A CONSUMER GUIDE TO

HOMEOWNERS INSURANCE

Maryland
INSURANCE ADMINISTRATION

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INTRODUCTION

The Maryland Insurance Administration (MIA) is an independent state agency that regulates Maryland's insurance marketplace and protects consumers by ensuring that insurers and insurance producers (also known as agents or brokers) act in accordance with insurance laws. We produced this guide to help educate Maryland residents about homeowners insurance.

The Insurance Administration is also responsible for investigating and resolving complaints and questions concerning insurers that do business in Maryland.

WHY YOU NEED HOMEOWNERS INSURANCE

Most people do not think about homeowners insurance until they have reason to use it. Although we know that fires, thefts and accidents occur, we tend to think, *"Odds are, that will never happen to me."*

Well, odds are more likely that, at some point, you will experience a fire, theft, accident or other loss that may be covered by homeowners insurance. Purchasing homeowners insurance will not prevent fires, thefts or some other types of loss, but it can help you recover from the financial effects of a loss that is covered by your policy.

A homeowners policy also can protect you if someone is hurt or has their property damaged because of something you do or if something that you own hurts someone else or damages their property.

You also will need insurance to protect your lender if you have borrowed money to purchase your home. Most mortgage holders require you to have homeowners insurance and that the policy name the mortgage holder as an additional insured under the policy in order to protect their financial interest in your home. However, even if you do not have a mortgage on your home, you may still want to purchase a homeowners insurance policy to protect you from financial harm in the event of a covered loss.

Whether you live on a farm, or own or rent an apartment, condominium, home or mobile home, your home and its contents are probably your largest and most important investment. A homeowners policy will help you protect your investment. There are different types of homeowners policies available to fit your housing situation.

TYPES OF HOMEOWNERS POLICIES

Homeowners insurance policies vary according to the types of property they are designed to cover and the number of *perils* (causes of loss) that they cover. Policies may be of the *named peril* type (fire, windstorm, hail, vandalism, theft, etc.) or of the *open perils* type (coverage for all causes of loss unless the cause of loss is specifically excluded), or a combination of both. While a number of insurers (or insurance companies) offer the same type of coverages, many sell a policy that provides extra or broader coverages.

Policies have various names depending on the insurer that sells them. However, standard homeowners insurance policies are often referred to as:

- HO-2 Broad Form (Named Peril)
- HO-3 Special Form
- HO-4 Renters Insurance (Contents Broad Form)

- HO-6 Condominium Unit Owners
- Market Value or Older Homes Forms (Modified Coverage Form)

The type of policy you choose should depend on:

- Your type of housing;
- How much you are willing or able to pay;
- How much coverage you believe is necessary for your situation.

The property damage section of named peril policies contains a promise to pay for losses to your home and/or its contents when caused by the perils specifically named in the policy. If your property is damaged due to a peril not listed in the policy, your insurer will not pay for the damage. The named peril policy covers most, but not all, of the common causes of damage to a person's home or belongings. If you are considering purchasing this type of policy, be sure that you understand the type of coverage it provides.

An open perils policy, or all-risk policy, provides coverage for all causes of loss unless the specific cause of loss is excluded from coverage under the policy. The open perils policy typically provides broader protection than a named peril policy, as it tends to cover more causes of loss . Often, the extra premium for this type of policy is relatively small. When shopping for insurance, ask for a price quotation on both an all-risk policy and a named peril policy. If the difference in price is affordable, you may want to buy the open perils or all-risk policy for broader insurance coverage.

Most insurers also sell a homeowners policy that combines the features of the all-risk policy and the named peril policy. This policy is called the *Special Form (HO-3).* The property damage section of this policy provides open peril coverage on the building and other structures by promising to pay for all losses to your property except when the loss was caused by a peril that is specifically excluded by the policy. It provides named-peril coverage for the contents of your home. The named perils are usually those listed in the Broad Form (HO-2). (See list on the next page.)

A QUICK SUMMARY OF COVERAGE UNDER EACH TYPE OF POLICY

A. The HO-2 (Broad Form) is a named peril policy, which generally covers the following perils:

1. Fire and lightning
2. Removal of property endangered by any insured peril
3. Windstorm
4. Hail
5. Explosion
6. Riot and civil commotion
7. Vehicle or aircraft damage to your property
8. Smoke
9. Vandalism and malicious mischief
10. Breakage of glass
11. Theft
12. Falling objects
13. Weight of ice, snow, or sleet damage
14. Collapse of building and any part thereof
15. Sudden and accidental damage, cracking, burning or bulging from steam or hot water heating system or appliances for heating water
16. Accidental discharge or overflow of water or steam from plumbing or heating systems
17. Freezing of plumbing, heating or air conditioning systems and domestic appliances
18. Sudden and accidental injury from artificially generated electrical currents
19. Limited coverage for trees, shrubs or plants
20. Additional living expenses
21. Personal liability insurance protection
22. Medical payments coverage

B. The HO-3 (Special Form) generally provides the following coverage:

1. Covers a building against all perils unless specifically excluded. Common exclusions are: flood, earthquake, neglect, wear and tear and deterioration, war, nuclear accident, damage resulting from freezing of an unoccupied building, enforcement of an ordinance, damage to fences, patios, swimming pools, etc., caused by freezing, thawing or pressure or weight of ice or water, whether driven by wind or not.
2. Covers personal property against damage or loss caused by perils listed in Form HO-2.

Read your policy to find out what is covered and what is excluded.

C. The HO-4 (Renters Insurance). This policy insures your household contents or personal possessions, provides for additional living expenses in the event of a covered loss that makes your home, apartment or condominium uninhabitable, provides you with liability coverage, and provides for medical payments to others. It covers all perils listed in the HO-2 Form.

D. The HO-6 (Condominium Unit Owners). This policy protects condominium unit owners against loss or damage to their personal property and may include coverage for any additions or alterations to the interior of the condominium unit not insured by the condominium association (these are known as "improvements and betterments"). The policy covers all perils listed in the HO-2 Form. You also can purchase an endorsement to your HO-6 policy that would provide you with coverage for loss assessments in certain situations, a fee charged by your condominium association. Your insurance producer will be able to explain the limits to the alterations and additions coverage, and help you determine whether you need to increase your policy limits.

Condominium Act Issues

The Maryland Condominium Act requires the condominium association to purchase a master insurance policy that provides primary coverage for casualty losses to the common areas, the actual structure, and the individual units, exclusive of the improvements and betterments made to the unit after the unit was transferred from the developer to the first owner. Thus, the condominium association is primarily responsible for making repairs in the event of a casualty loss, and the bulk of insurance protection is provided by a master policy purchased by the condominium association. But, individual unit owners can be held personally liable for injuries incurred by a visitor to their unit. The master policy does not provide any protection for the individual unit owner's personal property (contents), improvements or betterments made by the unit owner, or the loss of use of the unit following a loss. Buying an HO-6 policy can help protect the individual unit owner in the event of such damages. The owners association can require all unit owners to purchase an HO-6 policy.

E. The Market Value Form. This policy is designed for older homes usually constructed in a manner that makes it very expensive to repair the home following a loss in the same manner as the original construction. The Market Value Form allows owners of older homes to carry lower limits of insurance, rather than the 80% to 100% of replacement cost typically required by an HO-2 or HO-3 policy. This policy generally provides for returning the property to livable condition with the use of commonly used building materials, as opposed to materials of the same kind and quality used in the original construction.

F. Deductibles. Homeowners insurers offer policyholders different deductible options. For example, if you select a $250 deductible, this means that you agree to pay $250 out of your own pocket to repair damage to your home or personal property for each damage claim before you are entitled to collect any money from your insurer. This deductible does not apply to claims under the liability or medical payments coverages.

You may purchase a homeowners policy with a larger deductible amount such as $500 or $1,000 or more. The advantage of choosing a higher deductible is that your annual premium should be less. The disadvantage of a larger deductible is that you will have to pay more out of your own pocket each time a claim or loss occurs before your insurer would be obligated to make any payment. You should ask your insurer or insurance producer how much your premium will be reduced by increasing the amount of your deductible to determine whether this cost savings is worthwhile.

Some homeowners policies contain special deductibles for losses caused by wind, hurricanes or other storms. These deductibles are applied instead of the "all peril" or general policy deductible if the damage is caused by wind, hurricanes or other storms. ***Some insurers automatically include a deductible for wind, hurricanes or other storms, while other insurers make these deductibles available at the option of the policyholder. Some deductibles for wind, hurricanes or other storms are written as a flat amount, such as $1,000, while others are applied to the loss as a percentage of the insurance coverage on the dwelling.*** For example, assume a wind storm causes $3,000 damage to your house and your dwelling is insured for $100,000. If you had a $1,000 deductible for wind storms on your policy, your insurer would pay $2,000 towards the damage. Using that same example, but changing the cause of loss to a hurricane, if your policy has a 2% hurricane deductible, the deductible would be $2,000 (2% of your $100,000 limit) and the insurer would pay $1,000 towards the damage. By law, if the policy requires that a deductible in the case of a hurricane or other storm be expressed as a percentage, it cannot exceed 5% of the coverage limit unless the Insurance Commissioner has granted written approval to the insurer. However, you can purchase a wind, hurricanes or other storms deductible in an amount greater than 5% if you so choose. When the insurer requires a deductible equal to a percentage of the dwelling coverage limit, it is also required to provide the policyholder with an annual statement explaining the manner in which the deductible is applied. Please ask about this deductible when shopping for insurance to become aware of how it may affect you.

Also, some insurers may charge a different deductible for certain claims. For example, you may have an "all peril" deductible of $1,000 for all claims except for water/sewer backup, which might have a $5,000 deductible. If you do not understand your deductible(s), contact your insurer or insurance producer.

G. Mobile Home Policies. There are some special considerations for those purchasing mobile homeowners insurance. Some insurers require notice before your mobile home is moved or all protection under the policy may be suspended. In addition, the typical mobile homeowners policy usually does not cover collision damage to your mobile home while it is in-transit. You can usually buy trip collision coverage from your insurer to cover a certain number of days while you move your mobile home. If you are planning to move your mobile home, you should contact your insurer or insurance producer to be sure that you have the appropriate insurance coverage.

H. Flood Insurance. Most standard policies for homeowners, farm and ranch owners, renters and condominiums do NOT cover damage caused by rising waters; however, mobile home policies may cover this. Flood insurance is an optional coverage offered through the federal government, some private insurers and other sources. Many homeowners insurers and their insurance producers sell National Flood Insurance Program (NFIP) policies for the federal government.

The Standard Flood Insurance Policy defines "flood" as:

A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is your property) from:

- Overflow of inland or tidal waters;
- Unusual and rapid accumulation or runoff of surface waters from any source;
- Mudflow*; or
- Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined above."

*Mudflow is defined as: "A river of liquid and flowing mud on the surfaces of normally dry land areas, as when earth is carried by a current of water…"

Even if you do not live in a floodplain area, you may still purchase flood insurance through the federal government as long as the building is located in a community qualifying for the NFIP. You should also know that flood insurance policies do not automatically provide coverage for your contents or personal property. You need to purchase this coverage separately and in addition to the coverage for your home.

You may contact a local insurance producer to apply to the NFIP. The insurance producer will then submit your application and premium to the NFIP or to an insurer that issues policies on behalf of the NFIP. If you need additional information about the types of properties that are insurable under the NFIP or the limits on amounts of insurance, you should contact your insurance producer or the NFIP. For a more detailed explanation of the flood insurance program, refer to our brochure entitled *An Insurance Preparedness Guide for Natural Disasters.* It is available on our website at *www.insurance.maryland.gov.* You may also visit *www.floodsmart.gov* or call 800-621-FEMA (3362) for flood insurance information.

BASIC COVERAGES INCLUDED IN A HOMEOWNERS INSURANCE POLICY

A homeowners insurance policy is a package policy that combines more than one type of insurance coverage into a single policy. The cost of the package policy is usually cheaper than if all of the coverages were to be purchased separately. There are four types of coverages contained within the standard homeowners insurance policy:

- **Property damage coverage** protects your home, other structures and belongings if they are damaged or destroyed by certain covered causes of loss.
- **Liability coverage** will pay if you unintentionally cause an injury to another person or cause damage to another person's property that you are legally liable for.
- **Medical payments coverage** will pay up to a specified amount for medical expenses incurred by people injured in an accident in your home and certain situations away from your home, regardless of whether you were at fault. This coverage does not apply to you or a member of your household.

- **Additional living expenses** coverage will pay for the additional expenses you incur when you cannot live in your home because of damage or loss that is covered by your policy. For example, if you are required to move into a motel or apartment while your home is being repaired following a covered loss, your insurer will pay the cost of this temporary housing subject to the policy's terms, conditions and limits.

A. Property Damage Coverage

Many years ago, most people bought insurance that would protect against damage to their home only if it was damaged as a result of fire. Over the years, insurers began to offer protection for property damage or loss resulting from other causes such as windstorm, hail, vandalism and theft.

Today, named peril policies provide coverage for damage to property that arises from multiple causes, as set forth earlier in this guide, that are specifically identified in the policy. Open peril or all-risk policies provide coverage for all causes of damage to property unless the cause of loss is specifically excluded by the policy language.

B. Liability Coverage

When you or a member of your family are legally responsible for injury to others or damage to the property of others, the liability coverage under your homeowners policy requires your insurer to pay, on your behalf, for the damage you caused (up to the policy limits) and for a lawyer to defend you in the event that a lawsuit is filed against you. Liability coverage in a homeowners policy is not limited to accidents that occur at your home. It may provide protection to you and your family wherever an accident may occur.

However, the liability coverage is subject to limitations. Liability coverage will not protect you if you are sued for something you did as part of your job or for something you did intentionally to harm someone else. In addition, your homeowners policy will not pay for your liability arising out of the use of an aircraft, an automobile or most motorized land vehicles, including mopeds, while in use away from the insured property. You will require a different kind of insurance policy for those types of liability coverages.

C. Medical Payments Coverage

Medical payments coverage is usually contained in the liability section of your homeowners policy. Unlike liability coverage, which provides protection only if you are at fault (see paragraph B on the previous page), medical payments coverage pays if someone is injured in your home regardless of fault. For example, if a neighbor's child chips a tooth while playing in your home, the medical payments portion of your homeowners policy will pay for necessary dental work up to the amount specified in the policy.

At a minimum, this part of your policy will pay, up to a specified limit, for reasonable and necessary medical expenses incurred within three years from the date of injury or accident in your home. This coverage does not apply to you and members of your household.

Medical payments coverage limits generally are applicable to each person, as opposed to each accident. Your insurer may offer higher limits for your medical payments coverage, but this typically will result in a higher premium.

D. Additional Living Expenses

If it is necessary for you to move into a temporary residence (such as a motel or apartment) as a result of damage caused by a peril covered by your policy, your insurer will pay reasonable and necessary additional living expenses you incur. However, your insurer may not pay for all the living expenses that you incur. It typically pays only for those expenses that are beyond your normal and customary expenses, not any expenses you would pay regardless of whether you are living in your home. While Maryland law requires that your policy provide up to 12 months of coverage for additional living expenses, your insurer will only be responsible for paying for the reasonable period of time needed to complete the repairs. In addition, this coverage is usually subject to a monetary limit, so be sure that you are aware of this limit before incurring any such expenses. Talk to your insurer or insurance producer to find out the details of what your policy covers.

An example of normal and customary expenses is food costs. If you are in a hotel, eating out for meals would not be a usual expense for you and would be reimbursed for the reasonable amount above what you normally would spend for food prior to the loss. However, if you are placed in housing with kitchen facilities, then eating out would not be covered as an additional expense, as you would have to buy food and eat regardless of the damage or loss to your home.

E. Other Coverages

The homeowners insurance policy also provides limited coverage for other structures on your property, your personal property if it is away from your home, trees and shrubbery, and debris removal.

Out-Buildings on Your Property – In this part of your homeowners policy, your insurer promises to pay if a structure not attached to your home, such as a detached garage, tool shed, swimming pool, fence or other building on your property, is damaged by a peril covered by your policy. More coverage is available for an additional premium. This coverage may not be included in certain types of homeowners policies such as a renters insurance policy.

Personal Property – The amount of insurance protection for the contents of your home is usually reflected on the Declarations Page of the policy. Your homeowners policy also provides more limited coverage for personal property if it is stolen or damaged away from your home, such as when you are on vacation and your suitcase is stolen with your personal property in it.

Coverage is limited to very small amounts for certain types of property that are particularly susceptible to loss such as cash, securities, jewelry, furs, manuscripts, and stamp or coin collections. You may receive a total of only $1,500 for all furs or jewelry stolen in a single theft. A $500 limit usually applies to all securities, receivables, travel tickets, and stamp collections. A coverage limit of only $100 is typical for all money, coins, or bank notes regardless of the actual amount lost. Additional amounts of insurance can be purchased separately. ***You should ask your insurer or insurance producer for information about scheduling valuable items separately and the cost of such additional coverage.***

Trees, Shrubs, and Plants – This part of your policy provides protection against damage to greenery on your property. The coverage on trees, shrubs, and plants is provided only against certain perils. For example, damage to greenery caused by windstorm or ice is not usually covered, even if you buy an open perils policy. The total amount your policy will cover for damage to trees, shrubs, and plants usually is limited to 5% of the policy limit on your dwelling with a $500 maximum per loss. You should check your policy to see what your limit is for this coverage.

Debris Removal – This part of your policy traditionally pays to remove debris from damaged property if the damage that caused the debris is covered by your policy. Your policy also may pay to remove fallen trees that cause damage to your covered property. This coverage is subject to a dollar limitation, which may be indicated on the Declarations Page of your policy or within the policy itself.

Mold Coverage – Not all insurance policies provide coverage for mold damage, but some do. Some policies exclude coverage for any type of mold damage, some insurers provide coverage to the insured if the mold arises out of a covered cause of loss (such as a broken pipe), and some insurers exclude coverage for any liability claims arising out of mold. As coverage for mold and mold-related claims vary by insurer, you should read your policy and ask your insurer or insurance producer if you have coverage for mold claims, and if so, under what circumstances and in what amount you would have coverage.

SPECIAL NOTICES ABOUT YOUR COVERAGE

- **Annual Summary of Coverages and Exclusions:** When you first purchase a homeowners insurance policy and at each renewal, you will receive an Annual Statement that summarizes the coverage and exclusions under your policy. This Annual Statement may help you understand your policy, but it is not a substitute for your policy, as all rights, duties and obligations are controlled by your insurance policy and contract of insurance.

- **Notice Regarding Flood Insurance and Statement of Additional Optional Coverages:** Remember, most standard homeowners insurance policies do NOT cover losses resulting from floods. When you first purchase your homeowners insurance policy, you will receive a written notice advising you that the standard homeowners insurance policy does not cover flood, and it will advise you how to purchase flood insurance.

In addition, at the time you apply for homeowners insurance, you will receive a list of optional additional coverages that your insurer sells, which you may choose to purchase to supplement your homeowners insurance policy. If you have any questions about optional coverages or their cost, you can ask the insurer or insurance producer when you purchase the insurance policy.

FACTORS IN THE COST OF HOMEOWNERS INSURANCE

When you apply for homeowners insurance, insurers evaluate your risk and the likelihood you will file a claim. Once your level of risk has been determined, the insurer will group you with policyholders that have similar risk characteristics. Then, the insurer will assign a rate based on the claims history for your risk group. Some of the factors that may be considered are:

- **prior claims.** Whether you or your property have had any prior claims under a homeowners insurance policy (even if at the time of the prior loss you were not the owner of the property) or, if it is a new policy, under your automobile insurance policy, the date(s) of any prior claims, the nature of the claim(s) and the amounts paid by insurance for each claim. An insurer may not classify or maintain an insured for a period longer than three years in a classification that entails a higher premium because of a specific claim.
- **the type of construction.** Frame houses usually cost more to insure than brick houses.
- **the age of the house.** Newer homes are usually less expensive to insure than older homes.
- **access to and quality of local fire protection.** The distance between your home and a fire hydrant, as well as the capability of your local fire department, determines your "fire protection class." Protection classes generally are used by insurers to either increase or decrease someone's premium.

- **the amount of coverage.** The dollar limits (the amount of coverage) of your policy will affect the amount of the premium. The higher the limits, generally, the higher the premium.
- **the amount of coverage required by a lender.** Your lender may not require you to insure any real property in an amount exceeding the replacement cost of the dwelling. Remember that your mortgage includes the value of your land; your homeowners insurance only insures the buildings on your property and the contents of those buildings, not your land. The lender cannot require you to obtain insurance in the amount of the loan if the loan amount exceeds the replacement cost of your home. If any lender is requiring you to purchase an insurance policy in excess of the amount it will cost to replace your home, please report that information and the lender. You may file a complaint with the Commissioner of Financial Regulation at 410-230-6077 or with the Maryland Insurance Administration, who will forward such a complaint to the appropriate enforcement agency.
- **the amount of the deductible.** The deductible is the amount you will pay in the event that you have a claim and the insurer issues payment for the claim; the insurer's payment to you will be reduced by the amount of the deductible. Since the deductible reduces the amount of money that an insurer pays on a claim, generally the higher the deductible, the lower the premium.
- **discounts.** Some insurers offer discounts on policy premiums for things such as purchasing multiple policies (e.g. home and car) with them, and/or installing deadbolt locks or alarm systems in your home.

The following factors **cannot** be considered:

- **claims inquiries.** Insurers are not allowed to increase your premium, cancel or nonrenew your policy, or refuse to issue a policy if you or your insurance producer, on your behalf, inquires about coverage for a loss if the inquiry does not result in payment of a claim.
- **death of a spouse.** Insurers cannot increase your premiums if the only reason is that your spouse passed away.

- **credit history.** Insurers are not allowed to review an individual's credit history when pricing a homeowners insurance policy or when making a decision as to whether to cancel, nonrenew or refuse to issue a policy.
- **victims of crimes of violence.** Insurers are prohibited from using an individual's status as a victim of a crime of violence as the sole basis to cancel, nonrenew, refuse to issue a policy, refuse to pay a homeowners insurance claim, or for taking any adverse underwriting action, including, increasing a premium, adding a surcharge and removing a discount.

Compare the premium you are paying to what another insurer might charge you. Refer to our *Homeowners Insurance: A Comparison Guide to Insurance Rates* at *www.insurance.maryland.gov* or call 800-492-6116 or 410-468-2000 to obtain a copy. Make sure you compare policies that have the same coverage.

LENDERS CAN "FORCE-PLACE" PROPERTY INSURANCE COVERAGE

If you have a mortgage on your home, your lender may require you to carry insurance on that property. If you do not purchase insurance, the lender may force-place coverage for you. A lender force-places coverage by obtaining insurance on the property and then requiring you to provide reimbursement to the lender for the cost of the premiums paid. Force-placed property insurance coverage generally protects only the interest of the lender and not you, the property owner.

OPTIONS IF YOU HAVE PROBLEMS OBTAINING A POLICY

If you have been turned down by one insurer for homeowners insurance, try obtaining coverage through another insurer or other insurers. Do not assume that you will be turned down by all insurers. Just as insurers have different premiums, they also have different underwriting requirements. So call around and keep trying to obtain an insurance policy.

If you are unable to obtain insurance for your home from a private insurer, limited insurance protection may be available through the Maryland Property Insurance Availability Program, known as the Joint Insurance Association (JIA). You can reach them at:

Joint Insurance Association

3290 North Ridge Road, Suite 210

Ellicott City, MD 21043

410-539-6808

800-492-5670

www.mdjia.org

TIPS FOR BUYING A POLICY

It is most important for you to:

- Read the Declarations Page of your insurance policy to make sure you have received the coverages you requested in the amounts you requested;
- Read your insurance policy carefully to make sure you understand exactly what is and is not covered;
- Consider purchasing additional coverages or policies, and scheduling valuable personal property such as jewelry, furs, collectibles and antiques, which may not be covered at all or not covered up to a sufficient amount under your policy; and,
- Consider purchasing a separate flood insurance policy.

In addition, you should read and keep all materials that your insurer sends you each year at renewal so you will be aware of any changes to your policy. If you have any questions about changes to your policy coverage or limits, you should contact your insurer or insurance producer immediately.

APPLYING FOR COVERAGE

- Answer all the questions on the insurance application completely and honestly. Your insurer may lawfully nonrenew or cancel your policy if you commit fraud or misrepresent material information when applying for insurance (such as, in some cases, your claims history), or if you commit fraud or misrepresent material information when filing a claim (such as, in some cases, how the loss occurred, what the damage consisted of or who was responsible for the damage).

  Additionally, by law, all applications for insurance and all claim forms must contain the following statement, or a substantially similar one:

Any person who knowingly or willfully presents a false or fraudulent claim for payment of a loss or benefit or who knowingly or willfully presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

- Do not sign a blank application.
- If your insurance application is declined, ask for a written explanation of the specific reason(s) your application was rejected.
- Under Maryland law, insurers have an initial 45-day underwriting period. If they find you are not eligible within that period of time, your policy may be cancelled with a 15-day notice to the named insured's last known address. The insurer must be able to prove that it mailed the notice to you at least 15 days in advance of the policy's cancellation; however, proof that you actually received the notice is not required. If during the initial 45-day underwriting period an insurer discovers that you are eligible under its underwriting guides but that there is a "material risk factor" that will cause the premium to change, the insurer must send you a notice advising you of the amount of the premium change (increase or decrease), the reason for the change, and your right to request cancellation of the policy. The law defines a "material risk factor" as a risk factor that, while existing at the time of application, was incorrectly recorded or not disclosed by the insured in the application, and which modifies the premium.
- **Loss History Report:** Some insurers review not only your loss history, but the loss history of the property, when making a decision on whether to insure you. If you want to verify the accuracy of any loss or claim information, you may obtain a copy of the loss history reports for free on any property you own from the following companies:
  - Lexis Nexis Risk Solutions – C.L.U.E.: 1-800-869-0751 or at *https://personalreports.lexisnexis.com/fact_act_disclosure.jsp*.
  - ISO: 1-800-627-3487 or at *http://www.verisk.com/underwriting/a-plus-underwriting-verisk-insurance-solutions.html.*

  If you are refused coverage based on information contained in one of these reports, you are entitled to be provided access to the information which led to the adverse decision.

PREMIUMS, DISCOUNTS AND DEDUCTIBLES

- If paying the premium for the policy in cash, ask for a receipt. Make your check payable to the insurer and make a notation on the check as to the type of policy that you are paying for (automobile or homeowners, etc.) and the policy number.
- Besides the price of an insurance policy, also consider coverage and service. Select an insurer and/or insurance producer you feel you can trust and with whom you are comfortable.
- Ask about discounts for safety and security devices (for example: burglar alarms, fire alarms, and dead bolts) or other available discounts.
- See if the insurer gives a new-home discount or multi-policy discount. (For example: if you insure your car along with your home).
- Check the difference in price between a named peril policy and an open perils policy.
- Ask how the difference in your deductible affects the price of your policy.
- Ask about separate deductibles for wind, hurricanes or other storms losses, and if so, how they are calculated and applied.
- Check if you have any coverage for mold claims under your policy.

TERMS OF COVERAGE

- Make sure your dwelling policy limits are at least 80% of the replacement cost of your home or whatever percentage is required by the insurer. Ask your insurer or insurance producer to explain to you the implications of failure to maintain policy limits at that level. Some vendors have developed reconstruction-cost estimator programs to assist you in determining the cost to rebuild your property. While you must pay a fee for these vendor services, the information provided can help you make informed decisions regarding the value of your home, as well as the appropriate coverage limit. Additional information regarding insuring your home to value, as well as links to these estimators – XactValue and Bluebook International – can be found on the MIA's website.

- Question whether the insurer offers an inflation-guard endorsement.
- Ask whether the insurer provides replacement-cost coverage for your dwelling. If so, up to what amount?
- Does the insurer offer full replacement-cost coverage on your personal belongings?
- Discuss with your insurance producer whether you should list and separately insure your valuable items of personal property on a personal property schedule.
- Ask about the difference in price for basic liability limits of $100,000 and higher limits such as $300,000 or $500,000.
- ***Insurers are required by law to offer you the option of purchasing coverage for water that backs up through sewers or drains in writing at the time of initial application and at each renewal.*** However, you may have to pay extra for this coverage. Also, this coverage may have a deductible that is different than the deductible for the other coverages. Ask your insurer or insurance producer how much this coverage costs so you can decide whether you wish to purchase it or not.
- Insurers may offer building ordinance or law coverage. This provides protection when a building damaged by a covered peril must be repaired or rebuilt in a more costly manner because the original construction does not comply with current building codes. This coverage may cost extra, but you should find out what the cost is in order to determine whether or not to purchase it.
- ***Insurers are required by law to offer licensed family day-care providers liability coverage of at least $300,000 for liability that results from bodily injury, property damage, or personal injury arising out of an insured's activities as a family daycare provider.*** You should decide if you need this coverage.
- Your homeowners policy has some provisions that may prevent you from receiving payment for a claim even if you have paid the premium. If your

home or apartment is left vacant or unoccupied, you may lose all or a portion of your coverage. When you plan a long vacation, or when you are moving into or out of your home, or if your home will remain vacant for any other reason, you should ask your insurer or insurance producer which coverages will be suspended and what you can do to obtain coverage.

- Insurers must notify you if your policy does not cover losses that are either partially or predominately caused by an excluded peril. Many homeowners policies contain a clause which states that a loss caused by a combination of covered and noncovered causes (perils) will not be covered. These provisions are called "anti-concurrent causation" clauses. If your policy has an anti-concurrent causation clause and you incur damages caused by a combination of covered and noncovered perils, your loss will not be covered.

NOTIFICATIONS TO WHICH CONSUMERS ARE ENTITLED

- Annual Summary of Coverages and Exclusions: You are entitled to receive a statement that summarizes the coverages and exclusions under your homeowners insurance policy at the time you initially receive the policy and at each renewal.
- Insurers must notify you if your policy does not provide coverage for losses caused by specific breeds or specific mixed breeds of dogs.
- Notice Regarding Flood Insurance and Statement of Additional Optional Coverages: You are entitled to receive these notices from your insurer when you purchase a new policy.
- If the policy contains an anti-concurrent causation provision, an insurer must provide the insured with a notice explaining that losses caused by a combination of covered and noncovered perils will not be covered, telling the insured to read the policy for complete information on the policy's exclusions and to contact the insurer or insurance producer for more information about the exclusions.

The Maryland Insurance Administration does NOT recommend or rate insurers.

ACTIONS TO PROTECT YOUR PROPERTY

Documentation, maintenance and safety are key.

- Prepare an inventory of your household personal property before a loss. Whenever possible, include the make, model, and serial number of each item. Your insurer or insurance producer may be able to provide you with a booklet, form, or mobile app that you can use to record your inventory. You can also download a sample inventory form on the Maryland Insurance Administration's website, *www.insurance.maryland.gov*. You may want to video record or take photos for an inventory of your home and your personal belongings. Keep your inventory in a safe place, such as a safe deposit box, where it cannot be lost or damaged. The National Association of Insurance Commissioners (NAIC) also has forms and mobile apps available at *www.insureuonline.org/insureu_getready_newhome.htm.*
- If you make an addition or improvement to your home, remember to advise your insurer or insurance producer so your insurance coverage is increased as needed.
- Make improvements or repairs to the property that may mitigate loss or damage from a hurricane or storm. Some examples of mitigation efforts include the installation of: hurricane shutters, secondary water barriers, reinforced roof coverings, braced gable ends, reinforced roof-to-wall connections, tie downs, and reinforced opening protections. Other efforts include the repair or replacement of: exterior doors (including garage doors), hurricane resistant trusses, studs and other structural components and manufactured home piers, anchors and tie-down straps. By law, these improvements and repairs are recognized as "qualified mitigation actions." Insurers are required by law to offer a discount to policyholders who submit proof to the insurer that they made qualified mitigation actions or other repairs or improvements that materially mitigate loss from a hurricane or other storm otherwise covered under the policy. All improvements must be inspected by a licensed contractor and are subject to inspection and verification by the insurer.

- Do not hide your keys in a special place outside your home. Burglars usually know where to look for keys.
- Add window locks and peepholes.
- Make sure the exterior of your house has adequate lighting.
- Keep your home free of oily rags and trash buildup, and do not store gasoline inside your home. Do not store combustible items in the attic, basement or any place where heat builds up.
- Buy at least one fire extinguisher for your home and keep it in a handy location. Always have a fire extinguisher in the kitchen and be familiar with how to use it.
- Install smoke detectors and deadbolt locks and consider installing an approved fire and burglar alarm system.
- Practice home fire drills so everyone knows what to do if there is a fire. Consider purchasing emergency ladders for 2nd and 3rd floors.
- Check lamps, electrical cords, and light switches for faulty wiring.
- Teach your children not to play with matches.
- Never smoke in bed.
- Place decals on the windows of the rooms of children or the elderly so emergency personnel will know to evacuate them in an emergency.
- If you purchase a wood stove, have a professional install it and be sure to maintain it on a regular basis.
- When you are away from home, ask a neighbor to check your house. Use a timer to turn your lights on and off, lock all windows and doors, stop your paper and mail delivery and consider notifying the police if you will be away for an extended period of time.
- Keep your sidewalks clear of debris and in good condition.

OBLIGATIONS AFTER A LOSS

When you are the victim of a theft, fire, or any other type of accident or loss involving your home, you should notify the authorities immediately and then contact your insurer or insurance producer as soon as possible. The sooner you file your claim, the sooner you can expect to receive payment. Your policy documents will tell you how to file a claim, but typically, you must telephone first, or if the insurer permits, send an email. But if you do not get an immediate response, you may write a letter. In most cases, you will be given complete instructions on how to proceed when you call in the loss immediately.

Remember that your insurance policy sets time limits for getting certain things done. If your insurer requests a proof of loss or other claim form to be completed, it is a good idea to fill out the forms promptly and to ask if there is a deadline for completing the form. If you delay filing the claim, or fail to protect your property from further damage or otherwise fail to cooperate with your insurer after a loss, your claim may not be settled to your satisfaction and your coverage may be jeopardized. Therefore, it is important to respond promptly to all your insurer's requests.

If you have questions or concerns about the way your claim is being handled, you should contact your insurer or insurance producer directly. If you continue to have unresolved concerns, you should contact the Maryland Insurance Administration for assistance.

Most homeowners insurance policies require you to do the following when a loss occurs:

- Give immediate notice of a possible claim to your insurer or insurance producer. If the loss involves theft or vandalism, you should also notify the police and file a report. If you have lost your checkbook or credit cards, you should notify your bank or credit card company.

- Protect your property from further loss or damage. If you make temporary repairs, keep a record of what you do and save all receipts for expenses you incur in undertaking the repairs. For example, this could include buying plywood and nails to board up broken windows.
- Give your insurer, adjuster and/or insurance producer a list of all damaged, destroyed or stolen property. Be sure to keep a copy of this list. In case of theft, be sure to give a copy to the police.
- Show the damaged property to your insurer, adjuster and/or insurance producer. Do not dispose of any damaged property until your insurer, adjuster and/or insurance producer inspects it or tells you that you can dispose of it.
- If you feel that the amount of money offered by your insurer to pay for a loss is not fair, there are several alternative courses of action that you may consider:
    - You can demand an appraisal as per the terms of your insurance policy;
    - You may file a complaint with the Maryland Insurance Administration; or
    - You may hire a lawyer to represent your interests.

FREQUENTLY ASKED QUESTIONS

CLAIMS

1. I submitted a claim for damage to my dwelling. I have replacement cost coverage, but my insurer only paid part of the cost of repairs. Can they do that?

A homeowners policy may provide for replacement-cost coverage for covered buildings without deduction for depreciation. Under these types of policies, the insurer may pay the replacement cost in different ways. The most usual way is for the insurer to make a partial payment (known as the actual cash value) until the property has been fully repaired or replaced. Then, once the property has been fully repaired or replaced, the insurer will pay the difference (referred to as "recoverable depreciation"), up to the policy limits, between the amount already paid and the actual cost you incurred to repair the building with similar materials and methods of construction less the amount of your deductible. By law, an insured has at least two years from the date of loss to submit a claim for the recoverable depreciation; the policy will indicate the specific time period applicable to your policy. However, an insurer may require an insured seeking additional payments (those who intend to claim the recoverable depreciation) to notify the insurer within 180 days after the date of loss of their intent to repair or replace the dwelling.

Depending on the specifics of the claim, an insurer may pay the full replacement cost up front, less your policy deductible. This type of settlement generally occurs when there is very minor damage to the dwelling, so administrative costs to issue multiple checks are saved.

If you elect not to repair the building, you can submit a claim for the actual cash value of the damaged building. Payment of the actual cash value claim would then conclude the claim process since the building is not being repaired.

2. I submitted a claim for several items stolen from my home. The insurer indicated it would not pay my claim unless I submit bills, receipts, or related documents that will prove I owned these items and justify the values that I am claiming. Do they have the right not to pay unless I give this information?

Yes. The insurer has the contractual right to request any information it feels is necessary to confirm ownership and value of the items claimed. The ultimate responsibility of proving the loss is yours. Having photographs or a video of your property taken before the loss may help you document your claim.

3. I submitted a claim for damage to my personal property. I have replacement-cost coverage, but my insurer only paid a part of the amount needed to replace my belongings. Can they do that?

Yes. Replacement-cost homeowners insurance policies cover the cost to repair the damaged contents or the cost to replace them with like kind and quality items. The insurer will ask that you produce an inventory or list of all damaged contents, along with the date of purchase, amount paid and the amount to replace. Once the list has been completed and provided to the insurer, the insurer will review all the items, request proof of purchase or ownership (for some or all) and then prepare an actual cash value settlement. The actual cash value is the replacement cost less depreciation. Once you have replaced the items, copies of the receipts are submitted to the insurer and the amount of depreciation held back by the insurer will be paid to you. For example: your sofa was destroyed by a covered cause of loss, such as fire. The sofa was purchased 10 years ago for $1,500 and would be fully depreciated in 20 years. Since the sofa is 10 years old, it has depreciated 50%, or $750. The insurer will pay you $750 initially, or the actual cash value of the 10-year-old, used sofa. The cost to replace the sofa with a similar one of like quality today is $2000. Once you purchase a new sofa, the receipt is sent to the insurer and the balance of the cost to replace, or $1,250, will be paid. If you choose not to replace the sofa or fail to notify the insurer within the time period specified in the policy of your intent to repair or replace it, the insurer will pay no further monies to you and you will receive only the actual cash value of the item.

Under state law, an insured has at least two years from the date of loss to request the difference between the actual cash value and the replacement cost of personal property. However, an insurer may require an insured seeking additional payments to notify the insurer within 180 days after the date of loss of their intent to replace the personal property and to make a claim for additional monies beyond the actual cash value.

For policies issued or renewed prior to January 1, 2011, the terms of the policy will dictate the timeframes for providing notice and filing the claim for recoverable depreciation. It is critical to read your insurance policy carefully to determine the length of time allowed to notify the insurer of your intentions and to file a claim for the recoverable depreciation.

4. Can the insurer issue a check payable to both my mortgage lender and me in settlement of a claim for damage to my home?

Your homeowners insurer may issue a check payable to both you and your mortgage lender in settlement of a claim for damage to your home so long as the lender is listed as an "additional insured" on your policy. This information should be listed on the declarations page of your policy but you also can call your insurer to confirm this information.

Typically, a lender will require you to have the insurer list the lender as "mortgagee" or "additional insured" on your homeowners policy as a condition of giving the loan. When a claim is made, the insurer must protect the rights of insureds, including the named insured (you) and any additional insureds [lender(s)]. To do this, the insurer may make claim settlement checks payable to both you and the lender. If the check is made payable to both you and the lender, you must then present the check to the lender, who will advise you how the proceeds should be handled.

CANCELLATIONS AND RENEWALS

5. Is there a grace period for late premium payments?

Your insurer may cancel your insurance policy for nonpayment of a premium even if the payment is just one day late. The insurer must mail a notice that the policy will be cancelled for nonpayment of premium 10 days in advance to the named insured's last known address, or, if the insured elected to receive notices electronically from the insurer, the insurer must provide electronic notification 10 days in advance to the electronic mail address where the insured has consented to receive notifications from the insurer. Proof that you actually received notice is not required.

6. What is the difference between a nonrenewal and a cancellation?

Insurance policies are issued for a specific period of time or "term." Homeowners insurance policies are usually issued for a term of 12 months. A nonrenewal occurs when an insurer decides it will not offer to renew your insurance coverage at the end of the current policy's term. A cancellation occurs when an insurer decides to stop your coverage during the effective period of the policy or before the policy term ends. Maryland law limits when an insurer can nonrenew a policy or cancel a policy mid-term.

An insurer may nonrenew your policy:

- if you filed three or more weather-related claims within the preceding three-year period;
- if you made a material misrepresentation in connection with the application, policy, or presentation of a claim;
- if there is a change in the physical condition or contents of the premises or dwelling that results in an increase in a hazard insured against and which, if present and known to the insurer prior to the issuance of the policy, the insurer would not have issued the policy;
- if an insured has been convicted within the preceding five-year period of arson, or within the preceding three-year period of a crime that directly increases the hazard insured against; or
- if an insured has otherwise violated or exceeded the insurer's underwriting guidelines.

An insurer may not cancel a policy mid-term except under the following conditions:

- if you commit fraud or make a material misrepresentation in connection with the application, policy or presentation of a claim;

- if a matter or issue related to your risk constitutes a threat to public safety;
- if a change in the condition of the risk results in an increase in the hazard insured against;
- if you fail to pay your premium when due; or
- if you are convicted of arson.

By law, an insurer is generally required to give the insured notice of the proposed cancellation or nonrenewal. All required notices must be given at least 45 days in advance unless the cancellation is for nonpayment of premiums, in which case the notice must be given at least 10 days in advance.

7. Does the law require the insurer to tell me how many claims I can file before I will be cancelled?

Maryland law requires insurers to provide written notice at the time of application or at the time the policy is issued and at each renewal that states that the insurer may cancel or refuse to renew a policy based on the number of claims you had within the three prior years. This notice must state that the cancellation or nonrenewal may be based on: (1) three or more weather-related claims within the preceding three-year period; (2) one or more weather-related claim(s) made within the preceding three-year period if the insurer has provided written notice to the insured for reasonable or customary repairs or replacement specific to the insured property that the insured failed to make and that, if made, would have prevented the loss; and (3) a change in the physical condition or contents of the property that increases the hazard insured against and that, if present and known to the insurer before issuance of the policy, would have caused the insurer to refuse to issue the policy.

8. My insurer cancelled or nonrenewed my homeowners insurance policy; however, I did not receive prior notification. Is this legal?

Maryland law requires your insurer to give you at least 45 days notice prior to cancelling or nonrenewing your homeowners insurance policy for any reason(s) other than nonpayment of premium (the law requires only 10 days notice of cancellation for nonpayment of premium). Your insurer must be able to prove that it mailed the notice to the named insured's last known address 45 days in advance of the date of the policy's cancellation or nonrenewal, or, if the insured has elected to receive notices electronically from the insurer, the insurer must be able to prove that it provided electronic notification at least 45 days in advance to the electronic mail address where the insured has consented to receive notifications from the insurer. Proof that you received the notice is not required.

9. Can an insurer transfer my homeowners policy to a different insurer at renewal?

An insurer may transfer your policy to an affiliate (owned by the same parent company) as long as: (1) the affiliated insurer is admitted as an insurer in Maryland; (2) your premium does not increase; and (3) there is no reduction in coverage under the policy as a result of the transfer. The policy issued by the new insurer will still be considered a renewal of the expiring policy. The insurer must send a notice of your renewal policy premium at least 45 days in advance and that notice must contain a disclosure of the transfer to the new insurer.

10. I just received a nonrenewal notice because of claims I made over the past couple of years. Why has the insurer nonrenewed my policy when these claims were not even my fault?

Insurers develop standards (known as underwriting guidelines that help them determine if you still qualify for their policies. Each insurer develops their own standards. Although insurers are concerned whether a loss is the result of your fault, they also review and consider the size of any loss(es) and the frequency of losses regardless of fault. In Maryland, insurers can choose to nonrenew a homeowners policy for weather-related claims only after you have had three or more weather-related claims within the prior three years. The standards for non-weather-related claims vary by insurer.

11. Can my insurer cancel or refuse to renew my homeowners insurance policy solely because of where the property is located?

An insurer may not refuse to issue or renew a homeowners policy solely because the risk or applicant's or insured's address is located in a certain geographic area of the state unless:

- at least 60 days before the refusal, the insurer has filed with the Insurance Commissioner a written statement designating the geographic area; and
- the designation has an objective basis and is not arbitrary or unreasonable.

Additionally, if the insurer has filed a "plan of material reduction" with the Insurance Commissioner in the past 60 days, the insurer may cancel or nonrenew 3% or more of its policies on a state-wide basis solely because the risk is located in a certain geographic area of the state.

12. Can my homeowners insurer require me to insure my car with them?

No. Maryland law prohibits a homeowners insurer from denying, refusing to renew, or canceling a policy solely because the consumer does not have an automobile insurance policy with the same insurer. Insurers are permitted to offer discounts to consumers that choose to have their homeowners or renters policy with their automobile insurer though.

COVERAGE

13. My policy has a limit for other buildings and structures, but I do not have a garage or a shed. Am I paying for coverage I do not need?

A homeowners policy is a package policy designed to meet the needs of most homeowners. Although it may provide some coverage that you do not need, it is less expensive for the insurer to issue a policy this way than to tailor it to each policyholder's needs. The result is a policy that provides broader coverage at a lower price.

14. My insurance premiums are paid by my mortgage company. Can I shop for a better rate and change insurers?

Yes, you have all the rights and privileges of a consumer who pays a premium directly to the insurer. However, some mortgage companies require advance notice of a change in insurers. Check with your mortgage company's insurance monitoring department for their requirements.

15. Do I need additional coverage under my homeowners policy if I have a business in my home?
Liability and property coverage associated with a business is often excluded under a standard homeowners insurance policy. Therefore, you should contact your insurer or insurance producer to determine if you are adequately protected. You may have to purchase additional coverage or another policy to protect the property that you use in your business or to protect you against any liability that may arise from your business operations.

16. Will my homeowners policy pay for damage to my home caused by an earthquake?

No. A homeowners insurance policy generally does not provide any type of coverage against damage caused by earthquake or any type of earth movement, including mudslides. You should contact your insurer or insurance producer to see if they offer an earthquake or other earth-movement coverage endorsement.

SOLVING PROBLEMS WITH YOUR INSURER

1. Contact Your Insurer or Insurance Producer

If you believe your insurer has denied you homeowners insurance for an improper reason or has refused to pay all or part of a valid claim, you have a right to ask questions and to complain.

Your first step should be to contact your insurer or insurance producer directly to address your concern(s) with them. Sometimes, a mistake has been made and it will be corrected if an inquiry is made and the error is brought to light. When making an inquiry, supply your name, address, telephone number, policy number, type of policy, and the nature of your complaint. It may be helpful to ask the insurer to send you a letter explaining the basis for their action; that is why they would not insure you or why they are denying your claim or any part of your claim.

A written complaint letter is best. Keep a copy of your letter. If you complain by telephone, keep a written record of:

- The date and time of your call.
- The name of the person you talked to.
- What was said during the call.
- Make a request for a written confirmation of what you discussed and were told by the insurer.

You should keep copies of all correspondence exchanged between you and the insurer.

2. Help from the Maryland Insurance Administration

The Maryland Insurance Administration's primary role is to protect consumers from illegal insurance practices by making certain that insurers and insurance producers doing business in Maryland act in accordance with state insurance laws. You may contact the Insurance Administration to file a complaint against an insurer or insurance producer whom you believe is not acting in accordance with Maryland law.

Maryland's insurance laws not only govern insurers' conduct – they also protect Maryland consumers. In addition to the requirements discussed elsewhere in this guide, state law bars insurers from settling claims in a manner that is arbitrary and capricious or discriminatory. This means that insurers' claim settlement practices must be fair, nondiscriminatory and adhere to Maryland insurance laws.

If you feel that your insurer has acted improperly, you have the right to take action by filing a complaint with the Maryland Insurance Administration. However, some disputes may be governed by your policy's terms and may not be a problem the Insurance Administration can resolve for you.

Complaints must be received in writing. Please provide as much detail as possible, including copies of pertinent documents. A trained, professional investigator will handle your complaint. The investigator will contact the insurer/insurance producer to try to resolve the issue. Meanwhile, you will be advised of the steps taken on your behalf. Complaint files are not closed until the Insurance Administration has made a determination regarding the complaint.

The MIA has established a Rapid Response Program designed to help certain consumers resolve property and casualty claims (such as auto and homeowners claims including those made under commercial lines policies) quickly and without having to file a formal written complaint. For more information about this program, please call us at 410-468-2340 or 800-492-6116 ext. 2340. Participation in the Rapid Response Program is voluntary and does not affect your rights to file a formal complaint.

To request additional information or to file a complaint, please contact the Maryland Insurance Administration's Property & Casualty Complaint Division at 410-468-2340 or 800-492-6116 ext. 2340. Consumers also may file their written complaint in person, by mail or on-line at *www.insurance.maryland.gov.* Under "For Consumers", click on "File a Complaint."

FILING A CIVIL ACTION FOR A FIRST PARTY PROPERTY & CASUALTY CLAIM OR AN INDIVIDUAL DISABILITY CLAIM

A Maryland consumer who has a property and casualty insurance policy (property and casualty insurance includes automobile, homeowners, fire and/or dwelling, inland marine, commercial liability policies) or an individual disability policy (a policy that provides for lost income, revenue, or proceeds in the event that an illness, accident, or injury results in a disability that impairs an insured's ability to work or otherwise generate income, revenue, or proceeds that the insurance is intendeds to replace) that was issued, sold or delivered in Maryland and believes that his/her property and casualty insurer or his/her individual disability insurer failed to act in good faith in making a decision regarding his/her first-party insurance claim may seek special damages against the insurer by filing a civil complaint, in addition to or in place of filing an administrative consumer complaint with the Maryland Insurance Administration (MIA).

The Insurance Article defines good faith as making a judgment based on honesty and diligence supported by evidence the insurer knew or should have known at the time the insurer made a decision on the claim. If the Maryland consumer files a civil complaint and the insurer is found to have failed to act in good faith, the insured may be entitled to an award with enhanced damages. Such enhanced damages may include, in addition to the actual contract damages, litigation expenses, including reasonable attorneys' fees not to exceed one third of the actual damages payable to the insured, and interest at the post-judgment rate.

An explanation of when a consumer can seek these special damages, when a lawsuit has to be filed with the MIA, and how to make that filing are explained in a separate MIA publication: "A Guide for Consumers Filing a 27-1001 Civil Complaint."

GLOSSARY

Actual cash value (ACV) – The value of the property is determined by what it would cost to replace the property (see replacement cost coverage) and is then adjusted by subtracting an amount that reflects depreciation with the difference being the actual cash value (ACV=RCV minus depreciation).

Additional living expense – This coverage provides you with reimbursement for additional temporary expenses for hotel/apartment living and other additional costs while you are unable to live in your home as a result of damage to your home caused by a peril covered by your homeowners policy. This does not cover all your expenses, but only those reasonable costs and amounts that are beyond your normal living expenses. If you stay with family or friends and do not incur additional expenses, no payment for the cost of living quarters will be made.

Adjuster – The individual(s) assigned by your insurer to deal directly with you about your claim.

Assessments – A fee charged to each unit owner by the condominium association as a result of a loss to covered property owned by all members of the association caused by a peril insured against.

Declarations Sheet/Page – The front page of your insurance policy that names you as the insured, identifies the insured property and sets forth all the coverages and the maximum limits of each such coverage available to you under the insurance policy.

Deductible – An amount of money that you pay in a property claim before the insurer payment applies. You can generally choose your deductible amount, starting at $250.

Liability coverage – This coverage provides you with protection against claims of injury to another person or damage to another person's belongings when the loss is your fault.

Master Policy – This policy provides coverage to the condominium building including the common areas.

Medical payments coverage – This coverage provides for the payment of reasonable and necessary medical expenses of a person who is injured in an accident at your home even if you are not at fault (medical payments coverage is not available to you or a member of your household).

Named peril policy – This type of homeowners insurance policy covers any loss that is caused by one of the specifically listed perils included in the policy.

Open perils or All-risk policy – This type of homeowners insurance policy covers damage or loss from all causes except those causes specifically excluded by the policy.

Out-building – (also referred to as other structures or appurtenant structures) This coverage provides protection for damage or loss to detached buildings on your property such as a tool shed or garage.

Peril – A cause or event that contributes to a loss such as fire, lightning, theft, etc.

Personal property or contents – This includes everything in your home that is not built into or affixed to the structure of your home such as clothes, furniture, appliances, etc. However, it may not provide coverage up to the full value of collectibles, antiques, furs, jewelry, etc.

Property damage coverage – This coverage protects your home, other structures, personal property and loss of use of your home resulting from a covered peril.

Replacement cost coverage – This type of coverage provides you with payment for the actual cost of rebuilding or repairing your home or building, or replacing your personal property, less the amount of your deductible, using materials of the same kind and quality to return it to the pre-loss condition. The replacement cost of a house does not include the value of the land.

Note: This publication was produced to help consumers better understand homeowners insurance. It should not be considered a substitute for your reading and familiarizing yourself with your homeowners insurance policy.

Homeowners insurance policies are contracts with many different parts and terms. As each consumer's needs are different and few homeowners insurance policies are alike, many consumers benefit from the advice of a knowledgeable insurance producer. Other consumers, however, are comfortable dealing directly with an insurer's customer service representative, who can answer questions and provide advice.

People with disabilities may request this document in an alternative format. Requests should be submitted in writing to the Director of Communications at the address listed below.

Maryland
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