



Homeowner's and Flood Insurance



OVERVIEW

- ⦿ Home Insurance
- ⦿ Flood Insurance
- ⦿ Discounts Available
- ⦿ Current Issues in Today's Market
- ⦿ Q&A



Handouts

Consumer
Guide,
Commonwealth
of VA State
Corporation
Commission
Bureau of
Insurance (2020)

Summary of
Flood Coverages

Flood Insurance
Claims
Handbook



Who Needs Insurance and When?

- ◎ Mortgage and/or Home Equity Line of Credit
- ◎ When?
 - ◎ When YOU need it!
 - ◎ FEMA NFIP Flood – 30 days (no loan closing)
 - ◎ Private Flood – 7 days (no loan closing)

Types of Insurance Carriers

- ◉ **Admitted**
 - ◉ File with VA Insurance Commission
 - ◉ Less flexible to write with
- ◉ **Non-Admitted (E&S)**
 - ◉ DO NOT file with VA Insurance Commission
 - ◉ Subject to higher taxes and fees
- ◉ **VPIA**
 - ◉ unable to obtain coverage through voluntary insurance market
 - ◉ Last Resort

Types of individual homeowner's insurance policies (excl. mobile homes, farms and ranches)

- ◉ **Home**
- ◉ **Dwelling Fire (landlord)**

Homeowner's – HO1 form

- ☐ Coverage is actual cash value
- ☐ Named perils
 - Fire or lightning
 - Windstorm or hail
 - Explosion
 - Riot or civil commotion
 - Aircraft
 - Vehicles
 - Smoke
 - Vandalism
 - Theft
 - Falling objects

Homeowner's - HO2 form

- ☐ Coverage is replacement cost
- ☐ Adds six additional named perils to the HO1 form
 - Weight of ice, snow, or sleet
 - Accidental discharge or overflow of water or stream
 - Sudden and accidental tearing apart, cracking, burning, or bulging of a built-in appliance like a water heater or centralized air conditioner or heating system
 - Freezing
 - Sudden and accidental damage from an artificially generated electrical current
 - Volcanic Eruption

Homeowner's - HO3 form

- Replacement cost for the dwelling but not personal property
- Covers just about everything (exceptions on a separate slide)

Homeowner's - HO4 form

- Replacement cost coverage for personal property
- Covers the named perils on the HO1 and HO2 forms



Homeowner's - HO5 form

- Replacement cost for dwelling and personal property
- All risk coverage for dwelling and personal property (exceptions on a separate slide)
- Higher limits for jewelry, furs, fine arts etc.



Homeowner's - HO6 form

- Coverage depends on what is covered by the condo association
- Associations typically cover the structure of the condo, common areas and the structure of your unit
- Condo policy covers any improvements or renovations from the "studs-in"



Homeowner's - HO7 & HO8

- HO7 – mobile home form (never written one)
- HO8 – modified coverage form (I have only seen a quote from USAA on this form.)



HO3 & HO5 Form Exceptions

- ⦿ Ordinance or law
- ⦿ Earth movement
- ⦿ Water damage from flooding, sewer backups, or water that seeps up from the ground
- ⦿ Power failure
- ⦿ Neglect
- ⦿ War



HO3 & HO5 Form Exceptions

- ⦿ Nuclear hazard
- ⦿ Intentional loss
- ⦿ Government action
- ⦿ Theft to a dwelling under construction
- ⦿ Vandalism or malicious mischief (if vacant more than 60 days)
- ⦿ Mold, fungus, or wet rot (except if it resulted from an accidental discharge or overflow of water)



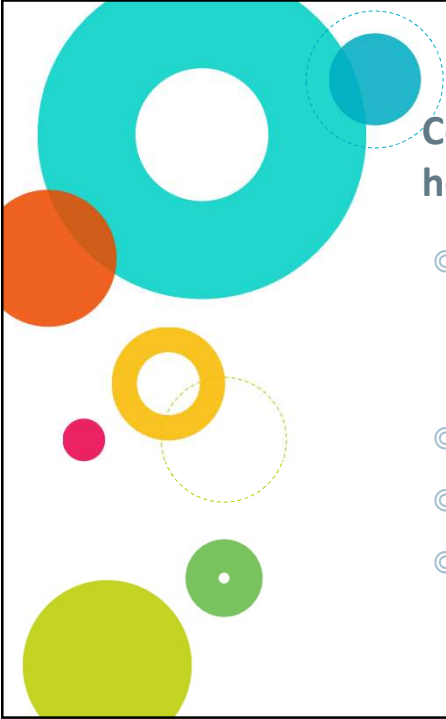
HO3 & HO5 Form Exceptions

- ⦿ Wear and tear
- ⦿ Mechanical breakdown
- ⦿ Smog, rust, or other corrosion
- ⦿ Smoke from agricultural smudging and industrial operations
- ⦿ Discharge, dispersal, seepage of pollutants



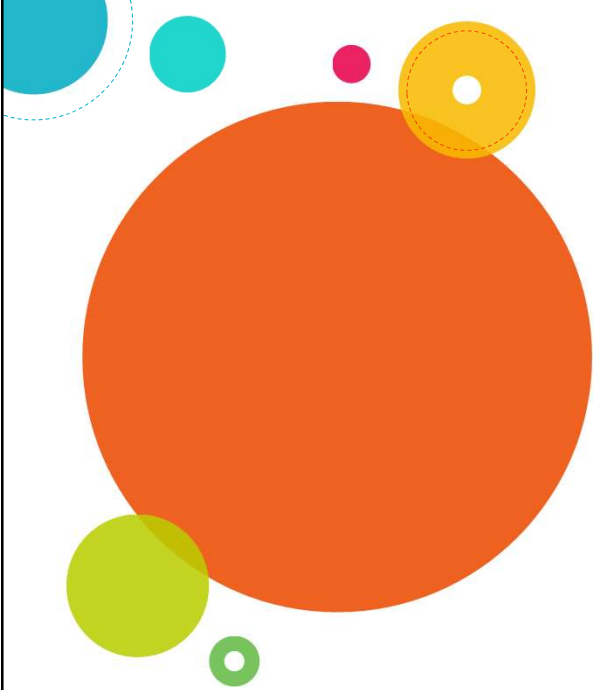
HO3 & HO5 Form Exceptions

- ⦿ Settling, shrinking, bulging, or expanding of parts of the structure like your foundation or walls
- ⦿ Birds, vermin, rodents, insects
- ⦿ Animals owned by insured



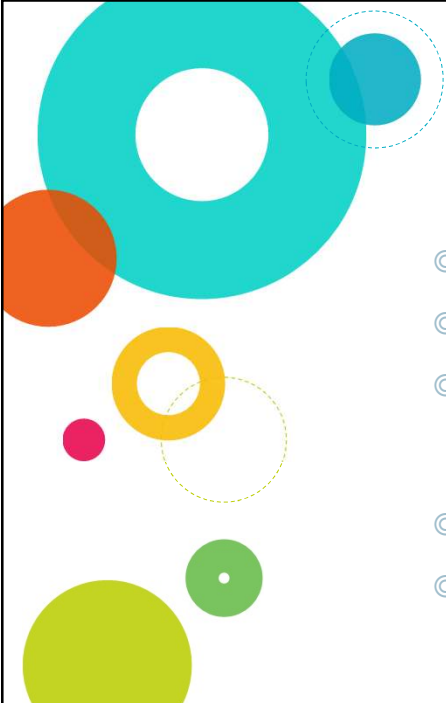
Coverages on all individual homeowner's insurance policies

- ⦿ Property Damage
 - ⦿ Dwelling
 - ⦿ Other structures
 - ⦿ Personal property
- ⦿ Loss of Use
- ⦿ Liability
- ⦿ Medical Payments



Deductibles

- ⦿ Flat
- ⦿ Tropical, named storm or cyclone
- ⦿ Hurricane
- ⦿ Wind/hail



Premiums

- ⦿ Age of home
- ⦿ Updates
- ⦿ Number of claims
 - ⦿ Property
 - ⦿ Named insureds
- ⦿ Credit score of insureds
- ⦿ Dwelling coverage



Common Optional Coverages

- ⦿ Extended coverage for the dwelling
- ⦿ Personal property replacement cost
- ⦿ Water/Sewer backup
- ⦿ Ordinance or Law
- ⦿ Scheduled personal property
- ⦿ Personal injury
- ⦿ Identity fraud
- ⦿ Service line
- ⦿ Equipment breakdown



Dwelling/Fire (Landlord)



Dwelling/Fire DP1 Form

- ⊙ Least amount of coverage
- ⊙ Named risk policy
- ⊙ Actual cash value
- ⊙ Risks covered:
 - Fire & Lightning
 - Internal Explosion & External Explosion
 - Windstorm & Hail
 - Riot & Civil Commotion
 - Smoke
 - Aircraft
 - Vehicles
 - Volcanic Explosion
 - Vandalism & Malicious Mischief



Dwelling/Fire DP2 Form

- ⊙ Average coverage
- ⊙ Named risk policy still
- ⊙ Replacement cost coverage
- ⊙ Common coverages:
 - DP1 coverages plus:
 - Burglary Damage
 - Weight of Ice & Snow
 - Glass Breakage
 - Accidental Discharge or Overflow of Water or Steam
 - Falling Objects
 - Freezing of Pipes
 - Electrical Damage
 - Collapse
 - Tearing Apart, Cracking, Burning, Bulging



Dwelling/Fire DP3 Form

- ⊙ Best coverage
- ⊙ All risk policy
- ⊙ Common exceptions
 - ⊙ Ordinance or Law • Earth Movement • Water Damage (some may be included in the policy) • Power Failure • Neglect • War • Nuclear Hazard • Intentional Loss • Governmental Action • Mold (some may be included in the policy)



Home vs Dwelling/Fire

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> ⊙ More personal property ⊙ Loss of use means ability to rent new primary residence ⊙ More coverage overall | <ul style="list-style-type: none"> ⊙ Typically, less personal property unless rented furnished ⊙ Loss of use is loss of rental income ⊙ Less coverage overall |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

THE 80% CO-INSURANCE RULE

- ⊙ Renovated value of home = \$1,000,000
- ⊙ Original insured value = \$750,000
- ⊙ Insured value/replacement cost = 75%
- ⊙ Loss of \$100,000 = payment of \$75,000 less the deductible amount

Flood Insurance Providers

- ⊙ FEMA through the National Flood Insurance Program
- ⊙ Private - (Hiscox) FloodPlu s Residenti al
- ⊙ Endorseme nt on a home policy



Flood Defined

- ◎ **FEMA** - two or more acres of normally dry land or two or more properties (one of which is the insured's) to be inundated with water
- ◎ **Private** - Flood definition from a home policy: water damage from flood, sewer backup, or water seeping in through the foundation. Flood includes storm surge and tsunami.



Waiting Period

- ◎ **FEMA** - 30 days unless it is for a loan closing requiring flood
- ◎ **Private** - 7 days unless it is for a loan closing requiring flood



Other Structures

- **FEMA** - Optional coverage to insure a detached garages is limited to 10% of the dwelling limit. Such limit 'reduces' the main limit of indemnity for buildings.
- ◎ **Private** - 'Automatic' coverage for structures on the residence premises limited to 10% of the dwelling limit. Such limit 'does not' reduce the main limit of indemnity for buildings.



Fixtures

- **FEMA** - Restrictions apply on listed items of fixed property (air conditioners, etc.) if such property is below a certain level and the building is located in 'zones' listed.
- ◎ **Private** - Covers the dwelling, materials and supplies on or next to the residence premises.



Personal Property

- **FEMA** - Property only covered 'inside' a building. If the building is not fully enclosed, property must be 'secured' to prevent flotation out of the building otherwise 'no cover' given.
- ◎ **Private** - Property covered while anywhere in the world.



Property below living level

- **FEMA** - Cover is restricted to certain categories of property and personal property if located in a building below the lowest elevated floor.
- **Private** - No equivalent limitation.



Debris Removal

- **FEMA** - Covers expense to remove owned and non-owned debris from the premises.
- **Private** - Covers expense to remove property from the premises. If limit of liability exhausted by physical loss or damage claim, an additional 5% of the limit or \$10,000 (whichever the lesser) is available to cover debris removal costs. Coverage also includes removal of trees felled by a flood.



Loss Settlement

- **FEMA** - NFIP provides RCV or ACV coverage depending on the accuracy of the values declared.
- **Private** - Replacement cost coverage provided for buildings and other structures, ACV for all other property. 80% co-insurance applies on homes insured for their replacement cost.




Loss Avoidance

- **FEMA** - \$1,000 towards cost to protect property from imminent danger of flood. \$1,000 for reasonable cost of moving property to a place of safety. Conditional upon a general condition of flooding in the area or an authorized official issue an evacuation order.
- **Private** - \$2,500 towards cost to protect property from 'imminent' danger of flood. Worldwide cover for personal property.



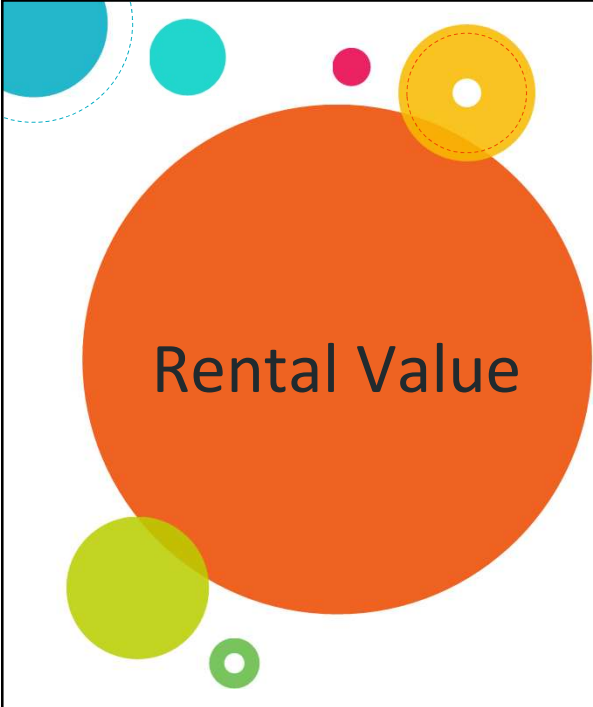
Additional Living Expense

- **FEMA** - Excluded
- **Private** - Covered up to time of repair or permanent relocation whichever the shortest period of time.



Ordinance or Law

- **FEMA** - Pays up to \$30,000.
Coverage subject to various conditions and restrictions such as:
 - building having suffered flood damage on two occasions during a ten-year period
 - repair costs on average equal or exceed 25% of the market value of the building
 - NFIP must have paid previous claims.
- **Private** - Pays up to \$30,000 or 5% of the dwelling limit, whichever is greater. There are no equivalent restrictions on the Hiscox form.



Rental Value

- **FEMA** - Excluded.
- **Private** - Covered.



Discounts available on home policies

- Claims free
- Non-smokers
- Whole house generators
- Smoke detectors
- Dead bolt locks
- Fire extinguishers
- Alarm systems
- Water leak detection systems
- Gated communities
- Gated homes



Hard to Insure Risks

- More than five miles from a fire station
- More than 1,000 feet from a fire hydrant
- Vacant homes
- Short term rentals
- Historic
- Polybutylene pipes
- Buried oil storage tanks
- Knob & tube wiring
- Fuses instead of circuit breakers
- Flat roofs
- EIFS stucco exterior (homes built before 2000)

KT1

Issues in Today's Seller's Market and Maybe Tomorrow's Market

- ◎ Today - Seller's renting back after closing
- ◎ Tomorrow – Homes in foreclosure

Questions?



**Williamsburg Real Estate School
Continuing Education or Post License Education Credit**

PLEASE PRINT CLEARLY: FORM MUST BE TURNED AT END OF CLASS TO RECEIVE CREDIT.

There will be a \$10 charge assessed for forms turned in after the day of the class.

*PLEASE INDICATE NAME BELOW **EXACTLY** AS IT APPEARS ON YOUR REAL ESTATE LICENSE.*

FIRST NAME - PRINT CLEARLY			
MIDDLE NAME OR INITIAL			
LAST NAME			
FIRM NAME			
EMAIL ADDRESS			
DAYTIME PHONE NO.			
COURSE NAME	<p align="center"> Homeowner & Flood Insurance Approved for Current Industry Issues & Trends PL Approved for 2 hours Real Estate Related CE </p>		
COURSE DATE	<p align="center">Thursday, April 4, 2024</p>		
LICENSE NUMBER (10 DIGITS):	<p align="center"> <u> 0 </u> <u> 2 </u> <u> 2 </u> <u> 5 </u> <u> </u> <u> </u> <u> </u> <u> </u> <u> </u> </p>		
CREDIT TYPE REQUESTED <i>(Check one)</i> <i>PL credit is required for salespersons in their first year of real estate.</i>	PL # 26535	CE # 26534	
X			

Signature - Required: My signature certifies that I was present for this entire session and am entitled to receive continuing education credit. (Partial attendance does not give continuing education or class credit.)



Course Evaluation & Suggestion Card

Instructor: Kim Tahey

Class: Homeowner & Flood Insurance

Date: April 4, 2024

Please answer the following questions with the scale #1 poor - #3 excellent

- | | | | |
|----------------------------------------------------------------------|---|---|---|
| 1. Will the material be useful in your daily real estate activities? | 1 | 2 | 3 |
| 2. Was the instructor well organized? | 1 | 2 | 3 |
| 3. Was the class interesting? Did it keep your attention? | 1 | 2 | 3 |
| 4. Were your questions answered during class? | 1 | 2 | 3 |

5. Suggestions for class improvement may include -
