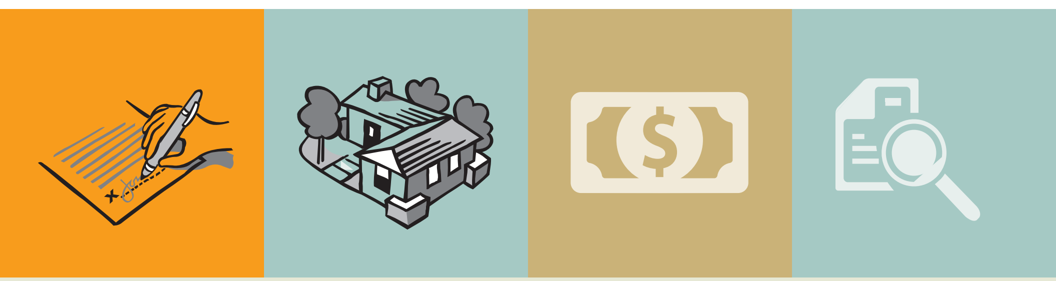
1-800-927-4357

www.insurance.ca.gov

RESIDENTIAL INSURANCE

Homeowners and Renters



Dave Jones, Insurance Commissioner
California Department of Insurance

Dave Jones
Insurance Commissioner

Dear California Consumer:

The California Department of Insurance (CDI) is the nation's leading consumer protection agency and your best resource for honest and impartial answers to insurance questions.

We have knowledgeable insurance professionals staffing our consumer hotline. My staff is available to help you get answers to insurance related questions, file a request for assistance, or report suspected insurance fraud.

Call 800-927-HELP (4357) or visit www.insurance.ca.gov to view all of our consumer information guides and insurance resources. These tools are available to consumers for free.

Thank you for giving us the opportunity to serve you.

Sincerely,

Dave Jones

Dave Jones
California Insurance Commissioner

TABLE OF CONTENTS

Table of Contents (continued)

Introduction

This guide was designed to give you a better understanding about the kind of homeowners and renters insurance that is best for you. In order to best protect your family, your home, and your possessions, it is wise to take the initiative to fully understand your homeowners or renters insurance policy. While it is difficult to predict future losses, you can minimize the impact on yourself and your family by spending the time necessary to familiarize yourself with your policy and how it specifically addresses your needs in the event of a loss.

When you purchase insurance, it is important to remember to shop for insurance in the same way that you shop for any other consumer product. Take the lead in shopping for and understanding your insurance policy. Make sure to compare prices, policy coverage and conditions, and complaint information. Also, research the coverage options that are available to you. Don't rely only on the word of someone else, including an insurance agent or broker, as to what is the "best coverage" for you. Find an agent or broker who is willing to spend time discussing your needs and how specific insurance coverage can best meet your needs. It is always wise to compare policies on your own to help determine the best product for you.

Always try to plan ahead when you need to purchase insurance. Allow the proper amount of time to make an informed decision. Never make important decisions on the spot without conducting research first. You should always take the lead in deciding what sort of insurance to buy and how much insurance you need.

Throughout this document we have *italicized* industry terms and described them more completely in the *Glossary of Terms* on pages 28 – 31.

Getting the Most for Your Insurance Dollar

The premiums charged for homeowners and renters insurance vary widely from company to company, so it pays to take the time and effort to shop around in order to get the best value for your insurance dollar.

The cost of homeowners and renters insurance depends on a number of factors such as location, local fire protection, age and construction of building, choice of *deductibles*, application of discounts and the scope and amount of insurance coverage you purchase. Under California law, each insurance company calculates its own rates, subject to California Department of Insurance (CDI) approval. Since each company's loss experience differs, the rates will differ as well.

It is wise when shopping to review and compare all quotations to determine if the coverage, deductibles, and limits are similar to each other. Make a list of what is important to you and be sure to discuss it with the agent. To help find competitive rates the CDI is pleased to offer online *premium* comparisons that cover over 90% of California's homeowners and renters insurance market. You can receive these comparisons via the CDI Web site at www.insurance.ca.gov, or by calling the CDI Hotline at 1-800-927-HELP.

Shopping for Insurance

Insurance companies compete for your business on the basis of price, quality and service and use various marketing methods such as telephone, mail, television advertising, web sites, agents or sales offices, to make you aware of their products. Many insurers use independent agents to sell their products. An independent *agent* may represent one or more licensed insurance companies, and when you deal with an independent agent, you are, in effect, dealing directly with the company. The agent is paid a *commission* by the *insurer* for the services he or she provides. Other insurance companies are direct writers that use only their own employees or sales representatives and web sites. You may deal with a direct writer by telephone, the internet, mail, or a visit to their sales office.

Many companies have their own methods of *premium* installment or payment plans, so ask for the details regarding premium installments or payments available through the company you consider for coverage.

Dealing with a Broker-Agent

An insurance *broker* is an independent go-between who searches the marketplace for an appropriate policy in the interest of clients and is not an insurance company employee. The broker represents you, the customer.

A *broker-agent* acting in a broker capacity can charge you a *broker fee* for the services you receive. In order to charge a broker fee, a broker must meet the following requirements:

- The consumer agrees to the fee in advance, after full disclosure.
- The fee is not being charged on a FAIR Plan submission.
- The broker is not an appointed agent of the insurer with which coverage is or will be placed.
- The broker provides the consumer with a specific disclosure form.
- The consumer and broker sign a Broker Fee Agreement containing certain standard information.
- The broker has an in-force broker bond on file with the Department.
- The broker discloses the existence of the broker fee at the time of the initial premium quote.

Your *producer* **must provide** you with a copy of the current Department of Insurance pamphlet "Residential Insurance" when placing residential coverage.

Discounts

Sometimes companies offer discounts for burglar alarms and fire protection devices such as smoke detectors, alarms, and sprinklers. Ask about the discounts available through the companies you are considering.

What Is Covered By Homeowners Insurance?

The homeowners policy contains two sections. Section I provides property coverages (A, B, C and D) while Section II provides liability coverages (E and F). A brief description of the individual coverages follows:

- Coverage A — Dwelling
- Coverage B — Other Structures
- Coverage C — Personal Property
- Coverage D — Loss of Use
- Coverage E — Personal Liability
- Coverage F — Medical Payments to Others

Coverage A — Dwelling

Coverage A provides major property coverage that protects your house and attached structures if it is damaged by a covered peril.

Coverage B — Other Structures

This coverage provides protections to other structures on the residence premises that are not attached to the dwelling. Items covered include detached garages, tool sheds, etc. Coverage B is normally limited to 10% of the coverage A limit. However, you may purchase more coverage for an additional premium.

Coverage C — Personal Property

This coverage provides protection for the contents of your home and other personal belongings owned by you and other family members who live with you. Coverage C is normally 50% of coverage A or is subject to an established amount agreed upon by you and the insurance company.

Coverage is limited on certain types of property that are especially susceptible to loss, such as:

- Jewelry
- Furs
- Fine arts
- Silverware
- Antiques
- Collectibles
- Firearms
- Money

Additional amounts of insurance may be purchased. You may want to consider scheduling these items separately. Ask your agent for specifics.

Coverage D — Loss of Use

This coverage will help with additional living expenses if your home is damaged by a peril insured against to the extent that you cannot live in your home. These expenses include, but are not limited to, housing, meals and warehouse storage. Coverage D is normally limited to 20 percent of Coverage A.

In the event of a loss it is important that you keep receipts for all additional living expenses and submit them to your company for reimbursement consideration.

Coverage E — Personal Liability

This section of the homeowners policy will provide coverage in the event you or a resident of your household are legally responsible for injury to others. Coverage E normally provides a defense and will pay damages, as the insurance company deems appropriate. There are some exceptions. The liability coverage will not protect you in all situations, such as an intentional act. All of the *exclusions* and specific language can be found in your policy.

Coverage F — Medical Payments to Others

This coverage pays for reasonable medical expenses for persons accidentally injured on your property. For example, if a neighbor's child is injured while playing in your home, the medical payments portion of your homeowners policy may pay for necessary medical expenses. Medical payments coverage does not apply to your injuries or injuries of those who reside in your household. It is not a substitute for health insurance. Business activities are also excluded. All of the exclusions and specific language can be found in your policy.

Perils Generally Covered and Not Covered by a Homeowners Policy

Typically covered by a homeowners policy if damage is caused by:	**Typically not covered by a homeowners policy if damage is caused by:**
Fire or lightning	Flood
Windstorm or hail	Earthquake
Explosion	Earth movement
Riot or civil commotion	Termites
Aircraft	Insects, rats or mice
Vehicles	Water damage caused by seepage or leaks
Smoke	Vandalism losses to house vacant for 30 days or more
Vandalism & malicious mischief	Mold
Theft	Wear & tear or maintenance
Volcanic eruption	War
Falling objects	Insurrection
Weight of ice, snow, sleet	Tidal wave
Sudden & accidental water damage	Neglect
Breakage of glass	Nuclear hazard

Important: Read exclusions in your insurance contract. Earthquake, flood, mold, earth movement, and "wear and tear" are some of the perils that are usually excluded. When an insurer writes your homeowners coverage, the insurer is legally obligated to offer you earthquake coverage for an additional premium. The earthquake coverage may be written directly by the homeowner's insurer, by a separate insurer, or through the California Earthquake Authority (CEA).

You may elect to buy specialized homeowners coverage that provides additional protection for your dwelling and contents beyond the standard coverage limitations in most homeowners policies. Ask your insurance agent or broker about available endorsements to extend coverage. Endorsements to coverage, such as building code upgrade, can greatly add to your protection in the event of a loss.

Renters Insurance

News reports of apartment fires often include tragic stories of renters who have lost everything because they weren't insured. Your landlord does not provide insurance for your personal property. Having all your personal possessions destroyed in a fire or other insurable event, without coverage, is a tragedy that does not have to happen.

To protect your belongings, you should consider purchasing renter's insurance, also known as "tenant's insurance." The renter's policy may be used to provide coverage for your personal contents located in the property that you occupy. Coverage is also provided for loss of use, personal liability protection and medical payments to others.

Coverage generally provided under a Renters policy	
Coverage C (Personal Property)	An amount, designated by the *insured*, subject to a minimum as determined by your insurance company
Coverage D (Loss of Use)	20% of Coverage C
Coverage E (Personal Liability)	Generally subject to a minimum of $100,000
Coverage F (Medical Payments to Others)	Generally subject to a minimum of $1,000

Condominium Insurance

Like renters insurance, condominium unit-owners insurance provides coverage for personal property, loss of use, personal liability and medical payments to others. However, it also includes coverage for damages to the interior of the unit and improvements for which the unit owner is responsible to maintain in accordance with the governing rules of the condominium association. Coverage for loss of use is generally limited to 40 percent of the personal property limit.

Loss assessment may be an important coverage for you to consider, because it covers you for certain assessments that the condominium association makes as a result of a loss. However, you should check if it covers earthquake and how much coverage it will provide you in the event of an earthquake loss.

The condominium association generally purchases insurance for the building structure and common areas, such as corridors and walls. You should carefully review the type of insurance your association has and how it would affect you in the event of a loss.

What Limits Should I Set on My Policy?

The "dwelling" limit should be the amount it would cost to replace your home. This may have nothing to do with the purchase price or the current market value of your home, as homeowners insurance does not generally cover the value of the land upon which your dwelling sits. Therefore, when determining the appropriate amount of coverage to purchase, you should consider the cost of labor and materials necessary to rebuild the dwelling, not fluctuations in the real estate market.

Insurance companies have formulas that they use to evaluate the replacement cost of your home. Since the formulas developed are unique for each company, different insurers may suggest or require different limits of coverage for your dwelling limit. If the insurer or broker-agent communicates an estimate of replacement cost to an applicant or insured in connection with an application or for renewal of a homeowners insurance policy that provides coverage on a replacement cost basis, a copy of this estimate must be provided to the insured or applicant that agrees to purchase coverage.

The following information can assist you in determining if the limit set or suggested by your company accurately reflects the price it would cost to rebuild your home in the event of a total loss:

- Contact your agent or broker for assistance in evaluating your dwelling limit. In order to prevent a "he said, she said" situation from arising in the future, you should document your discussions and inquiries in writing.
- Review your dwelling limit initially and upon renewal. Discuss any modifications to your home, in writing, with your agent, broker, or insurer that may cause the replacement cost of your dwelling limit to increase or decrease.
- Know the replacement cost of your home. Be familiar with the building materials that make up your home including the construction type and any special features.

- Stay informed as to the current building costs in your area. Contact local general contractors and ask what the current price per square foot is for a home similar to your own.

- Keep accurate records of updates, renovations, and improvements to your home. Save receipts and samples of materials used when possible and contact your insurance agent or broker to increase the dwelling limit when appropriate.

- Contact your agent, broker, or insurance company to request a comprehensive inspection of your home if you believe your policy limits may be inadequate.

If you believe that your dwelling limit is undervalued or overvalued, and you have submitted documentation in writing to your agent, broker, or insurer to raise or lower the limits and your request is refused, then contact the CDI for assistance by using the information in the "Talk to Us" section of this brochure.

The "contents" limit is generally around 50% of the dwelling amount; however, this is a guideline only, as the most reliable source of information on the replacement value of your personal possessions is you. Be sure to take into account all of your personal property when calculating the contents limits. Read and understand the limited coverage amounts for specific types of personal property such as:

- Jewelry
- Fine arts
- Silverware
- Antiques
- Collectibles
- Firearms
- Computer hardware and software
- Business personal property
- Money

The limited coverage amounts for specific types of personal property are not separate limits in addition to the contents limit. These limits are included in the overall contents limit and represent the maximum paid out for that specific type of personal property. Therefore, it is very important to add an *endorsement* (sometimes referred to as a "rider" or a "floater") to coverage which specifically schedules and takes into account the value of personal property that you may own above the special limits. Contact your agent or broker to discuss how to adequately cover any personal property that is valuable, falls above the limits, or is in any way out of the ordinary.

Also, make sure to take into account commonplace household items when calculating your contents limit. Often, people concern themselves only with big ticket items purchased for use in their homes and neglect to account for all the many things you need to run your household and enjoy your home such as small appliances, kitchen utensils, linens, window coverings, and sundries. Remember, personal property also includes clothing, shoes, accessories, and personal items.

Two major problems experienced by homeowners with their residential property/homeowners insurance policies in the aftermath of past California wildfires were:

(A) Many of the dwellings were underinsured, i.e., insured for amounts inadequate for rebuilding. Insurers sometimes refer to this as inadequate insurance-to-value.

(B) The problem of increased cost of construction was evident in many situations. When rebuilding, homeowners have to comply with new building code requirements. In some instances the difference between the dwelling limit and the code upgrades was a significant amount. Also, the extreme heat of some fires (and some new building code requirements) necessitated the building of new foundations and the removal of the debris from the damaged foundation. This is a situation that can be easily overlooked when determining building limits.

An important part of owning any property is protecting the property to the best of your ability. Homeowners insurance is a vital component to the protection of your property. By knowing and understanding the coverage and limits of your policy, and by making sure that values are current, you greatly add to you and your family's peace of mind in any loss situation.

Will My Policy Completely and Totally Replace My Home If It Is Destroyed?

This depends on whether your policy is a replacement cost value policy or an actual cash value policy. If your policy is an *actual cash value* policy, it will not.

Actual cash value recovery is determined as follows:

(1) in case of total loss to the structure, the policy limit or the fair market value of the structure, whichever is less, or (2) in case of a partial loss to the structure, the amount it would cost the insured to repair, rebuild, or replace less a fair and reasonable deduction for physical *depreciation*, or the policy limit, whichever is less.

If you have a replacement cost policy, the chances that you will be able to completely rebuild your home are better; however, there are many types of replacement cost policies, so you need to be careful to purchase a replacement cost policy that best meets your needs. A policy cannot be sold as a "guaranteed replacement cost" policy unless it will pay to completely rebuild the home regardless of the coverage limit. Other types of replacement cost policies will pay your policy limits, plus a certain percentage above those limits. Some policies do not have building code upgrade (ordinance or law) coverage. Cities and counties periodically change their building codes. Unless your policy has this coverage, your insurance company may not pay for changes you may need to make to the structure of your home to bring it up to current building codes.

As discussed earlier, your agent, broker, or insurer can assist you in establishing a limit that is adequate to rebuild your home. It is important to update that limit periodically to maintain a limit that reflects current construction costs. You may want to ask your agent, broker, or insurer if they automatically review or increase limits on a regular basis or if they offer an automatic inflation guard option that increases limits according to current inflation rates.

In short, there is no substitute for reading your policy and your renewal *declarations* carefully. Whenever you are uncertain about your policy, you need to contact your agent, broker, or company for clarification in writing. Discovering after a loss that you did not have the right coverage is not a situation you want to experience.

For more detailed information on residential claims, please see the CDI's Residential Property Claims Guide. This brochure helps you navigate the claims process and discusses hot topics such as water damage, mold, and replacement cost.

Remember, if you only shop by comparing prices only and not by comparing coverage, you are doing yourself a disservice. Your home is one of the most important purchases you will make. Take the time to get the facts straight before you purchase homeowners insurance. It may be one of the best decisions you make for yourself and your family.

Problems in Obtaining Insurance

If you are unable to find an insurance company that will sell you a homeowners or renters policy because you do not meet their eligibility requirements, or if you cannot find certain coverage, such as fire or flood insurance, there are special insurance programs you should consider. They include:

The California Fair Access to Insurance Requirements (FAIR) Plan

The FAIR Plan is an association of all property insurers licensed to conduct business in California. It is designed to make property insurance more readily available to people who have difficulty obtaining it from private insurers because their property is considered "high risk."

The FAIR Plan offers a standard fire insurance policy for both the structure and contents. This is a basic property policy that has coverage limitations. No coverage is provided for liability or coverage for other perils such as burglary. Read the policy carefully for a detailed description of coverages. An "Excess" or "Differences in conditions" policy or other supplemental coverage offered by private insurers should also be considered when purchasing a FAIR Plan policy. Be sure to discuss these coverages with your agent or broker.

Detailed information is available from the California FAIR Plan. You may contact:

California FAIR Plan
3435 Wilshire Boulevard
Los Angeles, CA 90010
(800) 339-4099 or (213) 487-0111

National Flood Insurance Program (NFIP)

Insurance coverage for losses resulting from floods is generally not provided in a homeowners or renters policy. In 1968, Congress created the National Flood Insurance Program (NFIP) in response to the rising cost of taxpayer funded disaster relief for flood victims and the increasing amount of damage caused by floods.

This program allows homeowners and renters to purchase insurance which will protect their residences and contents against direct physical loss by flood, loss resulting from flood-related erosion and damage caused by mudslide. The National Flood Insurance Program (NFIP), administered by FEMA, makes federally backed flood insurance available in communities that adopt and enforce floodplain management ordinances to reduce future flood losses.

The maximum coverage amounts for a single-family home are $250,000 for the structure and $100,000 for its contents. Renters may also purchase up to $100,000 of coverage for their personal belongings.

For information about flood insurance, property owners or renters should contact their insurance agent, call the NFIP's Referral Center toll-free at 1-888-379-9531., or visit the NFIP's website, floodsmart.gov.

What are Your Rights?

Cancellations and Nonrenewals

After a residential policy has been in effect for sixty days, the insurance company can only cancel a policy for reasons specified by law, which include; nonpayment of premium, *fraud*, *material misrepresentation*, or physical changes in the insured property that increase any *hazard* insured against.

The company must mail or deliver a notice of cancellation to you at your last known address at least 20 days prior to the effective date of cancellation, and 10 days for nonpayment of premium or for fraud. However, it is important to know that companies may sometimes provide more generous cancellation notification timeframes in their policies. If the policy provides for a cancellation notice period of longer than 20 days, the policy language will apply.

A written notice of *nonrenewal* must be forwarded to you at least 45 days before the expiration date. If the company fails to give you the proper notice as required by law, your existing policy, with no change in its terms and conditions, will remain in effect for 45 days from the date the notice is sent.

Both cancellation and nonrenewal notices must contain the reason for the cancellation on nonrenewal.

Premiums

The insurer has sixty days from the policy's effective date in which to verify the rating and underwriting of a new policy. Within these sixty days, a company must notify you of any error and resulting change in premiums. After sixty days, no notice of change of premium shall be effective.

If the premium revision results from an error made by the company or its agents, or from incomplete information provided by you, the insurance company is required to notify you of the error within sixty days and the higher premium shall be charged from the effective date of coverage. If you do not accept the increase in the premium, you may ask the company to cancel the policy. The *earned premium* must be calculated on a pro rata basis on the original quotation.

If the premium revision results from an error made by the company or its agents and you are not notified of the error within sixty days, the policy shall remain in force as written at the original premium.

After the sixty day period has expired, the insurance company may flat cancel the contract for misinformation and/or misstatement or other matters sufficiently serious to justify a *flat cancellation*.

Refunds

In general, whenever the policyholder initiates a cancellation, the premium is calculated on a short rate basis whereby the company retains part of the unearned premium to cover administrative expenses. However, some companies may calculate the premium on a pro rata basis. You will need to review your policy contract to find out the cancellation provisions of the company.

In addition, if you have acquired the services of a broker and signed an agreement, the broker may be entitled to retain the broker fee. You may be entitled to a full refund of the broker fee if the broker acted incompetently or dishonestly. Unresolved disputes over non-refunded broker fees can be forwarded to the CDI for review.

Home Protection Contracts

Home Protection Contracts (commonly called home warranties) protect homeowners from repair costs that aren't covered by homeowners insurance. Home protection contracts cover such things as the plumbing, heating, electrical, and major appliances. Structural items are generally not covered.

Home protection contracts will usually cover malfunctions of major appliances such as washers, dryers, ovens, and refrigerators. In some cases, or for additional fees, the warranty might extend to air conditioning units, garbage disposals, doorbells, ceiling fans, garage-door openers, water softeners, trash compactors, and built-in microwaves.

It is important to note that a home protection contract is not an insurance policy. However, for the protection of consumers, home protection companies are regulated by the CDI and must be licensed by our Department. These contracts, sometimes described as service contracts, typically last one year, and cover the repair or replacement of major home systems and appliances that break down due to normal wear and tear. Home protection contracts don't overlap or replace the homeowners insurance policy. For example, if your hot water heater burst and destroyed a wall in your home, the warranty would repair the water heater and your insurance would pay to fix the wall and any floor damage.

The age of your home usually doesn't matter, as far as home protection coverage is concerned. You can obtain a contract as long as the covered items are in good working order at the start of the contract. Generally, home protection contracts cost about $350 to $400 a year, plus $35 to $50 per service call. If your home's plumbing, heating and electrical systems and major appliances are new or have been recently upgraded, the expense might not be necessary. On the other hand, when you do need to pay for repairs in an aging home, the costs can mount quickly.

Summaries of Key Legislation

The 2003 Southern California firestorms resulted in legislation providing additional protections to homeowners. They include:

- **Senate Bill 64** (2003) In the event of a declared state of emergency, allows homeowners and insurers to mediate disputed homeowners insurance claims on a voluntary basis through the CDI.

  The cost of the mediation will be borne by the insurer up to a maximum of $1,500.

- **Senate Bill 1855** (2004) This bill requires insurers to add an additional disclosure to the California Residential Property Insurance Disclosure and the Declarations Page of a homeowners policy stating that the cost to rebuild your home may be different from your homeowners policy limits. It also changes the use of the words "Extended Replacement Cost Coverage" in the California Residential Property Insurance Disclosure to "Limited Replacement Cost Coverage." This is designed to provide better disclosure to homeowners about their policy limits and the potential for underinsurance.

  This law requires insurers to distribute a new California Residential Property Insurance Bill of Rights to consumers every other year which outlines consumer and insurer rights and responsibilities. This brochure is also available upon request from the CDI.

- **Assembly Bill 2199** (2004) Establishes a minimum 12-month period in non-catastrophic situations (with additional 6-month extensions if the policyholder can show good cause for needing more time), and a 24-month period for declared "state of emergency" situations for homeowners to repair, rebuild, or replace their home after a loss, commencing with payment of actual cash value. Also, it allows homeowners the flexibility to rebuild or replace in a different location than where the original loss occurred in the event of a total loss.

- **Assembly Bill 2962** (2004) In the event of a total loss to the structure:

  Requires insurers to consult with homeowners at the time of their policy renewal (if reconstruction of the insured structure has not been completed), and adjust the policy, limits, coverages, endorsements, or premium to reflect the changed exposure to risk.

  This law prohibits insurers from canceling a policy between renewal periods while a home is being rebuilt, except in cases of fraud and misrepresentation. It also prohibits insurers from using the fact that the primary insured structure is damaged as a result of the total loss, as the sole basis for canceling a policy.

  Requires insurers to renew a homeowners policy at least once if the total loss was caused by a declared disaster and the loss wasn't due to the negligence of the insured.

Some Final Tips

- Take the time to shop around for homeowners insurance. Compare prices, service, and coverage. CDI premium surveys can help with premium comparison. You can call the CDI Hotline for further information and discussion.

- Provide complete and accurate information to your agent or broker when requesting a premium *quote* or completing an insurance *application*.

- Check the status of the broker or agent's license; always make sure they have a valid license. You can check the status of a licensee on our website at www.insurance.ca.gov or by calling our toll free number.

- Read all applications or finance agreements before signing. Make certain the application and/or the *binder* reflects the limits and deductibles, coverage purchased, name of the insurance company, effective and expiration dates, and residential property covered. Never sign a blank form or something that you do not understand. Obtain and keep a copy of all signed documents in a safe with all your other vital records.

- If you can afford to take a bit more of the risk, a larger deductible may significantly reduce your premium.

- Never pay in cash. All checks should be made payable to the insurance company or to the agency, not personally to the broker or agent.

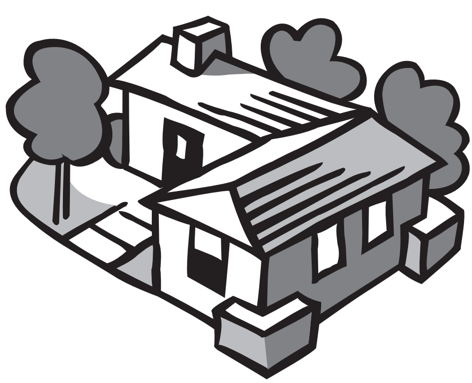
- Read your policy when you receive it. Don't file it without checking to see that the coverage, limits, premium, and other information are correct. Also, read through the policy carefully to identify your rights and obligations and the company's rights and obligations under the terms of the policy.

- Ask the broker or agent to explain any wording you think is *ambiguous*.

- Keep an inventory of personal property, listing all of the items you own, the dates purchased, and the price. If possible, take pictures of important and valuable items. You may want to videotape your home and possessions as well. Keep these records in a safe place away from home, preferably in a safe-deposit box. Also, periodically update your inventory, appraisals, photos, and videotape. This will help you to file and settle a claim quickly and efficiently.

  A home Inventory Guide is available to all consumers from the CDI by calling 800-927-4357 or downloading it from our website.

- The California Department of Forestry and Fire Protection (Cal Fire) is an emergency response and resource protection agency that provides education material and helpful tools to assist in safeguarding your home and reducing the economical damage of fire. Cal Fire provides the **Homeowners Checklist**, a helpful fire safety tool for use inside and outside your home. The Homeowners Checklist can be found on their website at: www.fire.ca.gov.



Glossary of Terms

Actual Cash Value (ACV) — The measure of the actual cash value recovery shall be determined as follows: (1) in case of total loss to the structure, the policy limit or the fair market value of the structure, whichever is less, or (2) in case of a partial loss to the structure, or loss to its contents, the amount it would cost the insured to repair, rebuild, or replace the thing lost or injured less a fair and reasonable deduction for physical depreciation, as specified, based upon its condition at the time of the injury or the policy limit, whichever is less.

Agent — A licensed individual or organization authorized to sell and service insurance policies for an insurance company.

Ambiguous — Terms or words that are unclear or uncertain; being open to more than one interpretation.

Application — A written request for insurance coverage containing statements made by the applicant.

Binder — A short-term agreement that provides temporary insurance coverage until the policy can be issued or delivered.

Broker — A licensed individual or organization who transacts insurance on your behalf.

Broker-Agent — A licensed individual who can act as an agent representing one or more insurance companies and also as a broker dealing with one or more insurance companies representing your interests.

Broker Fee — An amount of money charged by a broker to obtain insurance for an insured. This fee is usually earned and usually not refundable. It must be disclosed to and agreed upon by the insured. This fee is not part of the insurance premium. It is a contractual agreement between the broker and the client.

Commission — That portion of the premium paid to the agent by the insurer as compensation for his/her services.

Declarations — Usually the first page of an insurance policy that contains the full legal name of your insurance company, your name and address, the policy number, effective and expiration dates, premium payable, the limits of insurance, covered property, deductibles, and any applicable lienholder information.

Deductible — The amount of loss that the policyholder is responsible to pay up-front before covered benefits from the insurance company are payable.

Depreciation — A decrease in value due to age, wear and tear, or obsolescence.

Earned Premium — That portion of a policy's premium payment for which the protection of the policy has been provided.

Endorsement — A written agreement that changes the terms of an insurance policy by adding or subtracting coverage.

Exclusion — A contractual provision in an insurance policy that denies or restricts coverage for certain perils, persons, property, or locations.

Flat Cancellation — A policy cancelled as of its effective date. Usually under a flat cancellation no premium charge is made.

Fraud — Dishonest and willful act of obtaining money or value under false pretenses.

Hazard — Circumstances that increase the probability or severity of a potential loss.

Insured — The policyholder who is entitled to covered benefits in case of an accident or loss.

Insurer — The insurance company that issues the insurance policy, and agrees to pay for losses and provide covered benefits.

Material Misrepresentation — A false statement given by an applicant of any important fact that had the insurance company known the truth, it would not have insured the risk.

Nonrenewal — The insurance company's option of not renewing a policy at the end of the policy period.

Premium — The price of insurance paid to the insurance company for a policy.

Producer — A term used by the insurance industry to encompass agents and brokers.

Quote — An estimate of the cost of insurance based on information supplied to the agent, broker or insurance company.

Replacement Cost — The amount that it costs to replace lost or damaged property with new property of like kind and quality in the local market.

Resumen en Español

Residenciales seguros: Propietarios e inquilinos

Este folleto proporciona información valiosa sobre los siguientes temas tratados en este folleto.

- Cómo obtener el mejor provecho por el pago de su seguro
- La Compra de seguros
- Tratando con un corredor-agente
- Descuentos
- Lo que está cubierto por el seguro de propietarios de viviendas
- Seguro para inquilinos
- Seguro de condominio
- ¿Qué límites debería establecer en mi póliza
- ¿Si mi hogar queda destruido, ¿ Mi poliza lo reemplazara completa y totalmente?
- Reglamento de honorarios de corredores
- Problemas en obtener de seguros

¿Cuáles son sus derechos?

Contratos de protección de hogar

Si usted está planeando comprar una póliza de propietarios o inquilinos este folleto le ayudará a entender los diferentes tipos de coberturas y cuáles son sus derechos bajo una políza.

Este folleto está disponible en español en nuestro sitio web en *insurance.ca.gov*. Seleccione traduce espanol en el lado derecho de la pantalla. Seleccione la ficha *los consumidores* elegir tipos de seguros seleccionar *los propietarios e inquilinos*.

Talk to the Department of Insurance

We are the state agency that regulates the insurance industry. We also work to protect the rights of insurance consumers.

Contact the California Department of Insurance (CDI):

- If you feel that an insurance agent, broker, or company has treated you unfairly.
- If you have questions or concerns about health insurance.
- If you want to order CDI brochures.
- If you want to file a request for assistance against your agent, broker, or insurance company.
- If you are having difficulty opening or settling a claim with your insurance company.
- To check the license of an agent, broker, or insurance company.

Call:

Consumer Hotline	1-800-927-4357
TDD	1-800-482-4833

8:00 AM to 5:00 PM, Monday to Friday, except holidays

Visit us on the Web at:

www.insurance.ca.gov

Write:

California Department of Insurance
300 South Spring St., South Tower, Los Angeles, CA 90013

Visit us in person:

300 South Spring St., South Tower, 9th Floor, Los Angeles, CA 90013
8:00 AM to 5:00 PM, Monday to Friday, except holidays

The California Department of Insurance

Consumer Education and Outreach Bureau
300 South Spring Street, South Tower, Los Angeles, CA 90013

1-800-927-4357
1-800-482-4833 (TDD)
1-877-401-9550 (CEOB)
www.insurance.ca.gov

This brochure is a project of the staff of the California Department of Insurance.
Form 401 / Residential Insurance: Homeowners and Renters
January 2016 – Commerce Printing