

Illinois Homeowner Insurance Consumer Guide

Provided by

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What Every Illinois Resident Should Know

Who Needs Illinois Homeowners Insurance

Homeowners insurance protects you from financial losses resulting from theft or damage to your house, other buildings on your property and your personal belongings and from liability if you are legally responsible for causing injury to others or damage to their property. Most lenders require you to have homeowners insurance.

Renters need insurance too. Your landlord may insure the building you live in, but the landlord's insurance doesn't cover your personal belongings.

Although you can buy separate policies for theft, liability and other perils, package plans combining these coverages are more common. Homeowners policies can vary among companies, so it's important to shop around and to read your policy.

Helpful Tips When Shopping for Illinois Homeowner Insurance

- **Find a reliable company.** Contact the Division of Insurance to find out if a company is **licensed** in Illinois. Unlicensed companies are not required to comply with state insurance laws or participate in the Insurance Guaranty Fund which protects policyholders if a company goes bankrupt. Check a company's **complaint ratio**. Our website lists complaint information for all companies with ten or more homeowners insurance complaints. Check a company's **financial stability** to ensure that it can pay its claims. Refer to our fact sheet *Finding a Reputable Insurance Company - Using Financial Rating Agencies* for assistance.
- **Find a reliable agent.** Some companies sell through local agents and some through direct marketing or group plans. If you wish to buy insurance from an agent, look in the yellow pages or ask people you know and respect for their recommendations. Look for a licensed agent (insurance producer) who is reliable and helpful in answering any your questions. You can verify an agent's licensing status by contacting the Division of Insurance or visiting the Producer Licensing Record of the Producer Information section on our website.
- **Shop carefully.** Insurance is expensive. You should shop around for the best product at the best price. The key to comparison-shopping is to determine what coverage you need, how much of it you need and what it will cost. Obtain more than one estimate or quote. Do not be rushed into buying a policy by high-pressure sales tactics. Do not be misled by advertising or buy a policy simply because it is endorsed on television, radio, in newspapers or other advertisements by famous people.

- **Understand what you are buying.** Ask for a detailed explanation in layman's terms. Don't accept calculations or examples you don't understand. Remember, if it sounds too good to be true, it probably is.
 - **Fill out your application completely and accurately.** It is important to give correct and complete answers when applying for insurance. If you omit or misrepresent information, the company can void the contract.
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Basic Homeowners Insurance Coverages

- **Liability Coverage** - Pays for bodily injury to another person or property damage for which you or members of your household are legally responsible. It may also pay for a lawyer to defend you if you need one.
 - **Medical Payments Coverage** - Pays for injury to another person who is accidentally injured on your property, or injured by you or members of your family. It pays up to the limit of medical payments coverage you purchased. This coverage pays no matter who is at fault. It does not apply to your own injuries or your family members living with you.
 - **Property Coverage** - Pays for physical damage to your home, personal property, and detached buildings on your property such as garages and tool sheds. Property coverage is the most complex part of your policy, and generally includes coverage for:
 1. **covered perils** - events such as fire, windstorm and theft that cause sudden and accidental damage to your property. Your personal property is covered anywhere in the world. Keep in mind though that policies often limit how much you can recover for belongings damaged or destroyed away from home, or on high-priced items like jewelry, antiques, art, or computers.
 2. **additional living expenses** - costs incurred above your normal living expenses when a covered loss forces you to move from your home temporarily. For example, it may pay a portion of your motel and restaurant expenses if a fire destroys your house or apartment.
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Common Homeowners Policies

Most insurance companies offer the following policy forms, although the company may call them by other terms (such as HO-2 = Silver Policy; HO-3 = Gold Policy, and HO-5 = Platinum Policy):

- **Broad Form (HO-2)** - Covers only the perils specifically listed in the policy.
 - **Special Form (HO-3)** - Offers property and liability coverage for the dwelling, other structures, and loss of use of the dwelling and other structures for all risks specifically listed in the policy (e.g., fire, lightning, windstorm and hail, falling objects, etc.). Personal property is also covered for perils listed in your policy. HO-3 covers more perils than an HO-2 policy.
 - **Comprehensive Form (HO3/HO5)** - Covers your home and personal property for everything that is not specifically excluded in your policy. This type of policy provides the broadest coverage available but is not offered by all insurers and is usually more expensive.
 - **Tenants Form (HO-4)** - Provides coverage for a renter's personal property, liability, and additional living expenses.
 - **Condominium Form (HO-6)** - Covers a condominium owner's personal property and any additions and alterations made to the inside of the owner's unit. Condominium owners can also buy endorsements to protect property and for liability associated with their shares in the condominium association's common ownership.
 - **Modified Coverage Form (HO-8)** - Provides coverage when an older home's replacement cost far exceeds its market value.
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What Isn't Covered

Insurance isn't designed to pay for every loss that happens. Under certain circumstances, called "exclusions," there's no coverage. Exclusions are specifically listed in your policy. Events are usually excluded for one of four reasons.

1. The event is not sudden and accidental - for example, policies do not cover damage caused by wear and tear, age, rotting, or lack of maintenance such as a rotting wooden porch. Policies also exclude coverage for damage or intentional acts committed by an insured.
2. The property or event is more appropriately covered by another type of policy - for example, cars, boats, motorcycles, jet skis, all-terrain vehicles (ATV's), snowmobiles, or exposures due to business activities are usually excluded because they are covered by different kinds of policies.
3. The event is catastrophic in nature - for example, earthquake, flood, war, or nuclear disaster. Most policies also exclude property damaged by collapse of an underground mine, sewer back up, or sump pump overflow.
4. The event is a peril the company does not want to cover for the premium charged - for example, some companies now exclude liability coverage for injuries caused on trampolines or by animals.

You can "buy back" coverage for some of these exclusions using policy endorsements. An endorsement adds to or changes the terms of the contract, usually for an additional premium.

Additional Coverages You Can Buy

For an added cost, you can add optional endorsements that change the policy to meet your specific needs. Some common endorsements include:

- **Personal Property Replacement Cost** - Pays to replace your personal belongings such as furniture, appliances, clothes, jewelry, and bicycles with materials of like kind and quality, without subtracting for depreciation. You are reimbursed for your personal belongings based on the amount it would cost you to buy a new one at today's cost, not the depreciated actual cash value.
- **Building Guaranteed Replacement Cost** - Pays to rebuild your home even if it costs more than the policy limit (usually restricted to a certain percentage above your policy's limit: e.g., 20%). This is the most complete coverage you can buy for your home.
- **Refrigerated Products** - Pays for goods damaged in your refrigerator or freezer.

- **Business Insurance** - Provides limited coverage for business machines, tools, and liability. If you have a business in your home, ask about this endorsement.
 - **Earthquake Insurance** - Pays for damage caused by an earthquake.
 - **Inflation Guard** - Automatically raises your coverage limits each year based on price increases for building materials and labor (inflation).
 - **Mine Subsidence** - Pays when an underground mine shifts, causing damage to your property. Insurance companies must offer mine subsidence insurance in counties where mines are located under one percent or more of the land. Underground mines are common in central and southern Illinois, but other areas of the state may be affected as well. You must sign a rejection form to remove this coverage if you live in a county where mine subsidence insurance is required to be offered.
 - **Scheduled Personal Property (also called a "floater")** - Pays for damage to special belongings like jewelry, furs, coins, computers, antiques, artwork, silverware, and covers them for more perils. Payment for these items is usually limited under a homeowners policy.
 - **Sewer Backup and Sump Pump Overflow Endorsement** - Pays for damage to your finished basement caused by sewer backup or sump pump overflow. Even if your basement isn't finished, some contents may still be covered.
 - **Increased Limits on Money and Securities Endorsement** - Increases the coverage on money, bank notes, securities, deeds, etc.
 - **Watercraft Endorsement** - Provides liability and medical payments coverage for damage or injury caused by small sailboats and outboard motor boats.
 - **Flood Insurance Coverage** - Pays for damage caused by flooding. Flood insurance is available from a variety of insurance companies, as well as the National Flood Insurance Program. You must live in a community that participates in this federal program. Lenders require flood insurance if you live in certain flood hazard areas.
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Determining How Much Coverage You Need

On the building:

Your home is probably your largest single investment, so it is important to insure it for the amount you would want to receive if it were damaged or destroyed completely. Listed below are three ways companies use to settle your insurance claim. The loss settlement method you choose (and pay for) will determine how much money you receive for your loss.

- **Actual cash value (ACV)** - Pays replacement cost minus depreciation. Depreciation is the decrease in your home or property's value due to age or wear and tear. The company will pay you what your property was actually worth immediately before the loss, not what it would cost you to buy that same property new today.
- **Replacement cost** - Pays what it costs to rebuild or replace your property today with materials of like kind and quality. This settlement method pays you more than ACV because it does not deduct for depreciation.
- **Guaranteed replacement cost (also called extended replacement cost)** - Pays to replace your home even if it costs more than the policy limit. A company may limit this to a certain percentage above your policy's limit, like 20%. There may be other restrictions. For example, a company may offer this policy only on homes less than 30 years old.

On your personal property:

Most policies insure personal belongings for half the building limit. If your home is insured for \$100,000, your personal property limit may be \$50,000. Talk to your insurance agent if you need more coverage than your policy provides.

Factors That May Affect The Premium

Hundreds of companies sell homeowners insurance in Illinois and prices can vary greatly. Some factors companies use to set the cost include:

- **Type of construction (brick, wood, masonry, block)** - Wood homes cost more to insure because they're more likely to be damaged by fire.
- **Fire protection** - Premiums may be affected by the distance between your home and fire department, the quality of the department's fire fighting equipment, level of training, and response history.
- **Location** - Rates can be higher in areas where crime, fires, or natural disasters are common.
- **Type of policy and amount of coverage** - Policies with high limits that cover the most perils cost more.

- **Deductible** - Taking a high deductible lowers your premium, but you'll pay more out of pocket every time there's a loss.
 - **Number of living units** - Multi-family dwellings cost more to insure.
 - **Age of dwelling** - Older homes with outdated electrical and heating systems could cost more to insure.
 - **Claim history** - Some companies charge higher rates if you've had losses.
 - **Credit history** - Companies may consider your financial stability and charge higher premiums based on your financial status (i.e., credit card history, amount of credit, bill payments, etc.).
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Unacceptable Risks for Some Companies

Insurance companies are starting to exclude or limit coverage for certain types of homeowners risks such as: trampolines, unfenced swimming pools, vicious pets or pets with a history of biting, older/outdated plumbing/roofs/electric/heating systems, and property that is vacant or unoccupied.

Homeowners Discounts

Some companies offer discounts that can lower your premium. Examples include:

- **Protective devices** - for having fire extinguishers, smoke alarms, deadbolt locks on all outside doors, a sprinkler system, or security alarm system hooked up to the police station.
 - **Mature homeowners** - for those over 55 and retired.
 - **Non-smoker** - for a non-smoking household.
 - **Multiple policies** - for consumers who have more than one policy with the same insurance company, such as home and car insurance.
 - **New home** - for a brand new home, or even a home less than nine years old.
 - **Fire resistant building materials** - for buildings that are built with fire resistant materials.
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Ways to Lower Your Homeowner Insurance Costs

- **Ask about discounts** - The type and amount of discounts offered may vary by company. Some discounts affect a portion of your coverage; other discounts may affect the entire premium.
 - **Take the highest deductible you can afford** - You become responsible for small losses, not your insurer. If you raise your deductible, you may be able to significantly lower the price of coverage, but you will pay more out of pocket each time you have a claim.
 - **Consolidate your insurance needs** - If you need more than one type of insurance, you may be able to obtain a discount by buying all your insurance from one company.
 - **Keep a good credit history** - Many companies are looking at your credit information and may charge higher premiums for those with less than perfect credit profiles.
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The Need for Household Inventories

The period of time after a loss can be very traumatic. By making a complete inventory of all your possessions now, you will be able to determine what has been lost, stolen, damaged, or destroyed, and make a much more accurate claim to your insurance company

Your household inventory should include a complete list of your household possessions, model and serial numbers, the original costs, and receipts. Take photographs or videos of your home and important property to support a claim in the event of a loss. Keep a copy of your inventory and/or video at a relative's home or in a safe deposit box. You may also provide a copy to your insurer. Your insurance company may offer you an inventory "guide" to help you list your property.

If You Can't Find Homeowners Insurance

If you cannot find homeowners insurance, talk to your insurance agent about the Illinois FAIR Plan. The FAIR Plan is an association that operates like an insurance company. All property and casualty companies that sell basic property insurance in Illinois fund the plan.

To qualify for coverage with the FAIR Plan, you must have three unsuccessful attempts to buy property coverage from insurance companies and your property must meet basic fire, loss prevention, and safety standards.

The FAIR Plan offers most of the home, personal property, and personal liability coverages that you can get with a private insurance company. However, the FAIR Plan should be your last resort. You may be able to get a better deal with a traditional insurance company.

For More Information

Call our Consumer Services Section at (312) 814-2427 or
our Consumer Assistance Hotline Toll Free at (866) 445-5364
or visit us on our website at www.ins.state.il.us
