HOMEOWNERS & TENANTS INSURANCE: WHAT CONSUMERS NEED TO KNOW

Disasters and other unexpected losses can occur at any time. It is important for homeowners and renters to make sure they understand their insurance options.

New Yorkers are fortunate to have a competitive insurance market that offers a wide variety of insurance options.

It is up to you to purchase the policy that best meets your needs. When shopping for insurance, get references and talk with relatives and friends about their insurance experiences. Examine coverage and costs by comparing the offers of more than one insurance agent or broker.

It is also important to review existing insurance policies periodically to make sure they provide adequate coverage.

Our website contains more information about insurance, and provides instructions on how to file a complaint with us, the Department of Financial Services, should you have a dispute with an insurance company, agent or broker you are unable to resolve directly.

www.dfs.ny.gov

DISCLAIMER

This Guide is provided for general informational and educational purposes only and does not constitute legal advice. It is not intended to be all-inclusive. You should not act or rely on any information contained in this Guide without first seeking the advice of an attorney. Further, any hyperlinks contained in this Guide to outside resources on the Internet are provided as informational; the Department does not endorse these sites.

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THE BASICS

Definitions

In this Guide, the terms “policyholder” and “insured” refer to persons who have rights and may be entitled to benefits under an insurance policy. A “policyholder” or “named insured” is the person (or persons) whose name appears on the policy. An insured is a person entitled to benefits under the terms of the policy. Often, an insured is any relative or dependent person in your care that is a resident of your household.

The Voluntary Market

Insurance companies, in what is known as the "voluntary" insurance market, compete for your insurance business on the basis of price, quality and service in the same way that most businesses compete. They try to make you aware of their products using various marketing methods, such as the telephone, mail, radio and television advertising, and Internet advertising and websites.

CHOOSING A POLICY

Monoline vs. Package

When insurance policies are sold they are issued on either a monoline basis or as a package policy.

Monoline

A monoline policy contains only one type of coverage, such as liability insurance, while a package policy includes several different types of coverage, such as property insurance and liability insurance. A package policy is generally less expensive than insurance coverage purchased separately.

Package

Standard homeowner and tenant policies are package policies that typically include property, liability, theft, and medical payments coverage.

Several types of homeowners and tenants policies are currently sold in New York State. The policies range from basic packages to more comprehensive packages which are more expensive, but provide greater coverage against more perils for both your home and possessions.

It is critical for consumers to be aware of the different perils, or causes of loss, that are insured against in each type of policy. Sometimes coverage excluded under a particular policy, such as earthquake damage and power interruption, can be purchased for an additional premium, and some coverage listed under a policy, such as off-premises theft, can be excluded, resulting in a reduction in premium. However, some coverage, such as coverage for flood insurance, are generally always excluded from homeowners and tenants policies: the only way to purchase this coverage is through Federal insurance programs.

Several types of homeowners policies, covering varying perils, are available for purchase by consumers who own and live in a one or two family house. Policies are also available for tenants, cooperative, and condominium owners. Again, it is up to you to determine whether you need the most extensive type of coverage or whether your insurance needs can be met with a basic policy.

In order to give you an idea of the differences among policies, set forth below is a comparison of the coverage typically offered under standard policies.

Basic Homeowners Policy (HO-1)

This policy generally insures your home and contents against only the following listed perils:

- fire, lightning and smoke damage
- windstorm and hail
- burglary and theft
- explosion
- glass breakage
- vehicle or aircraft damage
- riot and civil commotion
- vandalism and malicious mischief
- bodily injury
- damage to property of others
- civil judgments
- medical payments
- personal property (at home)
- personal property (away)
- additional living expense (if forced to live away from home temporarily

Very few insurers sell this type of policy; most offer more comprehensive policies, such as the Broad Form Policy.

Broad Form Policy (HO-2)

This policy generally insures your home and contents against (1) the perils in the Basic Policy and (2) other additional perils such as:

- falling objects
- weight of ice, snow and sleet
- damage resulting from an accidental discharge or overflow of water or steam from within a plumbing, heating, air conditioning or automatic fire sprinkler system
- freezing of plumbing systems
- electrical damage to appliances

Special Form Policy (HO-3)

This policy is the most widely used policy by homeowners insurers. It covers your home for all risks of physical loss, except those that are specifically excluded in the policy, such as flood, earthquake, war, nuclear accident, etc. If you want to take out a mortgage on your home, your lending institution may require you to purchase this type of policy.

Comprehensive Form Policy (HO-5)

This policy generally protects your home against the same perils as the Special Form Policy protects against, described immediately above. In addition, under the Comprehensive Form Policy, your personal possessions typically would also be covered for all risks of physical loss, except those risks that are specifically excluded. (This extra protection may also be provided by purchasing a Special Form Policy with the “Special Personal Property” endorsement.)

Market Value Policy

This policy is a modified version of the Basic Policy. It generally provides replacement cost coverage, but coverage may not exceed the amount necessary to repair or replace the dwelling using materials of like kind and quality, not exact kind. This policy form is generally used when the replacement value of the property exceeds its market value, as in the case of older homes (sometimes referred to as “white elephants”).

Tenants and Cooperative Policies (HO-4)

Tenants and cooperative policies are available that insure against damage to the contents of a unit and for personal liability of the insured when people are injured or sustain property damage arising from the insured unit. It is generally not necessary for a tenant to insure the building in which he or she lives, since that is typically the building owner’s responsibility. Condominium Policies (HO-6)

Condominium owners policies generally provide contents and property coverage for any alterations, appliances, fixtures, improvements and interior walls within the insured unit; condominium buildings and their common areas are typically insured through policies issued to the condominium owners' associations.

Make sure you check your existing policy, or a policy you are thinking about buying, for a complete listing of covered and excluded perils. In addition, make sure you understand whether contents damaged by a covered peril are covered. If they are not, you may want to consider purchasing additional coverage.

DETERMINING HOW MUCH INSURANCE YOU NEED

Evaluating Your Home and Personal Property

The first step in determining how much insurance you need is to make an analysis of the value of your home (excluding the value of the land) and the personal property within it.

In determining the value of your home, you must calculate how much it will cost to replace the home if it were completely destroyed. Using formulas that take into account factors such as whether your home is made of brick or wood frame construction, total square footage, number of floors, and number of rooms, an insurance company will calculate what it believes is your home's replacement cost value.

You may also get other estimates in addition to the insurer' figure, for example, from a contractor at your own expense. In addition, there are websites available on the Internet that can help you estimate the replacement value of your home; the Department, however, does not endorse these.

Determining the value of your personal property requires a careful analysis on your part. You should go through each room of your house and list every piece of furniture and fixture within it.

As you compile your inventory, supplement it with receipts indicating the date of purchase and purchase price and photographs of major items. Your inventory should be updated on an annual basis, or at the very least, whenever you purchase a large appliance or item of furniture. If you haven't saved receipts, your insurance company will generally reimburse for "actual cash value" – replacement cost less depreciation.

You may also want to make a video compilation of your possessions . If you do, make sure all the drawers and/or doors of your furniture are open so you have a record of what is stored. It is also helpful to verbally describe major items as you record the video. When complete, make a back up of the video and store your inventory list and video in a safe place away from your home, such as in a safe deposit box, in the home of a friend or relative or in your workplace.

Structure

Once you have determined the approximate worth of your home and its contents, in most cases, your homeowners insurance coverage will be based on the home's full replacement cost. Generally, if you purchase coverage on a replacement cost basis and insure your home for at least 80% of its replacement cost, your insurance will automatically be issued on a replacement cost basis, which means that if you suffer a loss, your insurer would pay you the amount it would cost to replace or repair your home without deducting anything for depreciation.

If you do not insure your home for at least 80% of its replacement cost, you will not receive full payment of a partial loss to your home, as the following example illustrates:

> Ms. Jones and Mr. Smith both own 15-year-old frame houses. The estimated replacement cost of each house is $100,000. Ms. Jones is insured for $80,000 (80%) while Mr. Smith is insured for only $50,000 (50%). Both homes suffer windstorm damage, which completely destroys both roofs. The cost to repair each roof is $5,000. Since she was insured for at least 80% of her home's replacement cost, Ms. Jones will be fully reimbursed for her loss, less any deductible. However,

because Mr. Smith did not have at least 80% coverage, his insurer will pay the greater of the actual cash value of the roof or the proportion of the cost to repair the roof which the total amount of insurance bears to 80% of the replacement cost of the building. The payment to Mr. Smith reflects a co-insurance penalty since Mr. Smith did not maintain adequate insurance. Assuming that the 15-year-old roof has an expected useful life of 25 years, its actual cash value is only $2,000, computed as follows:

$$1 - \frac{\text{15 (actual age of roof)}}{\text{25 (expected life of roof)}} \times \$5000 = \$2000$$

However, the proportional cost of repairing the roof would be computed as follows:

$$\frac{\text{\$50,000 (insured amount)}}{\text{\$80,000 (80\% of replacement cost)}} \times \$5{,}000 = \$3{,}125$$

After calculating these two formulas, Mr. Smith's insurer would pay him $3,125, the greater amount of $2,000 vs. $3,125.

You should make sure that the replacement cost of your home is be estimated at the time you purchase or renew (generally, policies renew every three years) a homeowners policy.

Contents

Coverage for contents is usually issued on an "actual cash basis" in homeowners and tenants policies unless you purchase an endorsement covering you for contents replacement coverage. This means that your insurance company will determine any amount payable to you as a result of a covered loss by taking the current replacement cost of the contents and subtracting an amount for wear and tear, called "depreciation."

There is no set formula for calculating depreciation. Different insurers may use different formulas. This means that you probably will not receive the full amount needed to replace or repair the property that has been damaged or stolen; some insurance companies, however, offer an endorsement that provides replacement cost coverage (no deduction for depreciation) for the contents of your home. Replacement cost coverage is generally more expensive.

UNDERSTANDING WHAT AFFECTS THE COST OF INSURANCE

The premiums charged for homeowners and tenants insurance vary widely from company to company. Consumers should shop around in order to get the best value.

The cost of homeowners and tenants insurance depends on a number of factors including:

- location, age and type of building
- use of building (residential and/or commercial)
- proximity of fire protection services
- choice of deductibles
- availability of any premium discounts
- scope and amount of insurance coverage

For example, a brick building is more resistant to fire than a wood frame building and, consequently, costs less to insure against fire. A building's location also has a bearing on the cost of fire coverage, because some communities have better fire protection than others. In addition, a home located in a community having a higher incidence of crime and vandalism also affects the cost of insurance.

New York Territories

Each of New York City's five boroughs constitutes a separate rating territory for homeowners insurance but have one protection classification. Outside of the five NYC boroughs companies assign territories based on their own individual experience and assign protection classification factors based on the level of fire protection in the area.

Rating Tiers

Based upon their underwriting guidelines, insurers assign insureds to rating "tiers" with others who have similar characteristics. Some insurers use "multi-tier" rating programs, in which more than one rate level is established for insureds within the same company. Upon the end of the three year policy period, policyholders may be re-evaluated to determine if they qualify to move to a different tier.

Credit Information

Insurers also may use a consumer's credit information to decide whether to issue a policy and how to price it, but these insurers must follow Federal and New York State laws, which generally require in part that:

- If an insurer uses credit information in the initial rating of a policy, they must send you a notice disclosing this fact, including the name of the credit reporting agency or agencies that provided the information;
- If your premium is more expensive than it would be if you had a higher credit score, you must receive a notice advising you of this and explaining the factors that affected your score;
- An insurer must disclose that you have the right, if you find an error in your credit report, to contact the credit reporting agency to correct it, and inform your insurer or agent of the correction; the correction may entitle you to a refund and reduction in premium;
- Upon your request, your insurer must review your current credit information at least once every 3 years. If your credit information shows improvement, the company must make any necessary adjustments, which may result in a lower premium;
- A company may not terminate a policy or increase a renewal premium based upon changes in credit information.

Consumers should check their credit reports regularly. If you find an error in your credit report, contact the credit reporting agency to correct it. If you have a homeowners or tenants, condominium or cooperative policy, inform your insurer or agent of the correction, as it may affect your premium and entitle you to a refund and reduction in premium.

Deductibles

A deductible is the amount of loss that must be borne by you before you are eligible for an insurance payment. If your policy contains a standard all-peril deductible, such as $250, you would receive from your insurer the amount of any covered property loss, less $250. The higher the deductible, the lower the premium cost of your policy, because you are essentially "self-ensuring" for losses up to the amount of the deductible.

In choosing your deductible amount, you bear the burden of loss up to the amount you feel you can afford. Contact your insurance company to inquire about higher deductibles options, such as $500 and $1,000.

Discounts

An insurance company may offer a premium discount if you install devices in your home that minimize losses or deter them, like dead bolt locks, smoke alarms, fire extinguishers, sprinkler and security systems. Insurers are required to offer premium discounts if a policyholder has installed hurricane/storm shutters, or hurricane resistant laminated glass windows and doors on all exterior wall openings, as long as they meet prescribed minimum standards and are installed in accordance with the manufacturer's specifications.

Check with your insurance company to see if you are eligible for any premium discounts they may offer. Further, some companies offer what is called a multi-policy discount: if you purchase both your homeowners and automobile liability policies from the same insurer, you may receive a small discount.

BASIC COVERAGE AND ADDING ADDITIONAL COVERAGE

The amount of coverage available for certain personal property and other losses is generally related, by percentage, to the amount for which the dwelling is insured. The following shows this relationship for the most widely used policy, usually referred to as the Homeowners Special Form (discussed above).

General Limits on Basic Coverage

The coverage amounts set forth in the chart immediately below, expressed as a percentage of the amount your dwelling is insured for, is the amount you are generally provided by most insurers under a Special Form Policy (discussed above):

Coverage	% of Limit
Garages, storage sheds, etc.	10%
Personal property on premises	50%
Personal property off premises	10%
Additional living expenses	20%

If you think you need coverage exceeding these percentages you should contact your insurer.

Special Limits on Basic Coverage

In addition to limits on specific categories of property, there are generally further limitations for specific types of property. Here are some examples of typical limitations:

Coverage	Amount
On money, bank notes, bullion, gold & silver	$ 200
On securities, accounts, deeds, letters of credit, etc.	$1,500
On watercraft (including trailers)	$1,500
On trailers not used with watercraft	$1,500
For loss by theft of jewelry, watches, furs, and precious and semi-precious stones	$1,500
For loss by theft of silverware, goldware, pewterware	$2,500
For loss by theft of guns	$2,500

On property on the residence premises used or in any manner for any business purpose	$2,500
On property away from the residence used at any time manner for any business purpose	$500
For loss to electronic apparatus (antennas, tapes, wires, discs, etc.) in or on a motor vehicle	$1,500

These special limits described in the charts above represent the total amount that a company will typically pay for a loss of property in the specified category. An insured's overall personal property limit per loss would usually be reduced by any recoveries received that are subject to these special limits.

Therefore, if you have expensive jewelry, furs, cameras, or a coin, stamp, or sports card collection, or valuable antiques, you should consider insuring them separately by endorsement with a higher limit of coverage, or by purchasing a separate policy, called a personal articles "floater."

Living Expenses

Homeowner and tenant policies will generally reimburse you for increases in living expenses you have when your company determines that your home is uninhabitable because of damage caused by one of the covered perils. Not all living expenses will be reimbursed; you are only covered for the difference between your normal living expenses and any additional living expenses. Examples of covered expenses are hotel bills, restaurant bills, telephone bills.

Increased Limits of Liability

All homeowners policies typically insure you for your personal liability when another person suffers bodily injury or property damage as a result of your negligence or the negligence of anyone who is an insured under your homeowners policy. Generally, you will also be protected if one of your pets injures someone. However, if you have a dog that is considered a dangerous animal, such as a pit bull, the company may exclude coverage for that pet or offer to provide the coverage for an additional premium. This may also be true for exotic pets, like snakes, spiders, or amphibians.

If an incident occurs at your home and a guest is injured, your insurer will typically reimburse the injured person for necessary medical expenses, generally up to a limit of $500 or $1,000, regardless of whether your negligence caused their injury. Examples of the types of expenses likely paid are transportation to a hospital or doctor's office, or a doctor's bill for necessary first aid. You should check your policy for specific details about this coverage.

Typically, medical payments are subject to the personal liability limit attached to a homeowners policy. Personal liability limits of 25,000$per occurrence, including a medical payments limits of $1,000 per person, are typical. Higher limits of liability for these two types of coverage can also be purchased.

Deductibles

There are three types of deductibles under the typical homeowners policy: standard deductible, windstorm deductible and hurricane deductible.

Standard Deductible

The standard deductible, sometimes called a base-policy deductible, is the amount of loss that must be borne by you before you are eligible for an insurance payment. It generally applies to any loss, except, under certain policies, food spoilage. If your policy contains a standard all-peril deductible, such as $250, you would receive from your insurer the amount of any covered property loss, less $250. The higher the deductible, the lower the premium cost of your policy, because you are essentially "self-ensuring" for losses up to the amount of the deductible.

In choosing your deductible amount, you bear the burden of loss up to the amount you feel you can afford. Contact your insurance company to inquire about higher deductibles options, such as $500 and $1,000.

Some carriers do not impose any additional deductible beyond the base-policy deductible. You should read your policy carefully to determine whether or not you are subject to this deductible.

Windstorm Deductible

The windstorm deductible is an optional deductible that applies to any windstorm loss. It commonly ranges from 1% to 5% of either the value of the dwelling or the amount of insurance on the dwelling.

Starting with Hurricane Andrew in 1992, and more recently with Storm Sandy, homeowners' insurers in New York have seen their exposure to storm damage rise steadily, as shorelines have become more populated and property values have increased. To limit their exposure to catastrophic losses from natural disasters, insurers sell homeowners insurance policies with deductibles for wind damage as a way of having property owners bear some of the risk of catastrophic storms, without raising overall premiums to unaffordable levels.

WINDSTORM DISCLOSURE

Regulation 159 outlines specific information that insurers must disclose to insurance consumers. Information required to be disclosed includes all deductibles attached to consumers' policies.

Hurricane Deductibles

A hurricane deductible is usually a company mandated deductible that applies when a storm is declared a hurricane. It is commonly 1% to 5% of either the value of the dwelling or the amount of insurance on the dwelling.

Consumers in areas located near shore or waterfront areas may, depending upon geographical location and degree of risk, be subject to hurricane deductibles. Many insurers require them for properties located in the five boroughs of New York City, Nassau and Suffolk counties, and coastal areas of Westchester County.

The Department requires that insurers express this deductible as a dollar amount on the declarations page of any policy to which it is attached. For instance, if your home is insured for $150,000 and a mandatory 5% hurricane deductible is applied to your policy, you would be responsible for the first $7,500 of any loss as the result of a hurricane. If a hurricane causes $10,000 worth of property damage to your home you are responsible for the first $7,500 and the insurer is responsible for the remaining $2,500.

Triggers

The event which triggers the application of these deductibles varies among insurers. Example of triggers include:

- a Category 1 hurricane (designated by the national weather service or the national hurricane center)
- a Category 2 hurricane
- specific mile-per-hour winds

Yet other carriers apply a windstorm deductible (a flat or varying amount depending upon wind strength) to any windstorm loss.

A summary of all windstorm deductibles approved by the Department is available.

Flood Insurance

Insurance coverage for losses resulting from floods or mudslides is not provided in standard homeowners or unit policies. This coverage is available under a separate policy issued through the National Flood Insurance Program (NFIP). The majority of New York State towns, villages and cities are participants in the NFIP.

Insurers are required to provide annual policyholder notice of the NFIP.

Learn more about Problems Obtaining Coverage.

Earthquake Coverage

Earthquakes are not covered under standard homeowners, renters or condominium policies. Coverage is available from certain property insurers under either a separate policy or as an endorsement to an existing policy. Property insurers are not required to offer this coverage.

Earthquake insurance rates are determined differently by each insurance company and vary by several rating factors, including age of home (older homes cost more to insure), construction type (wood frame structures usually get lower rates than brick structure due to their ability to endure quake stress), and location of the home. Since this is a type of catastrophic coverage, policies usually have a high deductible as a percentage of the replacement value of the insured structure which can range from 10%-25%. Additional information about earthquake risks can be found on the websites of the Federal Emergency Management Agency at www.fema.gov, and the U.S. Geological Survey (USGS) at www.usgs.gov.

Water Backup Endorsement

Some homeowners insurance companies offer an endorsement that provides coverage for sewer backups, including sump pump failure. For an additional premium, you can eliminate this exclusion from your policy up to the dollar limit you select. The wording of the endorsement will vary between insurers, but generally it will apply to several types of water backup including municipal sewer lines, toilets and sump pumps.

If this coverage is a concern for you, make sure to ask if it is available, and to include it on your policy. However, homeowners insurance excludes losses caused by flooding, which is generally defined to mean water coming in **above** the foundation. A sewer or sump pump failure causing water backup comes from lines **below** the foundation. Even if you have a flood insurance policy, it is not likely to cover a sump pump failure caused by a flood: neither the flood or homeowners policy alone is likely to cover this damage.

Personal Excess and Umbrella Policies

For additional liability coverage above the amounts provided in the homeowners or renters policy, you may consider purchasing a personal excess policy. A personal excess policy protects you from judgments in lawsuits that exceed the protection of your primary (homeowners, tenants, cooperative or condominium) policy. The personal excess policy provides coverage similar to that provided by your primary policy, but the amount of liability insurance provided is higher than the limit in your primary policy.

Similarly, if you have an automobile policy in addition to a homeowners or renters policy, and have sufficient assets you would like to protect, you may consider purchasing a personal umbrella policy. An umbrella policy protects you by providing additional liability coverage against judgments in lawsuits that exceed the protection of your primary automobile, homeowners or renters policies, with higher limits of liability insurance, typically of $1 million or more.

In addition to coverage for bodily injury and property damage liability, umbrella policies usually cover additional offenses, such as libel, slander, false arrest, and invasion of privacy. In order to be eligible for an umbrella policy, insurance companies may require you to purchase and maintain certain minimum underlying liability limits on your primary policies.

Home Computer Coverage

Normally, home computers used for personal use are subject to the limit available for personal property; some companies may have a separate limit for a home computer. However, if the computer is used for business, coverage would be subject to the limit for business property ($2,500) shown above. If you need higher limits for a business computer, contact your company, agent or broker to determine if higher limits are available through the purchase of an additional endorsement or a separate policy.

If you do not purchase higher limits and use a laptop computer for business purposes you should be aware that if it is lost or stolen, the location of the loss determines the coverage available. In the example above, if the loss occurs at home, the coverage limit is $2,500; if the loss occurs away from home it is only covered for $500.

Workers’ Compensation Insurance

The Insurance Law requires that any policy that provides personal injury liability and is issued for a one-to-four family, owner occupied dwelling, also provide workers’ compensation insurance. This insurance would apply to any employee working less than 40 hours per week pursuant to the New York State Workers’ Compensation Law. However, certain classes of employees are exempt from coverage under the New York State Workers’ Compensation Law. Whenever you hire someone to work for you, you should check with your agent or broker to determine whether those employees would be covered under your policy.

Home Day Care Coverage

There is limited liability coverage under your homeowners policy for certain day care activities. Ordinarily, coverage is provided if you take care of one or two children for a mutual exchange of services. This means that if you take care of a friend’s children in exchange for their day care services for your children, with no exchange of money, liability coverage will be provided under your policy.

If you provide day care services and are compensated for this work, you are considered to be engaged in a business enterprise and you must purchase additional coverage. Some companies will provide day care coverage in a homeowners policy for up to six children, with a separate premium charge per child equal to the personal liability limit that is already provided under your policy. Premium charges vary from company to company so you must contact your insurance representative for more details concerning this coverage.

Your insurance agent, broker or licensed sales representative will be able to discuss your insurance needs and provide help on the appropriate amount of coverage.

Self-Storage Facilities

Effective February 9, 2011, a self-storage facility that charges you a rental fee for the items you store may act as an agent for a licensed insurer and offer to sell you insurance. Before you purchase this optional insurance, check your homeowners policy to see if it already provides sufficient coverage.

Renters Insurance

Many uninsured renters are under the mistaken impression that their landlord’s policy covers their possessions. A landlord does not provide insurance for a tenants personal property. An exception to this can occur if the landlord was aware of a prior hazardous condition, failed to correct it in a reasonable time frame, and as a result your property was damaged.

If you are a renter residing in New York, by law the building owner is required to maintain insurance on the dwelling you rent. This means that the building itself is insured, and should something happen to this structure as the result of fire, water damage, etc, the building owner is entitled to file a claim. However, the landlord's insurance does not protect you as a renter. If this same fire or water damage should ruin your sofa, clothes or other personal items, you are not protected against the loss of these items unless you buy a renters insurance policy. Moreover, if someone becomes injured while on the premises you rent, you could potentially be held liable for any medical and hospital expenses.

To protect yourself and your belongings, renters should consider purchasing renters insurance, also known as "tenants insurance."

What is Renters Insurance?

Renters insurance, also known as tenants insurance, is a type of policy offered by most major New York insurers. These policies provide contents coverage and liability protection in the event someone becomes injured at your residence.

Cost

Renter’s insurance is generally less expensive than many people realize: a basic policy costs about $300 a year for around $50,000 worth of property protection.

Coverage

Coverage generally provided under a Renter's Policy includes:

- Personal Property
- Loss of Use
- Personal Liability
- Medical Payments to Others

Renters insurance typically covers loss or damaged caused by:

- Fire
- Smoke
- Theft
- Vandalism
- Windstorm or hail
- Lighting
- Explosion
- Falling objects
- Weight of snow, ice or sleet
- Water (plumbing failure, appliance failure, fire sprinklers or other accidental discharges of water)
- Electrical surges

It also may cover:

- injuries that others sustain while at your home (including medical expenses and any resulting lawsuits)
- damage that you may cause to other people's property
- living expenses, if your rental unit is damaged and you need to live elsewhere during repair

Your renters insurance policy will generally pay to replace any property that is stolen, damaged or destroyed by a covered cause, subject to any policy limits or exclusions. This includes, but is not limited to:

- electronics
- clothes
- furniture
- sports equipment
- appliances
- jewelry (limited)
- collectibles (limited)

Important Note: Renters insurance often protects your belongings even when you're away from home. So, if your laptop is stolen from your car or your bike gets taken from the rack at work, your renters insurance may pay to replace them.

Consider whether you may need more protection than the basic renters insurance policy provides. Coverage you may be able to add includes:

- **high value items** - a good idea if you own jewelry, artwork, antiques, collectibles or firearms with a total value that exceeds your policy's maximum pay out for such items.
- **earthquake or flood** - a must-have if you live in an area prone to such conditions. a standard renters insurance policy does not include coverage for a flood or earthquake.
- **sewer and drain back-ups** - back-ups happen more often than you would think, and they cause a lot of damage when they do.
- **replacement value coverage** - if you make a claim, you'll be reimbursed for the full replacement cost of your items - rather than the depreciated cash value of your items.
- **home business and business merchandise coverage** - if you work from home, or store business inventory at home, consider adding a home business rider to boost your equipment and liability coverage. most policies offer very little coverage for business equipment or inventory.

Things to Remember

Before purchasing a renters policy, conduct a complete inventory of all your personal belongings, taking photos or a video of things like furniture, jewelry and expensive electronics items. Calculate the replacement costs for these items and double check with your insurance agent to make certain you are fully protected against any type of loss.

Choose the coverage according to your property. If you have a lot of electronics, choosing a policy that provides replacement cost coverage instead of actual cash value coverage might be the best option for you.

Like they do for homeowners, most insurance companies offer discounts to a rental policyholder to lower the cost of premiums. They may offer discounts for smoke detectors, dead bolts, etc.

Make sure that the policy has liability coverage. The best renters insurance policies will also include liability coverage for medical and legal costs if someone gets hurt in your residence.

The best renters insurance policies will also include emergency living expenses. This means that if you have to vacate the property due to damage, the insurance company will pay for you to live somewhere else.

Condominium Insurance

A condominium association typically will have insurance that covers the building structure and common areas, such as corridors.

Separately purchased condominium insurance covers the unit-owner and is similar to renters insurance. Coverage typically includes interior damage to the unit, personal property and improvements. Loss of use is generally limited to 40 percent of the contents limit.

Loss Assessment Coverage can be an important policy provision. It covers certain assessments the condominium association may make due to a covered loss, such as fire affecting a common area. Carefully analyze the type of insurance your association has and how it might affect you in the event of a loss.

Before purchasing an insurance policy, you should be aware of and understand the types of products and coverage available in New York State. You also need to know the types and limits of coverage you want.

Agents and Brokers

Many insurers use "captive agents" or "independent agents" to sell their products. Captive agents work for just one insurance company. Independent agents represent one or more insurance companies. Other insurance companies are known as "direct writers," and market policies using only their own employees or exclusive sales representatives, or websites. You may deal with a direct writer by telephone, Internet, mail or in person by visiting a company's offices.

You may also contact an "insurance broker." An insurance broker is not usually authorized to issue policies on behalf of an insurance company or to bind an insurance company to issue a policy to you. You must first go through an application process. However, once a broker has found a company willing to issue you a policy, any premium payments you make to the broker are considered as if paid to the insurance company directly, thereby binding the insurer to the insured.

USE A LICENSED AGENT OR BROKER

Make sure you are dealing with an insurer, agent or broker who is licensed to sell insurance in New York State.

To check the license status of an insurer, use our **Insurance Company Search**.

To check the license status of an agent, call or e-mail the agent and request a New York license number or use our **Licensee Search**.

Comparison Shopping

In seeking a rate quote, you will be asked a series of questions. Make sure you answer these questions fully and accurately.

As stated above, comparison shopping can save you money. However, premium price is only one of many factors to consider. You should look at other factors such as a company's reputation, claim practices, reliability, the services provided, and that the particular coverage the company offers meets your particular needs.

Read your policy, or one that you are thinking about purchasing, carefully since the extent of coverage may differ somewhat among different companies. Don't be afraid to ask questions!

You should be aware of any co-insurance, deductibles and exclusions contained in a policy. While you are shopping for insurance you may also find that some companies may include additional coverage without an additional premium, while others charge for every type of coverage added to the policy.

Shopping for Insurance on the Internet

The influence of the Internet on the insurance marketplace is growing rapidly. Quoting agents are actively marketing their services to consumers via websites. Quoting agents can provide sample insurance rates to Internet users who respond to various online questions. In addition, many insurance companies and traditional agents and brokers have their own websites providing pricing, service information and, sometimes, the means to complete a homeowners insurance purchase.

If you are considering purchasing insurance over the Internet, check that you are using an agent, broker or insurer who is licensed to sell insurance in New York State. To check the license of an insurer, use our **Insurance Company Search**. To check the license of an agent, call or e-mail the agent and request a New York license number or use our **Licensee Search**.

Remember, when you are applying for or purchasing insurance on the Internet you are transmitting key financial and personal data over a network to an insurer or agent. There are many scam websites. Make sure any website you are using is secure and legitimate.

Over the next few years, Internet sales are expected to grow as competition intensifies in the electronic marketplace. New York State consumers should be aware that the Internet can be a convenient means of comparing prices and/or purchasing homeowners insurance, but that it is not necessarily the best or only way for everyone. Whether or not you use the Internet, it pays to shop around for homeowners insurance.

MAINTAINING ADEQUATE INSURANCE

As previously discussed, if you do not insure your home for at least 80% of its replacement value, your claim will generally not be settled on a replacement cost basis. Therefore, it is important to review your homeowners policy periodically to determine whether you are carrying enough insurance to be fully covered.

The addition of a room, or other substantial home improvements, will also increase the replacement cost of your home, and you should adjust your coverage accordingly. Further, because of inflation, the replacement cost of your home generally increases each year.

To anticipate inflationary increases, most insurance companies offer policies that automatically increase the amount of insurance periodically. Regardless, you should review your policy each year to make sure your coverage is keeping pace with inflation.

Note - Hurricane season generally begins June 1 and ends November 30. It is important to review your homeowners policy and other related policies each year to ensure that you have adequate coverage in case you have a loss.

PROBLEMS OBTAINING INSURANCE

If you are unable to find an insurance company that will sell you a homeowners or tenants policy to provide coverage for your home and personal property, special insurance programs are available. Such programs may include coverage for residences located in flood prone areas. They include:

New York Property Insurance Underwriting Association (NYPIUA)

NYPIUA is an association of all insurance companies that sell fire insurance in New York State. Its Basic coverage form generally provides fire and extended coverage which include coverage for the following perils: wind (including hurricane), hail, explosion (except for steam boilers), riot, civil commotion, aircraft, vehicles, and smoke, as well as coverage for vandalism and malicious mischief. For a higher premium a Broad Form coverage form is available which includes coverage for the Basic coverage form perils plus coverage for the following perils: property damage by burglars (not theft of property), falling objects, weight of ice, snow or sleet, accidental discharge of water or steam, sudden cracking of a steam or hot water heating system, freezing, and sudden damage from artificial electric currents.

NYPIUA policies that include Broad Form coverage are subject to a 2% hurricane deductible for insured properties located in the following counties: Bronx, Kings (Brooklyn), Nassau, Queens, Richmond (Staten Island), Suffolk, Westchester. This deductible takes effect for hurricane losses twelve (12) hours before and after a hurricane category 2, 3, 4, or 5, as declared by the National Weather Service, makes landfall anywhere in New York State.

NYPIUA policies are generally offered on an actual cash value basis. However, policies written in conjunction with a voluntary market policy that includes an approved “wraparound” endorsement can provide building coverage on a replacement cost basis (see Coastal Market Assistance Program section for additional information).

NYPIUA policies do not include liability, flood, or theft coverage. Since coverage offered through NYPIUA is limited and sold at a higher premium than coverage offered in the voluntary market, you and/or your agent or broker should make every effort to get this insurance from a voluntary insurer.

Detailed information is available from the New York Property Insurance Underwriting Association, 100 William Street, New York, NY 10038, 1-212-208-9700, online at www.nypiua.com, or from any licensed agent or broker in this state. Outside New York City, the toll-free information number is 1-800-522-3372.

National Flood Insurance Program (NFIP)

Insurance coverage for losses resulting from floods is most likely not provided in a homeowners or tenants policy. Insurers are required to provide an annual policyholder notice to all homeowner and dwelling fire insureds advising that their policies do not provide coverage for loss caused by flood or mudslide and that insurance is available under a separate policy issued through the National Flood Insurance Program (NFIP).

The majority of New York State towns, villages and cities are participants in the NFIP. This program generally allows homeowners, tenants, cooperative apartments, and condominium owners and condominium associations to purchase insurance to protect their residences and contents against direct physical loss by flood, loss resulting from flood-related erosion and damage caused by mudslide.

Property owners can usually purchase insurance protection against losses from flooding through the NFIP even if they reside in a community designated as a special flood hazard area as long as it implements and enforces measures to reduce future flood risks. Residents of communities that participate in the NFIP are generally eligible for the Emergency Program that provides a limited amount of insurance at federally subsidized rates. Once a community adheres to the more comprehensive floodplain management requirements of the NFIP, residents are eligible for the Regular Program under which they can purchase much higher amounts of insurance.

Under the Dwelling Form and the General Property Form of the Standard Flood Insurance Policy, coverage limits up to $250,000 for the structure and $100,000 for contents are generally available in communities participating in the NFIP. Higher deductibles, over the standard deductible of $1,000, are available, which can help reduce the total cost of this insurance. The deductibles apply separately to building and contents, although both may be damaged in the same flood. Read the policy carefully for exact definitions of physical hazards and specific requirements that must be met before claims will be paid. In some instances, the amounts of claim payments are defined by statute.

Excess flood insurance is available from a few insurance companies. Excess flood insurance is a separate policy offering higher limits for flood coverage and is written over a primary policy.

The NFIP coverage typically involves a 30-day waiting period before the policy becomes effective, but there are exceptions. Additional information on this program can be obtained from your insurance agent or broker, or by contacting the NFIP at 1-888- 379.9531 or TTY# 1-800-427-5593, or online at www.floodsmart.gov or www.fema.gov.

Coastal Market Assistance Program (C-MAP)

C-MAP is a voluntary network of insurers and insurance producers that assist New York homeowners in coastal areas find insurance coverage. C-MAP is administered by NYPIUA.

The program is for owner-occupied, one-to-four family dwellings, apartment units, or condominium units located in the Bronx, Brooklyn, Nassau, Queens, Staten Island, Suffolk and Westchester. On Long Island's south shore and forks, and in Brooklyn, Queens and Staten Island, the dwelling generally must be located within one mile of the shore. On the north shore of Long Island and in the Bronx and Westchester, the home must generally be within 2,500 feet of the shore to qualify for consideration.

Before applying to C-MAP, a homeowner must have received a non-renewal, cancellation, or conditional non-renewal notice from their existing insurer for a reason other than non-payment of premium. For new home purchases, applicants are required to identify the prior homeowners insurer. An insured can generally obtain coverage similar to a homeowners policy with the Basic or Broad Form coverage from NYPIUA, and the liability, personal property, theft and other coverage provided by a voluntary market policy (that includes what is commonly referred to as a "wrap-around" endorsement), from a licensed insurer participating in the C-MAP program.

NYPIUA policies are generally written on an Actual Cash Value basis; however, policies written in conjunction with a voluntary market policy that includes an approved wraparound endorsement can provide building coverage on a replacement cost basis. If a voluntary market policy includes hurricane coverage and insures building and/or personal property in excess of a NYPIUA policy, replacement cost coverage is available from NYPIUA for the personal property as well as the building.

For information about C-MAP, please contact NYPIUA at 1-212-208-9700 or online at www.nypiua.com

Homeowners Insurance in the Excess Line Market

Under certain circumstances prescribed in the New York Insurance Law and regulations, a property owner may purchase homeowners coverage from unlicensed companies. These unlicensed companies are called excess line insurers; a property owner must use a broker, known as an excess line broker, that is specifically licensed for this purpose in New York.

A property owner may obtain homeowners insurance from a New York eligible excess line insurer through a New York-licensed excess line broker only after coverage has been declined by at least three licensed insurers. Excess line insurers are exempt from New York's rate and form filing requirements, so policyholders should read their excess line homeowners policy thoroughly. The coverage and deductibles in these policies may differ from those issued by licensed insurers. It should also be noted that in the event of the insolvency of an excess line insurer, the homeowner is not protected by the Property/Casualty Insurance Security Fund.

MANAGING AND MITIGATING LOSSES

What to Do Before a Loss

Unfortunately, some homeowners and tenants will suffer losses to their homes and possessions. There are usually, however, steps that can be taken to minimize the amount of loss or extent of damage, and to make the filing and processing of a claim a little bit smoother.

In addition to a Household Inventory and a video or photographic record, it might be helpful to engrave your larger possessions (such as televisions, VCRs, stereos, radios) with an identifying mark. This can be done with etching equipment that is usually available, on loan, from your insurance company or local police station. You can also purchase this type of equipment in a hardware or locksmith store. This type of engraving is especially important if any of your possessions are stolen and then recovered. You should also record the serial numbers of any electronic or computer equipment.

Smoke alarms, properly installed and maintained, can provide an early warning of a fire, and may minimize the property damage caused by a fire and, more importantly, save lives. Some homes now have sprinkler systems, which can also minimize fire damage and save lives. Fire extinguishers, strategically placed in your home, can help keep a small fire from becoming a larger one.

Inspect the locks on any door or window that allows access to your home. The installation of dead bolt locks on doors will make entrance into your home more difficult. Basement windows, first-floor windows, or any window opening onto a fire escape should be equipped with a window lock. Before installing iron bars or gates across your windows, you should check with your local fire department to determine whether local fire ordinances allow the use of these devices, as they may prohibit them. In addition, the use of electronic security systems has increased over the past few years. These systems are intended to set off an alarm whenever someone enters a home without using an appropriate security code. For an additional annual fee, a central reporting station will notify your local police precinct whenever the alarm is triggered.

Survey your entire property to check whether you need to trim or cut down trees that are too close to your barns or home. Check for old, damaged trees – especially before a storm -- and consider removal. See if trees need pruning or removing. Property owners have a duty to maintain the trees on their property and inspect property for damaged, distressed, diseased or improperly maintained trees. When in doubt, contact an arborist or an accredited tree care company.

Coastal area residents have experienced major property damage from severe weather storms in recent years. These homeowners might want to consider installing hurricane/storm shutters and/or hurricane resistant laminated glass windows and doors. Insurers are required by law to offer discounts to any homeowner who has installed hurricane/storm shutters or hurricane resistant laminated glass windows and doors.

Consumers with questions about insurance coverage should always first contact their insurance company, broker or agent.

What to Do After a Loss

If you sustain a loss, the first thing to do is to notify your insurance company or agent. You can do this by phone. Follow up with written notification and retain copies of all correspondence.

In addition, it is important to notify your insurance company or agent promptly after an incident takes place that might result in a claim at some later date, although no claim was made at the time the event occurred. For example, if your dog bites a neighbor or a guest falls on your property, the occurrence should be reported to the insurance company in spite of the fact that you don’t know whether any claim is actually going to be made against you. Your failure to notify the company promptly might result in a denial of coverage in the event a claim is filed against you at a later date.

It is also important to protect your property against further damage. For example, if the windows are broken, have them boarded up to protect against loss from vandalism or burglary. The cost of this type of protection is generally covered in a policy and would thus be reimbursed by your insurance company. Be sure to save all receipts for the cost of all temporary fixes. No permanent repairs should be made until your company or its representative has inspected the property. The company has the right to inspect the property in its damaged condition, and can refuse to pay you for any damage that is repaired before inspection.

In some cases, customers and insurers fail to see eye to eye on damage amounts. In such cases it may pay for you to try to negotiate with your insurer.

If the adjuster says your policy doesn't cover certain damage, ask to see the specific contract language. If the dispute is over the damage amount, request a sit-down with the contractor and adjuster to go over the estimate line by line. Still disagree? Get a second opinion from an independent contractor. Patience, persistence, and legwork needed to get multiple estimates often pay off.

If you feel you've been misled by an insurance salesperson about policy wording, contact a lawyer who specializes in insurance law. Arbitration is another option. You can also file a complaint with the Department.

Adjusters, Appraisers & Umpires

After you declare a loss, an adjuster will be sent by your insurance company to examine the damage and give you an estimate of the cost of repair or replacement. You may also get an estimate from your own contractor to compare with the insurance company's estimate. If you need assistance, your agent or broker may be able to help you fill out a claim form, gather the necessary documents and materials and provide very general guidance. It is, however, up to you to prove your loss to the company.

Licensed Public Adjusters

If you are unfortunate enough to experience a major loss such as a fire or severe windstorm which badly damages or destroys your home, and you reach an impasse in negotiating a settlement with your insurance company, you may want to consult an attorney or hire a licensed public adjuster to act on your behalf with your insurance company.

While many consumers can resolve property claims by dealing with their insurers and the assigned adjuster directly, sometimes consumers or businesses will decide they would prefer that someone else handle the insurance claim on their behalf.

In New York, public adjusters are licensed by the Department of Financial Services. When you hire a public adjuster, they represent you, not the insurance company. They will generally help you to take inventory of your loss, secure your home from vandalism, contact your insurance company, advise you on the extent of your coverage and help you secure the services needed to repair or rebuild your home. They will also negotiate on your behalf with the adjuster from the insurance company.

PUBLIC ADJUSTERS

In order to do business in New York, Public Adjusters must be licensed by the Department of Financial Services.

To find a licensed public adjuster, visit our list of **Public Adjusters licensed in New York**.

Public adjusters are paid by the insured, not the insurance company. The amount of the public adjuster's fee is usually expressed as a percentage of the amount recovered and is negotiable, but by law may not be higher than 12.5% of the recovery amount. The adjuster must obtain a signed compensation agreement from you in which the amount of compensation is clearly stated. The agreement you sign to hire a public adjuster may be cancelled without penalty up to midnight of the third business day after the date on which you have signed the compensation agreement. In addition, public adjusters may not solicit your business between the hours of 6 p.m. and 8 a.m.

It's important to keep in mind that if an insured hires a public adjuster, the insurance company may or may not agree with that person's estimate of the scope of damage.

The insurer is not obligated to accept the damages claimed by a public adjuster, though the insurer may negotiate. The insurance company is obligated to settle the claim in accordance with the terms and conditions of the policy it issued to the insured. Whatever the outcome of the claim, the consumer remains responsible for the Public Adjuster's agreed upon fee.

Appraisers and Umpires

If an agreement cannot be reached between you and your insurance company, your policy provides for an appraisal process. Every homeowner, tenant, cooperative apartment and condominium policy issued in New York contains a provision for you and your company to select a competent and disinterested appraiser. The two appraisers, in turn, select an umpire. Each appraiser must evaluate the loss and determine the value of each item. Any disagreements between the appraisers regarding the value of any items are submitted to and settled by the umpire. The costs of this process are paid by the policyholder and the insurance company. Note that the appraisal process is not available for disputes involving the cause of the damage.

CANCELLATIONS AND NONRENEWALS

Cancellations

Under the present law in New York State, an insurance company may generally cancel your homeowners or tenants policy by issuing a cancellation notice during the first 60 days it is in effect as long as the cancellation notice states the specific reason or reasons for the cancellation.

After your policy has been in effect for 60 days it may not be cancelled or non-renewed for a three-year period, except generally for the following reasons:

- nonpayment of premium (however, if payment is received by the company within 15 days of the mailing of the cancellation notice the policy will not be cancelled);
- conviction of a crime arising out of acts increasing the hazard insured against;
- discovery of fraud or material misrepresentation in obtaining the policy or in the presentation of a claim under the policy;
- discovery of willful or reckless acts or omissions increasing the hazard insured against;
- physical changes in the property occurring after issuance or last annual anniversary date of the policy which result in the property becoming uninsurable in accordance with the insurance company's objective, uniformly applied underwriting standards in effect at the time the policy was issued or last voluntarily renewed; or
- a determination by the Superintendent that the continuation of the policy would violate or would place the insurer in violation of the Insurance Law.

At the end of this three-year period, your company may refuse to renew your policy.

By law, any notice of nonrenewal must be provided at least 45 days, but not more than 60 days, prior to the expiration date of the policy.

Non-Renewal

A homeowners insurance policy is purchased to cover sudden and unexpected large losses. Homeowners should be careful about filing multiple small claims over a short period of time, as some carriers have restrictions on the number of claims you can file before you are designated a higher risk customer, which may result in your homeowners policy being non-renewed.

The decision to file a claim for damage or a loss that is covered under your policy is up to you, but when it comes to minor damage you may want to consider paying for repairs out-of-pocket.

Tips for Avoiding Non-renewal

Consider carrying a higher deductible. This will save you money on your premium and discourage you from filing multiple small claims.

Perform regular home maintenance. Preventing damage from typical in-home mishaps that can be easily avoided may save you from future risk.

Learn your home's claims history. If you are buying an existing home, find out what claims have been filed in recent years. Water loss claims, for example, can impact whether the property is considered higher risk. Before purchasing a property, you can request that the current owner of the property order a Comprehensive Loss Underwriting Exchange or CLUE report. A CLUE report is generated by a claims history database managed by LexisNexis® and enables insurance companies to access consumer claims information when they are underwriting or rating an insurance policy.

If Your Homeowners Policy is Non-Renewed

There is a difference between cancellation and non-renewal. An insurer cannot cancel a policy that has been in force for more than 60 days except:

- If you fail to pay the premium.
- If you have committed fraud or made serious misrepresentations on your application.

Non-renewal is a different matter. Either you or your insurance company can decide not to renew the policy when it expires. In New York, an insurance company must give you 45 – 60 days notice and explain the reason for non-renewal before it drops your policy. If you want a further explanation, call the insurance company. If you think the reason for non-renewal is unfair, you can file a complaint with the Department of Financial Services.

Your company may have decided to drop a particular line of insurance or to write fewer policies where you live, so you shouldn't necessarily think the non-renewal is because of something you did. On the other hand, if you did do something that raised the insurance company's risk considerably, like committing fraud, your policy may not be renewed.

If your insurance company did not renew your policy, you will not necessarily be charged a higher premium at another insurance company.

FILING A COMPLAINT

The Department investigates complaints by policyholders and claimants against their insurance companies, agents, brokers or adjusters regarding claims, cancellations and other issues surrounding homeowners insurance.

If you feel you have been treated unfairly by an insurance company, insurance agent, broker or adjuster, or any other licensee of the New York State Department of Financial Services, you are urged to bring this matter to the attention of the Department of Financial Services by filing a complaint.

www.dfs.ny.gov
(800) 342-3736