

All You Ever Wanted To Know About South Carolina

# Homeowner's Insurance



## A Guide: Choosing, Purchasing, and Maintaining Homeowner's Insurance

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## Why Insure Your Home?

Whether you live in a house or an apartment, you should protect your home and its contents from unexpected losses like fire, theft or storm damage. Homeowner's insurance can help you cover losses you cannot afford.

If you own your home, you should insure both the house and its contents. In fact, most lenders require home buyers to have homeowner's insurance.



You should also protect yourself with liability insurance in the event that you become legally responsible for injury to others or damage to their property.

What May Not Be Covered:  
Earth Movement, Sewer  
Back-up, and Flood or  
Surface Water Run-Off.  
Be Sure To Ask Your  
Insurance Agent

## Renter's Insurance

If you rent an apartment or a house, it is up to you to buy your own liability and personal property (contents) coverage. Liability coverage protects you as a renter in the same way it does a homeowner.

A renter's policy insures your household contents against listed perils and may cover liability and additional living expenses. Insuring the building is the responsibility of the landlord or the owner of the property.

## Where To Start

If you own a home, consider property and liability insurance that comes in a homeowner's package policy. Property insurance covers the home and the contents. Liability insurance protects the homeowners against damages caused to others.

Learn about the kinds of coverage so you can choose what is right for you. Have the agent explain everything in detail especially regarding what the policy will and will not cover.

## Choosing An Agent

Choosing an agent can be made easier if you know what you are looking for. You can buy insurance from agents who sell policies for one company or several companies. For information about licensed or approved insurers, call the SCDOI.

## Kinds of Policies

Although you can buy separate policies for theft, liability, and other perils, it is usually cheaper to buy a package policy, similar to a homeowner's policy that would afford you the broadest coverage. Homeowner's policies apply to most dwellings with up to 2 families but are different for condominiums and apartments.

**Perils** are events that cause damage to property such as fire, windstorm, or theft. The more perils your policy covers, the more it costs. Most insurance companies offer similar types of coverage, but there are differences.

**REMEMBER** No homeowner's policy covers **Flood Damage**. Talk with your agent about the need for a separate flood policy. You may also contact the National Flood Insurance Program at 800-427-4661 or visit [www.floodsmart.gov](http://www.floodsmart.gov).

## Basic Homeowner's Coverages

**Property Damage** coverage pays for loss or damage to your home, its contents (like your furniture, TV, clothes, and jewelry) and detached buildings on your property (like a garage or tool shed). You'll have a deductible with each property claim. A deductible is how much you agree to pay out of your own pocket for losses before your insurance company begins to pay. The deductible amount appears on the declarations page of your policy.

The amount of coverage is based on the type of policy you buy—actual cash value or replacement cost.

**Actual Cash Value** means payment is limited to the depreciated value of each item at the time it is damaged, destroyed or stolen. Depreciation is the decrease in home or property value due to

age or wear and tear since it was built or purchased.

**Replacement Cost** means brand-new items would be bought to replace or repair your home and/or its contents. Most of the time, to get the replacement cost coverage, you must insure your home for at least 80% of the cost to build the home at today's



prices. Replacement cost coverage is not available on all policies. You must check with your agent for details.

There are also special limits on some valuables such as guns, furs, jewelry, and computers, but you can buy more coverage for an added premium charge.

Most policies pay for losses to your contents on an actual cash value basis, but a better option might be replacement cost coverage. Although the cost is higher, in most cases, the extra protection is worth it.

You must tell your agent if you want this option. You cannot get replacement cost coverage on all of your contents including such items as valuable art, antiques, photos, and stamp collections.

## Types of Homeowner's Coverages

*The following information is not intended to interpret exact coverage or policy conditions, but rather to provide a basic guideline to the homeowners contract.*

For people who own their own homes, the following items are generally covered:

**(A) Your house** (dwelling) and attached structures. Materials and supplies for construction or repairs are also covered if they are on your premises or adjacent premises.

**(B) Other structures** located on the premises if they are not used for business or rented to others. The amount of coverage is up to 10% of the dwelling amount and may be increased.

**(C) Personal Property** (contents) owned or used by you anywhere in the world. The limit of coverage for property located at another residence

owned or rented by you is limited to 10% of your contents limit or \$1,000, whichever is greater. The Personal Property (contents) amount is generally 50% of the dwelling amount and may be increased. Certain kinds of property are excluded from coverage; for example, motor vehicles, aircraft, birds, fish or animals. Coverage for certain kinds of property such as jewelry, furs, money, guns, business property and silverware is limited. Be sure to read your policy to see what is limited or excluded. You may need to buy specific insurance to cover certain items.

**(D) Additional Living Expenses** for the payment of the extra expense above your usual cost of living if your house is damaged by an insured peril and you must live elsewhere while it is being repaired. It also pays loss of rental income if a portion of your house that is rented is damaged.

**(E) Your Personal Liability** for sums which you may become legally obligated to pay as damages for bodily injury or property damage to other people caused by your negligence.

**(F) Medical Expenses** for each non-resident who sustains bodily injury caused by an accident on your premises. Medical expenses can be paid even if you are not legally responsible. Read your policy for further details.

For people who own condominiums or rent apartments or houses, only Items C through F above are covered.

## Underwriting Requirements

Companies have different underwriting requirements governing the kinds of risks and homes they insure. Some of the things considered by companies are:

- Condition and upkeep of property.
- Age and value of your house.
- Your credit history
- Previous claims and reasons for claims
- Amount of insurance you are willing to carry

## Factors Affecting The Rating of Your Homeowner's Policy

There are three major factors that determine the premium to be charged for insuring your home. They are: construction of the dwelling, quality of fire protection available in the area in which you live, and the geographical area of the State in which you live. Here is how these factors are measured:

**(A) Construction.** There are four construction classes but generally most dwellings fall into the two most common construction classes, frame or brick veneer. Masonry is rated the same as brick veneer.

**(B) Fire Protection.** The Insurance Services Office grades fire protection on a scale of 1 to 10, with Class 1 being the best. The grade depends on the size and the physical characteristics of the municipality or governmental entity; the size of the fire department, its personnel, training and equipment, the available water

supply and pressure; and other recognized fire rating standards.

**(C) Territory.** South Carolina is divided into three primary geographical territories based on exposure to windstorm damage, inland, seacoast and beach. However, the inland territories may be further subdivided based on overall or total loss experience. The lowest rates are for the inland territory and the highest rates are in the beach area where exposure to windstorm damage is highest.

## Rates

Rates in use by individual companies vary considerably, and homeowners and renters should "Shop Around" with agents for several companies before making a purchase decision. In comparing prices, you should be sure to compare identical coverage amounts and deductibles.

## Tips To Avoid Policy Cancellation

1. Make prompt and timely premium payments.
2. Keep property maintained and in good repair.
3. Avoid a poor credit history. Order a credit report occasionally to check your credit history.
4. Avoid harboring vicious animals; (i.e., dogs or other potentially dangerous animals), especially those with a history of attacks. These animals can result in your homeowners policy being cancelled or non-renewed.
5. Avoid the reporting of small or frequent claims.

## What To Do If You Cannot Purchase Homeowner's Insurance

If you are unable to secure a homeowner's policy because of the value, age, condition, or location of your house or for other reasons, there are other alternatives.

**1) Modified Coverage Forms** are policies that were developed specifically for insuring older homes where the market value is less than the cost to rebuild.

The major difference between this type of policy and the traditional homeowners policy is the **loss settlement provision**.

There are two types of loss settlement provisions generally used in the Modified Coverage Forms. In one type, all losses are paid on an actual cash value basis (replacement cost less depreciation). In the other, the full cost to repair with today's building materials and methods is paid, if repairs are made. For example, plaster walls would be replaced with sheet rock. If repairs are not made, losses are settled on an actual cash value basis.

The coverage afforded by these forms varies considerably. Most are more restrictive than the basic homeowner's form.

### **2) Low Valued Dwelling Policies.**

Dwelling policies written for amounts of insurance less than most insurers' minimum requirements are available. Shopping around with different agents/insurers may result in lower premiums.

### **3) Standard Fire Policies.**

These policies would insure a loss against fire, lightning and removal. Extended coverage could be added to the Fire Policy. Extended coverages include wind, hail, aircraft, civil commotion, smoke, explosion, and vandalism. Please note that fire policies only cover building structures and not contents. A separate endorsement can be added to cover contents.

**4) Manufactured homes** are homes that are eligible with some insurers for a homeowner's policy. Special manufactured home package policies are also available for this type residence. An **alternate** policy is a standard fire policy with extended coverage.

In some cases, an insured may decide he does not want to insure the full replacement cost of his home. He may elect to insure a smaller percentage at a higher premium. Partial losses would still be paid

in full.

**EXCESS and SURPLUS LINES** insurance is a market of last resort when a consumer cannot find insurance protection with a licensed insurer. Excess and surplus insurers are not licensed, but are individually approved to write property insurance when licensed insurers will not provide a market of insurance. Excess and surplus lines insurance coverage can be obtained through licensed insurance brokers.

Please note that excess and surplus insurers are not backed by the State's Guaranty Association which means, if an excess and surplus lines insurer becomes insolvent, there is little financial protection for the policyholder. However, the SC Department of Insurance closely monitors surplus lines insurers to make certain that funds are available to pay claims.

Homeowners in coastal areas who have wind and hail coverage excluded from their policy should discuss the specifics of securing this coverage through the South Carolina Wind and Hail Underwriting Association with their agent.

## Cancellation/Non-Renewal

South Carolina state laws govern the cancellation and non-renewal of homeowner's insurance policies.

Under these laws, an insurer may cancel a new policy within the first 120 days for any reason by giving a 30-day written notice of cancellation unless the reason is non-payment of premium. If the reason is non-payment of premium, only a ten-day notice is required. After the first 120 days, an insurer may only cancel for one of the following reasons:

- 1) Non-payment of premium;
- 2) Material misrepresentation of fact which, if known to the insurer, would have caused the company not to issue the policy;
- 3) Substantial change in the risk assumed, except to the extent that the insurer should reasonably have

foreseen the change or contemplated the risk in writing the policy. 4) Substantial breaches of contractual duties, conditions, or warranties; or 5) Loss of the insurer's reinsurance covering all or significant portion of the particular policy. This reason must be approved by the South Carolina Department of Insurance before notice is given to you.

An insurer cannot refuse to renew unless they provide to the named insured written notice stating the date not less than 60 days if refusal to renew is effective between November 1 and May 31 or not less than 90 days if refusal to renew is effective between June 1 and October 31.

These new provisions regarding cancellation/non-renewal went into effect June 11, 2007 for all policies issued or renewed on or after this date. If your policy was in existence prior to the effective date of the new law, the law requires only a 30 day notice and that a specific reason be stated.

