



## Office of Insurance and Safety Fire Commissioner John W. Oxendine



### Commissioner Oxendine's office answers to these Frequently Asked Questions about Homeowners Insurance

Homeowners insurance, also called property insurance, protects the homeowner from weather-related damage, as well as potential liability from events that occur on the property. Lenders require homeowners insurance coverage to protect the collateral that secures their loan. Some homeowners insurance policies do not cover catastrophic events such as tornadoes, hurricanes or floods. These kinds of events generally require a separate insurance policy.

#### ☐ Actual Cash Value

Actual Cash Value is a term frequently used in the settlement of property damage claims. It refers to the insurer paying the current cost of the damaged property less depreciation due to age, wear, tear, etc. If the policy pays on the basis of actual cash value, the insured will generally not be fully compensated for the cost to repair or replace damaged property.

#### ☐ Additional Living Expenses

Most homeowners policies provide for funds for additional living expenses. These are the amount you must incur over and above your normal expenses to live when you become displaced from your home by a covered loss.

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**QUESTION:** If a tornado damages our home to the point that we cannot live there safely, will our homeowner's policy cover staying in a motel?

**ANSWER:** Many homeowner's policies have provisions to pay a reasonable increase in living expenses which are necessary to maintain the insured's normal standard of living. It is important to check your policy to find out if you have this coverage. If you do, you also need to find out what amount your policy will pay.

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#### ☐ Cancellation/Non-Renewal

Georgia law generally requires that a notice of adverse action be mailed to an insured. There are many restrictions placed on an insurance company which limit the reasons a policy may be terminated.

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**QUESTION:** I just bought this policy and paid it in full, but they sent a cancellation notice to me. Can they do that? It's not right, is it?

**ANSWER:** If you purchased a new homeowners (or automobile) policy, an insurance company may cancel it within the first 60 days by mailing a 10 days notice. If the policy has been in effect for more than 60 days, there are restrictions. If you feel the carrier has not complied with Georgia law, you must notify them before the policy's termination date.

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**QUESTION:** My insurance company said I have had too many claims and they are going to cancel my policy. I have had insurance with them for a long time and always paid my premiums on time. Can my insurance company cancel my policy because of a claim?

**ANSWER:** An insurance company is restricted by Georgia law as to when they can cancel or nonrenew a policy after the first 60 days. There are numerous restrictions that limit a company's ability to cancel or to refuse to renew a person's policy.

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#### ☐ **C.L.U.E. Reports**

**QUESTION:** I've tried to get insurance with another company, but they will not write me because of a C.L.U.E. Report. What is it? It must be wrong because I've just moved here and have only one claim. That was ten years ago at my old house. What do I do?

**ANSWER:** Our office has no jurisdiction or access to the information on your personal database nor can this office effect any corrections. The report is similar to that of a credit reporting agency. you must contact Choice Point directly to have these errors investigated by them (see [www.choicepoint.com](http://www.choicepoint.com))

It is our understanding that the information on "property losses" is maintained by "location." If a loss did occur at the property in question, it may remain part of the loss record for that property, however, you may add your own comment to the data.

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#### ☐ **Dogs**

Dogs are called Man's Best Friend, but unfortunately, there are times when they may cause you problems with your homeowners insurance. Certain breeds of dogs are deemed unacceptable liability risks to insurance companies because of their inherent aggressiveness and unpredictable nature. These include American Pit Bull Terrier, American Staffordshire Terrier, Doberman, Rottweiller, Chow, Presa Canario and wolf hybrid animals.

**QUESTION:** My insurance company cancelled my homeowner's policy and I can't get another carrier to write me a homeowner's policy. I need insurance in case my home burns down. What can I do?

**ANSWER:** Unfortunately, this office cannot require an insurance company to provide coverage to an individual. We can suggest the following possibilities to you:

If your agent does not have another company that will write you a policy, you may need to contact other agents that represent other carriers. When contacting your agent or any agent, you should thoroughly discuss the availability of coverages and other options that you might have. One such option may be the **FAIR PLAN**. You may qualify to purchase either a limited homeowners type policy or a Fire & Extended coverage policy through the Georgia Underwriters Insurance Association (also known as the **FAIR PLAN**). Information on rates, coverages and applications may be obtained through any licensed insurance agent. Or, you may contact the Association directly at P. O. Box 956158, Duluth, GA 30095.

You always have the option of contacting your mortgage company for suggestions or allowing them to place coverage for you.

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## ☐ Fair Plan

The FAIR Plan, also referred to as the Georgia Underwriting Association, is an association of licensed property and casualty insurance companies, subject to approval and regulation by the Insurance Commissioner, formed to provide homeowners and other property insurance to individuals or entities unable to obtain insurance due to underwriting requirements of the standard market. Coverage can be obtained through most independent insurance agents or direct from the Fair Plan.

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## ☐ Flood Insurance

Most homeowners policies do not provide coverage for Flood Damage. Although there are policies that can be purchased to cover Flood Damage, Flood Insurance is regulated by the Federal government, its National Flood Insurance Program (N.F.I.P.). Flood policies are exempt from state insurance laws.

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**QUESTION:** My mortgage company is charging me for flood insurance and I don't think I should have to have this coverage. I asked for a refund but they will not give it to me. Who is right?

**ANSWER:** Although your policy may have been issued and administered by an insurance company that is licensed by this office, the "Flood" insurance program is a Federal program. The Federal rules and regulations are provided to the carrier/administrator and must be followed. You may wish to file your complaint directly with the Flood Plan. The mailing address for the N.F.I.P. is P.O. Box 6468 Rockville, MD 20849-6468, telephone number is 800 638-6620.

In addition, our office does not regulate your mortgage company. If this coverage is required by them, you will have to file a complaint with an entity that may regulate the lender. That entity for conventional loans would be the Georgia Department of Banking and Finance 2990 Brandywine Road, Suite 200, Atlanta, GA 30341 or the Governor's Office of Consumer Affairs, East Tower, Room 356, Atlanta, GA 30334. FHA Loans would be the U.S. Department of Housing and Urban Development, Loan Management Branch or VA Loans would be the local VA Regional Office.

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## ☐ Home Owners Insurance

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**QUESTION:** Is all of my property covered by my homeowners policy?

**ANSWER:** No, as all policies have exclusions and limitations. The limitations usually include theft of jewelry, silverware, guns etc. Your car and your motor home are among items that are not covered. To have coverage for these things, you need separate policies.

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**QUESTION:** If my house is damaged by a disaster, will my homeowner's insurance cover my house?

**ANSWER:** Unfortunately, it depends on the type of "disaster". Major floods, earthquakes, for example, are not covered.

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**QUESTION:** I rent a house from the owner. Do I need Homeowners coverage?

**ANSWER:** You cannot insure the structure (house, itself), but you can insure your personal belongings under a renters insurance contract and your landlord or lease agreement may require that you also do so.

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**QUESTION:** I am shopping for a house. What do I need to know about homeowner's insurance before I buy?

**ANSWER:** There are two parts to a typical homeowner's policy: (1) property coverage protects the home and contents plus losses for additional living expenses, and (2) liability coverage protects you from lawsuits. The amount of home coverage should be at least 80%, or more, of the replacement cost of your home. Coverage of the contents of your home is usually an amount at least half of the structure coverage.

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**QUESTION:** I recently installed smoke alarms on all levels of my home. Am I entitled to a discount on my homeowners policy?

**ANSWER:** Most insurance carriers offer discounts for several features, one of which may include smoke alarms. The amount of the reduction varies from company to company. You may be able to get an insurance discount and have a safe home for your family as well.

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## ☐ Moving Furniture

When you are relocating your residence, many people hire or contract with a moving firm to transport their furniture. These firms are not regulated by the Office of Commissioner of Insurance and the "protection" provided for the move is usually not "insurance."

If the damage occurred during the move from another state to Georgia, you may file a complaint with the

Federal Highway Administration, Motor Carriers, Division of Insurance. Their telephone number is 1-888-368-7238 or you can FAX your complaint to 202 358-7100, Attention: James Dubose.

If the damages occurred during a move within Georgia due to services rendered by a local Georgia mover, the Georgia Public Service Commission appears to be the proper authority having jurisdiction in this situation. This address is: Georgia Public Service Commission Transportation Division, Claims Section, 1007 Virginia Avenue, Suite 310 Hapeville, GA 30354. Their telephone number is 404 559-6606.

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**QUESTION:** I had my furniture moved from Alabama to Georgia, THEN from downtown storage to my home in Dunwoody. The movers scratched my furniture and broke several of my valuable items. I bought extra insurance from these people just in case this happened and now they will not pay me. What can I do?

**ANSWER:** Our office has no jurisdiction over furniture movers or shippers. It appears you purchased extra coverage from the movers via that mover's bill of lading, not through an insurance company regulated by this office.

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#### ☐ **Storm Damage**

The standard homeowners policy does protect you for most “storm” activity. You should be prepared to make reasonable effort to protect your property from damage. When and if there is damage to your property, you must try to prevent further loss.

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**QUESTION:** Does my "new" policy cover me for the hurricane that has been announced?

**ANSWER:** If you just bought a policy, you need to contact your agent. Don't wait until a storm is pending to buy insurance coverage as it may not be effective until the storm is over.

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**QUESTION:** As a result of rain and hail storm, we have a hole in our roof. If I get the roof patched before the insurance adjuster comes to see it, will the insurance company still pay for the actual repair of the roof?

**ANSWER:** Normally. It is your responsibility to protect the roof from further damage until the insurance adjuster can determine the extent of the loss. In order to get reimbursed for these expenses, you should keep receipts to submit to the insurance company.

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#### ☐ **Replacement Cost**

Replacement Cost coverage is becoming more prevalent in insurance policies. It means that insurer will pay the full cost to repair or replace your damaged house or personal property with new materials of the like, kind and quality that was damaged or lost. To receive the full replacement cost, however, most insurance policies require that the damaged property be repaired or replaced within a reasonable period, generally, 180 days from the date of the loss.

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**QUESTION:** The insurance company estimated that the replacement cost to repair my roof is \$5,500.00 but only paid \$3,900.00. I only have a \$500.00 deductible. Why are they paying less than the replacement cost minus the deductible?

**ANSWER:** The insurance policy agrees to pay the replacement cost minus the deductible provided the damaged property is, in fact, replaced. Thus, the insurance company generally advances the actual cash value or depreciated value of the damaged property pending commencement of repairs or full replacement of lost property. Once repairs begin or property replaced, the insurance company will pay the full replacement amount.

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## ☐ Trees

One of the most misunderstood coverages found in a homeowners policy is related to property damage caused by trees, tree replacement and tree removal. The standard homeowner's policy provides limited coverage that depends on the circumstances that caused the tree to fall and where it fell.

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**QUESTION:** My neighbor says that I have to pay for the damage to his house/car since they were damaged by my tree when it hit his house/car. My insurance company says I don't owe him. Who is right? Do I have to pay him?

**ANSWER:** If your tree was not dead or dying and an imminent hazard before it fell, you are probably not liable for your neighbor's house/car damage. If you are not legally responsible for the damages, your insurance company will not pay your neighbor for damages you do not legally owe. However, if you knew the tree was dead and/or diseased and you didn't take action to prevent damage that you knew would likely occur, you may be held responsible or legally liable for such damage or injury.

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**QUESTION:** We advised our neighbors that a dead tree in their yard could cause serious damage to our property if it fell in our yard. They ignored our warning. Whose insurance would have to pay for damage to our property?

**ANSWER:** This circumstance reflects probable negligence by your neighbors, and you may be covered by their homeowner's policy. To obtain a quick settlement, you can file a claim with your homeowner's company if the tree fell as a result of a covered peril and hit a covered structure. Your insurance company should ultimately collect for the damage, including your deductible, from your neighbor's carrier.

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**QUESTION:** A tree fell in my yard and it is going to cost \$2,000.00 to get it cut up and moved. I reported it to my insurance company and they said it is not covered under my homeowner's policy. Aren't trees covered?

**ANSWER:** Many home policies provide some coverage, "Debris Removal," for removing any debris (trees) off covered property for any covered loss. However, if the tree is blown over in the yard, there is no debris removal coverage. If the tree hits a covered structure, i.e. your dwelling or fence, there may be coverage for the expense of taking the tree off that structure and placing it on the ground. A policy may pay up to \$500.00 for the removal of the tree once it is removed from the structure.

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**QUESTION:**I have some very nice trees and shrubbery in my yard. Are they covered by my homeowner’s policy? If so, to what extent?

**ANSWER:** Most policies provide some coverage for trees, shrubs, plants and lawn for certain losses. These include damage or loss by fire, lightning, explosion, riot or civil commotion, aircraft, vehicles not owned or operated by the insured or resident of the dwelling, vandalism, malicious mischief or theft. Coverage is generally limited to \$500.00 for any one tree, shrub, etc. not to exceed 5% of the dwelling limit. Damage or loss to trees, shrubs caused by **WIND & HAIL** is not covered.

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☐ **Vehicle Losses**

Your homeowner's policy generally excludes motorized vehicles which are normally covered on other type policies.

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**QUESTION:** My four-wheeler that I purchased for my son for Christmas was stolen two days later. My Homeowners carrier has denied the claim. Is this right?

**ANSWER:** Yes, unfortunately. Generally Homeowners policies exclude motorized vehicles.

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**QUESTION:** My roommate's car which was parked in my driveway was severely damaged by the fire in my home. My homeowner's policy carrier will not have this car replaced. Why?

**ANSWER:** Your policy excludes motorized vehicles. Further, in the absence of liability on your part, the liability portion of your policy would not cover it either.



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