.g., fire, lightning, windstorm and hail, falling objects, etc.). Personal property is also covered for perils listed in your policy. HO-3 covers more perils than an HO-2 policy.
- **Comprehensive Form (HO3/HO5)** – Covers your home and personal property for everything that is not specifically excluded in your policy. This type of policy provides the broadest coverage available but is not offered by all insurers and is usually more expensive.
- **Tenants Form (HO-4)** – Provides coverage for a renter's personal property, liability, and additional living expenses.
- **Condominium Form (HO-6)** – Covers a condominium owner's personal property and any additions and alterations made to the inside of the owner's unit. Condominium owners can also buy endorsements to protect property and for liability associated with their shares in the condominium association's common ownership.
- **Modified Coverage Form (HO-8)** – Provides coverage when an older home's replacement cost far exceeds its market value.

What Isn't Covered

Insurance isn't designed to pay for every loss that happens. Under certain circumstances, called "exclusions," there is no coverage. Exclusions are specifically listed in your policy. Events are usually excluded for one of four reasons.

- The event is not sudden and accidental – for example, policies do not cover damage caused by wear and tear, age, rotting or lack of maintenance such as a rotting wooden porch. Policies also exclude coverage for damage or intentional acts committed by an insured.
- The property or event is more appropriately covered by another type of policy – for example, cars, boats, motorcycles, jet skis, all-terrain vehicles (ATV's), snowmobiles or exposures due to business activities are usually excluded because they are covered by different kinds of policies.
- The event is catastrophic in nature – for example, earthquake, flood, war, or nuclear disaster. Most policies also exclude property damaged by collapse of an underground mine, sewer backup, or sump pump overflow.
- The event is a peril the company does not want to cover for the premium charged – for example, some companies now exclude liability coverage for injuries caused on trampolines or by animals.

You can "buy back" coverage for some of these exclusions using policy endorsements. An endorsement adds to or changes the terms of the contract, usually for an additional premium.

Additional Coverage You Can Buy

For an added cost, you can add optional endorsements that change the policy to meet your specific needs. Some common endorsements include:

- **Personal Property Replacement Cost** – Pays to replace your personal belongings such as furniture, appliances, clothes, jewelry, and bicycles with materials of like kind and quality, without subtracting for depreciation. You are reimbursed for your personal belongings based on the amount it would cost you to buy a new one at today's cost, not the depreciated actual cash value.
- **Extended Replacement Cost Coverage** – Pays to rebuild your home even if it costs more than the policy limit (usually restricted to a certain percentage above your policy's limit: e.g., 20%). This is the most complete coverage you can buy for your home.
- **Refrigerated Products** – Pays for goods damaged in your refrigerator or freezer.
- **Business Insurance** – Provides limited coverage for business machines, tools, and liability. If you have a business in your home, ask about this endorsement.
- **Earthquake Insurance** – Pays for damage caused by an earthquake.
- **Inflation Guard** – Automatically raises your coverage limits each year based on price increases for building materials and labor (inflation).

- **Mine Subsidence** – Pays when an underground mine shifts, causing damage to your property. Insurance companies must offer mine subsidence insurance in counties where mines are located under one percent or more of the land. Underground mines are common in central and southern Illinois, but other areas of the state may be affected as well. You must sign a rejection form to remove this coverage if you live in a county where mine subsidence insurance is required to be offered.
- **Scheduled Personal Property (also called a “floater”)** – Pays for damage to special belongings like jewelry, furs, coins, computers, antiques, artwork and silverware, and covers them for more perils. Payment for these items is usually limited under a homeowners’ policy.
- **Water Backup and Sump Pump Overflow Endorsement** – Pays for damage to your finished basement caused by water or waterborne material which backs up through a sewer, drain or overflow or is discharged from a sump pump overflow. Even if your basement is not finished, some contents may still be covered.
- **Increased Limits on Money and Securities Endorsement** – Increases the coverage on money, bank notes, securities, deeds, etc.
- **Watercraft Endorsement** – Provides liability and medical payments coverage for damage or injury caused by small sailboats and outboard motor boats.
- **Flood Insurance Coverage** – Pays for damage caused by flooding. Flood insurance is available from a variety of insurance companies as well as the National Flood Insurance Program. You must live in a community that participates in this federal program. Lenders require flood insurance if you live in certain flood hazard areas.

Determining How Much Coverage You Need

On the building:

Your home is probably your largest single investment, so it is important to insure it for the amount you would want to receive if it were damaged or destroyed completely. Listed below are three ways companies use to settle your insurance claim. The loss settlement method you choose (and pay for) will determine how much money you receive for your loss.

- **Actual cash value (ACV)** – Pays replacement cost minus depreciation. Depreciation is the decrease in your home or property’s value due to age or wear and tear. The company will pay you what your property was actually worth immediately before the loss, not what it would cost you to buy that same property new today.
- **Replacement cost** – Pays what it costs to rebuild or replace your property today with materials of like kind and quality. This settlement method pays you more than ACV because it does not deduct for depreciation.
- **Extended Replacement Cost** – Pays to replace your home even if it costs more than the policy limit. A company may limit this to a certain percentage above your policy’s limit, like 25 or 50%. There may be other restrictions. For example, a company may offer this policy only on homes less than 30 years old.

On your personal property:

Most policies insure personal belongings for half the building limit. If your home is insured for \$100,000, your personal property limit may be \$50,000. Talk to your insurance agent if you need more coverage than your policy provides.

Factors That May Affect the Premium

Hundreds of companies sell homeowners' insurance in Illinois and prices can vary greatly. Some factors companies use to set the cost include:

- **Type of construction (brick, wood, masonry, block)** – Wood homes cost more to insure because they are more likely to be damaged by fire.
- **Fire protection** – Premiums may be affected by the distance between your home and fire department, the quality of the department's firefighting equipment, level of training and response history.
- **Location** – Rates can be higher in areas where crime, fire, or natural disasters are common.
- **Type of policy and amount of coverage** – Policies with high limits that cover the most perils cost more.
- **Deductible** – Taking a high deductible lowers your premium, but you will pay more out of pocket every time there is a loss.
- **Number of living units** – Multi-family dwellings cost more to insure.
- **Age of dwelling** – Older homes with outdated electrical and heating systems could cost more to insure.
- **Claim history** – Some companies charge higher rates if you have had losses.
- **Credit history** – Companies may consider your financial stability and charge higher premiums based on your financial status (i.e., credit card history, amount of credit, bill payments, etc.).

Unacceptable Risks for Some Companies

Insurance companies are starting to exclude or limit coverage for certain types of homeowners' risks such as: trampolines, unfenced swimming pools, vicious pets or pets with a history of biting, older/outdated plumbing/roofs/electric/heating systems and property that is vacant or unoccupied.

Homeowners' Discounts

Some companies offer discounts that can lower your premium. Examples include:

- **Protective devices** – for having fire extinguishers, smoke alarms, deadbolt locks on all outside doors, sprinkler systems, or security alarm systems hooked up to the police station.
- **Mature homeowners** – for those over 55 and retired.
- **Non-smoker** – for a non-smoking household.
- **Multiple policies** – for consumers who have more than one policy with the same insurance company, such as home and car insurance.
- **New home** – for a brand new home, or even a home less than nine years old.
- **Fire resistant building materials** – for buildings that are built with fire resistant materials.

Ways to Lower Your Homeowners' Insurance Costs

- **Ask about discounts** – The type and amount of discounts offered may vary by company. Some discounts affect a portion of your coverage; other discounts may affect the entire premium.
- **Take the highest deductible you can afford** – You become responsible for small losses, not your insurer. If you raise your deductible, you may be able to significantly lower the price of coverage, but you will pay more out of pocket each time you have a claim.
- **Consolidate your insurance needs** – If you need more than one type of insurance, you may be able to obtain a discount by buying all your insurance from one company.
- **Keep a good credit history** – Many companies are looking at your credit information and may charge higher premiums for those with less than perfect credit profiles.

The Need for Household Inventories

The period of time after a loss can be very traumatic. By making a complete inventory of all your possessions now, you will be able to determine what has been lost, stolen, damaged or destroyed, and make a much more accurate claim to your insurance company.

Your household inventory should include a complete list of your household possessions, model and serial numbers, the original costs and receipts. Take photographs or videos of your home and important property to support a claim in the event of a loss. Keep a copy of your inventory and/or video at a relative's home or in a safe deposit box. You may also provide a copy to your insurer. Your insurance company may offer you an inventory "guide" and you will find a possible suggestion at the end of this guide.

If You Can't Find Homeowners' Insurance

If you cannot find homeowners' insurance, talk to your insurance agent about the Illinois FAIR Plan. The FAIR Plan is an association that operates like an insurance company. All property and casualty companies that sell basic property insurance in Illinois fund the plan.

To qualify for coverage with the FAIR Plan, you must have three unsuccessful attempts to buy property coverage from insurance companies and your property must meet basic fire, loss prevention, and safety standards.

The FAIR Plan offers most of the home, personal property, and personal liability coverages that you can get with a private insurance company. However, the FAIR Plan should be your last resort. You may be able to get a better deal with a traditional insurance company.

For More Information

Call our Consumer Assistance Hotline toll free at (866) 445-5364 or visit us on the our website at <http://insurance.illinois.gov/>

Related Topics

- Department of Insurance Consumer Resources - Consumer Fact Sheets
http://insurance.illinois.gov/Main/Consumer_Fact_sheets.asp
- Illinois FAIR Plan Association - <https://www.illinoisfairplan.com/>
- Illinois Mine Subsidence Fund - <http://www.imsif.com/>
- Illinois Insurance Guaranty Associations
 - Department fact sheet
⇒ http://www.insurance.illinois.gov/general/guarantyfunds_facts.asp
 - Illinois Insurance Guaranty Fund
⇒ <http://iigf.ncigf.org/>
 - Illinois Health Maintenance Organization Guaranty Association
⇒ <http://www.ihmoga.org/>
 - Illinois Life and Health Insurance Guaranty Association
⇒ <http://www.ilhiga.org/>

HOME INVENTORY SHEETS

Home Inventory Sheet

DINING ROOM			
ITEM	PRICE	DATE	BRAND NAME
Furniture (e.g., china cabinet, table)			
Electronics (e.g. clocks)			
Misc. (e.g. chandeliers, china/crystal, silver)			

Home Inventory Sheet

BEDROOMS			
ITEM	PRICE	DATE	BRAND NAME
Furniture (e.g., bed, dresser)			
Electronics (e.g., clocks, television)			
Misc. (e.g., clothing, linens)			



<http://insurance.illinois.gov/>

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320 W Washington
Springfield, IL 62767

866-445-5364 Toll Free Consumer Line
217-782-4515 Phone
217-782-5020 Fax
866-323-5321 TDD

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122 S. Michigan Ave., 19 Floor
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