



Department of Business Regulation
Insurance Division
1511 Pontiac Avenue, Bldg. 69-2
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Consumer Alert 2011-3

YOUR ANNUAL INSURANCE CHECK-UP:

Five Questions to Ask Your Agent About the Insurance on Your Home

Without looking, what is the value of the contents of your home covered by insurance? Is a flood covered? If someone is hurt while visiting, will insurance pay medical expenses? Whether a renter or an owner, the State of Rhode Island Insurance Division and the National Association of Insurance Commissioners (NAIC) suggests a review of all insurance policies annually. It is a chance to brush up on what is covered, and to evaluate whether the coverage is still adequate (or too much) for your current situation.

When reviewing your insurance policy, find the answers to these three questions:

1. What type of coverage do I have?

Homeowners or Renter's. A homeowners insurance policy covers the structure, belongings and legal obligations if someone is injured at your home. A renter's policy does not insure the structure, but otherwise provides similar coverage.

Replacement Values. Check the type of replacement value provided in the policy. Actual cash value (ACV) is the amount it would take to repair damage to a home or to replace its contents after allowing for depreciation. Replacement cost is the amount it would take to rebuild or replace a home and its contents with similar quality materials or goods, without deducting for depreciation.

Liability Limits. Liability insurance protects you from legal obligations arising from accidents involving visiting non-residents. With a few exceptions, such as auto or boating accidents, all-purpose liability coverage follows wherever you go. An umbrella policy can extend the liability limits of a homeowners or renter's policy if the policy limit is insufficient.

Medical payments. Homeowners and renter's policies typically include limited medical expense payments for injuries occurring on your premises to visiting non-residents. It may also cover medical expenses of another individual injured by you, a member of your family or a family pet while away from the home.

2. How much coverage do I need?

Make a home inventory. A home inventory is the best way to determine the appropriate level of coverage needed for contents. It is also a useful tool to have in case of a loss. When doing the home inventory, make sure to include as much detail as possible about the items.

Do not over insure. Homeowners do not need to insure the value of the land a home sits on, but coverage should include any outdoor structures on the property. For both homeowners and renters, concentrate on an accurate list of belongings and be sure liability limits are at a proper level.

3. What are my deductibles and discounts?

Save money on homeowners or renter's insurance. Deductibles and discounts are generally the easiest places to save money on this type of policy. Most companies offer discounts for people who have more than one type of insurance policy with them, and for people who have had few claims or are long-term customers. When it comes to the deductible, which is the amount you have to pay if there is a loss, usually the higher it is, the lower the premium. It's normal to consider raising a deductible to save on premium, but remember, the bill will be that much more following a claim.

After reviewing your insurance policy, call your agent or insurance company and ask these five questions:

1. Is the coverage on my home and its contents adequate? Is it too much?

The home inventory will help this. If you have any special items like art, jewelry, memorabilia or collections (such as stamps or coins), mention that, too. These items may require special coverage. And, running a small business at home will affect the premium, so mention that.

2. Is my premium as low as I can expect it to be? Are there additional discounts available? Can /Should I raise my deductible? What about mitigating against damage from local threats?

Mitigation - or taking steps to reduce a potential loss before it happens - can help limit your home's exposure to certain local risks (such as wildfire or hurricane). Ask if there are risk mitigation programs and discounts available.

3. Are there any losses - like flood or earthquake - I need to worry about that are not covered in my current policy?

Neither flood nor earthquake are covered by a standard homeowners or renter's policy. There are optional insurance policies for both disasters. Ask about available options or visit www.Floodsmart.gov for details on flood insurance.

4. Would my long-term financial health benefit from an umbrella policy?

An umbrella policy provides excess liability limits and possibly other additional coverages above a homeowners or renter's policy. For example, an umbrella policy can extend the liability to \$1 million or more above the \$250,000 limit of liability that might be in a basic homeowners policy. As your asset portfolio grows, your insurance company or agent may suggest an umbrella policy for better protection.

5. Has anything changed in my coverage in the last year?

Insurers may change policy terms at renewal, but they must notify you first. Read all notices and information sent from the insurance company. When talking with the agent, ask if there are any anticipated changes when the policy renews.

More Information

Don't be a victim of insurance fraud! Before you sign a contract or write a check for coverage, STOP. CALL your state insurance department and CONFIRM that the agent and company you are working with are licensed to do business in your state.

For specific questions about coverages or about an insurance company or agent, you may contact the Rhode Island Insurance Division at 401-462-9520 or DBR.Insurance@dbr.ri.gov.

About the RI Insurance Division

The mission of the Rhode Island Insurance Division is to assist, educate and protect Rhode Islanders through the implementation and enforcement of state laws mandating regulation and licensing of the regulated industries while recognizing the need to foster a sound business environment in the state. We are also committed to treating everyone who comes before us fairly, efficiently and with respect. For additional information visit <http://www.dbr.ri.gov/divisions/insurance/>.

About the NAIC

Formed in 1871, the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories. The NAIC has three offices: Executive Office, Washington, D.C.; Central Office, Kansas City, Mo.; and Securities Valuation Office, New York City. The NAIC serves the needs of consumers and the industry, with an overriding objective of supporting state insurance regulators as they protect consumers and maintain the financial stability of the insurance marketplace. For more information, visit www.naic.org.

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