

Homeowners Insurance

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A home is usually a person's most expensive possession. Protecting it — and what's in it — is extremely important. Whether you own your home or rent a place to live, you'll need to purchase insurance. The average homeowners premium in Michigan is \$740, according to a report by the National Association of Insurance Commissioners (NAIC).

Types of policies

The two most common types are HO-2 and HO-3. The **Broad Form** (HO-2) covers damage to the dwelling and possessions from specific perils such as explosion, fire, lightning, windstorm, hail, riot, civil commotions, theft, vandalism, falling objects, smoke, and damage from a vehicle or aircraft.

A **Special Form** (HO-3) covers damage to personal property from the same perils as the Broad Form. The structure is covered against **all perils**, except a specific few. There is also a policy to meet the specific needs of condominium owners — HO-6.

Do renters need insurance?

Yes. Renters should not overlook the need for insurance. If a renter's building is destroyed, the landlord or property owner's policy will cover the structure only. To recover for the loss of personal belongings, the renter must have his/her own policy.

There is a policy tailored to fit the needs of renters. The renters policy, or HO-4, covers damage to possessions which result from certain causes. It is similar to the policy purchased by the owner of a house. The primary difference is that the renters policy does not include coverage on the building.

The average renters premium in Michigan is \$182, according to the NAIC.

What other coverages are provided?

A homeowners or renters policy provides more than just financial protection for the property and/or contents. The policy also includes liability coverage. This coverage applies to you as well as any family members living in the household.

This portion of the policy provides coverage for legal liabilities if someone is injured on the premises. It also includes the cost of defending you in the event of a lawsuit.

Coverage is also provided for: 1) medical expenses resulting from minor injuries to others occurring on the property, and 2) damage that you or a family member might cause accidentally to another person's property.

Do homeowners policies provide coverage for personal property?

A homeowners insurance policy **does** cover personal belongings as well as the home itself. Coverage for personal property located on the premises is usually 50% of the insurance on the dwelling.

However, both homeowners and renters policies usually provide limited amounts of coverage for certain types of personal property. Those items, which are susceptible to loss include cash, securities, jewelry and firearms. Coverage for cash has a \$200 limit, while coverage for other valuables varies between \$1,000 and \$2,500. For an additional premium, the consumer can purchase an endorsement that describes and insures each item for a certain dollar value.

Homeowners and renters insurance policies may cover contents on an **actual cash value** basis. That means the insurance company will pay the replacement cost, less depreciation.

However, a policy can be purchased to cover contents on a **replacement cost** basis. If personal property is destroyed, the insurance company will pay if you repair or replace it — without deducting for depreciation.

What is the difference between a replacement cost policy and a repair cost policy?

A **replacement cost** policy is the most common type of dwelling insurance. It pays for replacing, rebuilding or repairing the dwelling to its original condition with materials of like kind and quality. Another option offered by some insurance companies is the **repair cost** policy. This type of policy pays to replace, repair or rebuild damaged dwellings to a similar condition, using contemporary materials.

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Factors That Determine The Cost Of Home Insurance Premiums

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construction; and if there is unusually high or low incidence of theft and arson where the home is located.

Type of home. A home's size, type of construction, building material components and number of units are just some of the important factors which determine a home's insurance costs because they affect what it would cost the insurance company should they have to rebuild the home.

Saving Money on Homeowners Insurance

Shop around. Prices vary from company to company, so it pays to shop around. Get at least three price quotes. You can call companies directly or access information on the Internet.

Raise your deductible. A deductible is the amount of money you have to pay toward a loss before your insurance company starts to pay a claim. The higher your deductible, the more money you save on your premium. Consider a deductible of at least \$500.

Buy your home and auto policies from the same insurer. Most companies that sell homeowners insurance also sell auto insurance policies. Some insurance companies will reduce your premium by 5 percent to 15 percent if you buy two or more insurance policies from them.

Ask about other discounts. You can usually get discounts of at least 5 percent for a smoke detector, burglar alarm or dead-bolt locks. Some companies may cut your premiums by as much as 15 or 20 percent if you install a sophisticated sprinkler system and a fire and burglar alarm that rings at the police, fire or other monitoring stations. Before you buy one, find out what kind your insurance company recommends, how much the device would cost and how much you'd save on premiums. Seek out other discounts for being in a group or being a senior citizen.

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Average Homeowners Insurance Premiums By State - 2010

<u>State</u>	<u>Average Premium</u>
Alabama	\$1,050
Alaska	903
Arizona	666
Arkansas	984
California	939
Colorado	926
Connecticut	1,052
Delaware	1,065
District of Columbia	636
Florida	1,544
Georgia	833
Hawaii	938
Idaho	500
Illinois	793
Indiana	748
Iowa	679
Kansas	1,066
Kentucky	766
Louisiana	1,546
Maine	676
Maryland	784
Massachusetts	1,050
Michigan	743
Minnesota	981
Mississippi	1,217
Missouri	970
Montana	783
Nebraska	901
Nevada	696
New Hampshire	791
New Jersey	867
New Mexico	774
New York	1,044

North Carolina	757
North Dakota	895
Ohio	614
Oklahoma	1,246
Oregon	535
Pennsylvania	716
Rhode Island	1,092
South Carolina	997
South Dakota	678
Tennessee	852
Texas	1,560
Utah	558
Vermont	730
Virginia	753
Washington	595
West Virginia	699
Wisconsin	563
Wyoming	748

Countrywide **\$909**

Source: National Association of Insurance Commissioners



Top Writers of Home Insurance in Michigan

<u>Company/Group</u>	<u>Written Premium</u>	<u>Market Share</u>
1. State Farm	\$433,479,000	18.5%
2. Home-Owners	\$343,327,000	14.6%
3. Auto Club	\$322,250,000	13.7%
4. Citizens	\$222,406,000	9.5%
5. Allstate	\$217,060,000	9.2%
6. MI Farm Bureau	\$112,155,000	4.8%
7. Farmers Ins. Group	\$100,356,000	4.3%
8. Frankenmuth	\$79,646,000	3.4%
9. Liberty Mutual	\$88,487,000	3.8%
10. Pioneer	\$52,445,000	2.2%

Source: A.M. Best 2012

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Renters Insurance

Renters shouldn't overlook the need for insurance.

If a renter's building is destroyed, the insurance policy purchased by the landlord or property owner will cover the structure only. To recover for the loss of personal items, including furnishings, a renter must have purchased a policy.

However, a study released by the Independent Insurance Agents and Brokers of America indicated that nearly two-thirds of those living in U.S. rental properties are uninsured.

There is a policy tailored to fit the needs of renters. The renter's policy or HO-4 covers damage to possessions which result from perils such as explosion, fire or lightning, windstorm or hail, riot or civil commotion, theft and vandalism. It is similar to the package policy which is purchased by the owner of a house.

The average cost of a renter's insurance policy in Michigan is \$182 annually.

Although the renter's policy covers personal belongings such as furniture, appliances, clothing and jewelry, there are limitations on the amounts of coverage for certain types of personal property which are especially susceptible to loss. For example, coverage for cash generally has a \$200 limit. Dollar limitations for other valuables, such as jewelry, furs, firearms and silverware vary between \$1,000 and \$2,500 for loss by theft. Also, most renter's policies provide limited or no coverage for home computers. For an additional premium, consumers can purchase a policy endorsement which specifically describes each item and includes its dollar value.

The renter's policy usually includes several other coverages, such as additional living expenses which might be incurred if the residence is temporarily uninhabitable following a loss; personal liability insurance if someone is injured in your residence; and alterations or improvements the renter has made to the building at his/her own expense.



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Michigan Basic Property Insurance Association

Michigan Basic Property Insurance Association was established on October 29, 1968, along with 27 other state FAIR Plans (Fair Access to Insurance Requirements). The FAIR Plans were a result of the Federal Omnibus Housing Bill, passed on August 1, 1968.

The Omnibus Bill passed by the federal government provided for riot reinsurance if insurance companies would join together in statewide pools to offer basic property insurance to those who were ineligible in the voluntary market. The bill gave the responsibility of the formation of FAIR Plans and their operations to individual states.

Michigan Basic's purpose is to provide fair access to property insurance at standard rates regardless of property location.

Flood Insurance

In 1968 Congress created the National Flood Insurance Program (NFIP) in response to the rising cost of taxpayer-funded disaster relief for flood victims and the increasing amount of damage caused by floods.

The NFIP makes federally-backed flood insurance available in communities that agree to adopt and enforce floodplain management ordinances to reduce future flood damage.

Currently, about 797 Michigan communities participate in the federal program, and over 26,654 policies are in force with coverage of nearly \$4 billion. Under the NFIP, a flood is defined in part as a general and temporary condition of partial or complete inundation of normally dry land areas from overflow of inland or tidal waters, or from the unusual and rapid accumulation of runoff of surface waters from any source.

It is important to note that this flood definition covers general street flooding that enters a home, and not just from a river. In the standard flood insurance policy, direct physical losses by flood are covered. Also covered are losses resulting from erosion caused by waves or currents

of water exceeding anticipated cyclical levels or erosion accompanied by a severe storm, flash flood, abnormal tidal surge, or the like. Basement flooding is a covered hazard under the NFIP policy. However, homeowners should be aware that personal property is not covered in a basement location. Losses from water seepage, sewer backup, or hydrostatic pressure are covered only when they occur in conjunction with a general condition of flooding.

To purchase flood insurance under the program, residents must live in one of the participating communities. Coverage can be obtained through most licensed property/casualty insurance agents. If you would like more information about the NFIP, please contact the Michigan Department of Environmental Quality, Land and Water Management Division, P.O. Box 30458, Lansing, MI 48909, by email to thomasl@michigan.gov, or by telephone at 517-335-3448.

Tornadoes In Michigan

An average of 16 tornadoes occur in Michigan each year. Since 1950, 243 persons have been killed due to tornadoes. During this same time, Michigan has experienced 965 tornadoes.

Most tornadoes occur during the months of May, June, July and August in the late afternoon and evening hours. However, tornadoes can occur anytime of the day or night in almost any month during the year.

A tornado/severe thunderstorm **watch** is issued whenever conditions exist for severe weather to develop. Watches are usually for large areas about two-thirds the size of Lower Michigan and are usually two-to-six hours long. Watches give you time to plan and prepare. A tornado **warning** is issued whenever a tornado has been sighted or Doppler Radar indicates a thunderstorm capable of producing a tornado. If a **warning** is issued, take cover immediately.

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Tornadoes in Michigan

Tornadoes By County - 1950-2013

<u>County</u>	<u>1950-13</u>	<u>2013</u>
Alcona	11	0
Alger	6	0
Allegan	29	0
Alpena	14	0
Antrim	9	0
Arenac	7	0
Baraga	2	0
Barry	18	0
Bay	13	0
Benzie	4	0
Berrien	31	0
Branch	17	0
Calhoun	16	0
Cass	16	1
Charlevoix	4	0
Cheboygan	6	0
Chippewa	6	0
Clare	8	0
Clinton	17	0
Crawford	11	1
Delta	11	0
Dickinson	9	0
Eaton	25	0
Emmet	5	0
Genesee	45	4
Gladwin	9	0
Gogebic	3	0
Grand Traverse	4	0
Gratiot	15	0
Hillsdale	23	0
Houghton	1	0
Huron	13	0
Ingham	28	0
Ionia	17	0
Iosco	12	0
Iron	6	0
Isabella	13	0
Jackson	17	0
Kalamazoo	25	0
Kalkaska	7	0

Kent	31	0
Keweenaw	2	0
Lake	2	0
Lapeer	20	1
Leelanau	4	0
Lenawee	32	0
Livingston	26	2
Luce	3	0
Mackinac	6	0
Macomb	20	0
Manistee	2	0
Marquette	7	1
Mason	5	0
Mecosta	9	0
Menominee	8	0
Midland	9	1
Missaukee	8	0
Monroe	32	1
Montcalm	11	0
Montmorency	6	0
Muskegon	8	1
Newaygo	13	1
Oakland	31	0
Oceana	5	0
Ogemaw	14	0
Ontonagon	3	0
Osceola	16	0
Oscoda	5	0
Otsego	4	1
Ottawa	19	0
Presque Isle	6	0
Roscommon	8	0
Saginaw	23	0
Sanilac	15	0
Schoolcraft	3	0
Shiawassee	28	2
St. Clair	21	0
St. Joseph	11	0
Tuscola	17	0
Van Buren	19	0
Washtenaw	26	1
Wayne	29	0
Wexford	8	0

Source: Michigan Committee for Severe Weather Awareness

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Fire In Michigan

The number of fires reported in Michigan in 2012 were **31,042**, compared to 29,601 in 2011.

<u>County</u>	<u>2012</u>	<u>\$ Loss</u>
Alcona	43	\$311,350
Alger	16	455,500
Allegan	201	1,314,851
Alpena	49	306,550
Antrim	76	729,932
Arenac	45	300,200
Baraga	13	65,000
Barry	100	1,973,363
Bay	258	1,667,755
Benzie	34	941,000
Berrien	433	9,063,221
Branch	148	2,796,752
Calhoun	282	3,521,538
Cass	145	1,590,225
Charlevoix	43	1,233,450
Cheboygan	56	333,500
Chippewa	83	1,344,760
Clare	97	453,700
Clinton	105	1,847,750
Crawford	89	796,939
Delta	69	1,560,000
Dickinson	51	615,570
Eaton	355	4,258,708
Emmet	85	492,600
Genesee	1,134	11,992,601
Gladwin	36	415,400
Gogebic	16	129,200
Grand Traverse	177	1,921,483
Gratiot	95	230,200
Hillsdale	2110	830,190
Houghton	49	429,500
Huron	49	961,745
Ingham	673	2,133,312
Ionia	83	206,810
Iosco	111	2,213,150
Iron	42	126,700
Isabella	79	805,656
Jackson	347	3,129,269
Kalamazoo	452	3,177,470
Kalkaska	34	250,000
Kent	1,295	14,587,874
Keweenaw	5	13,550

<u>County</u>	<u>2012</u>	<u>\$ Loss</u>
Lake	57	\$187,100
Lapeer	193	5,819,870
Leelanau	35	454,250
Lenawee	212	2,837,593
Livingston	355	6,936,652
Luce	0	Not Reported
Mackinac	24	75,130
Macomb	1,547	23,110,500
Manistee	47	764,650
Marquette	140	1,943,600
Mason	69	1,520,200
Mecosta	80	703,950
Menominee	55	741,470
Midland	150	2,099,410
Missaukee	51	951,375
Monroe	264	3,457,131
Montcalm	163	1,981,201
Montmorency	21	Not Reported
Muskegon	515	7,209,391
Newaygo	97	1,451,451
Oakland	1,837	32,407,297
Oceana	67	353,819
Ogemaw	81	3,407,000
Ontonagon	3	65,000
Osceola	48	38,150
Oscoda	46	730,500
Otsego	18	793,500
Ottawa	396	6,385,041
Presque Isle	42	1,034,775
Roscommon	83	583,910
Saginaw	776	5,819,821
St. Clair	372	5,831,786
St. Joseph	31	882,000
Sanilac	44	5,502,500
Schoolcraft	26	146,950
Shiawassee	66	479,800
Tuscola	134	22,333,600
Van Buren	212	2,269,400
Washtenaw	710	112,504,278
*Wayne	8,496	299,218,707
Wexford	96	3,794,960
TOTAL	25,226	\$664,561,082

Source: Michigan Bureau of Fire Services