

Homeowner's Insurance Seminar

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Deai Team

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Agenda

- Insurance Facts
- Types of Homeowner's Insurance.
- Coverages.
- Exclusions.
- Special Limits / Scheduling Items.
- Rating Factors.
- Discounts.
- Average Replacement Cost of homes
- Recommendations.

Insurance Facts:

- Nearly 6 out of every 10 American homes are underinsured. *
- Most policy holders **NEVER** read their policy and never re-visit whether the coverage is adequate.
- The Market Value of your home is not the same as the cost to rebuild your home.
- Insurance is designed to protect you from catastrophic losses.
- Insurance companies can place a moratorium on coverage changes, if a fire or storm is foreseen in an area.

(*According to Marshall, Swift & Boeckh.)

Insurance Facts:

- Earthquake and Flood damage are **NOT** covered under the standard Homeowners.
- Your cash, and valuable jewelry may **NOT** be covered.
- Increasing your deductible can save you up to **25%** or more.
- Combining your Auto and Home insurance can save you money.

Homeowner's Insurance



Types of Homeowner's Insurance

■ H03

- Owner Occupied
- Up to 4-unit dwelling



■ H06

- Owner Occupied
- Condo / Townhouse



■ DP3 (Dwelling Fire Policy)

- Tenant Occupied Rental Properties
- Up to 4-units



HO3 Insurance (Up to 4-Units)



H03 Coverages (Up to 4 Units)

■ Coverage A: Dwelling.

Structure of the house, Fixtures that are permanently installed such as cabinets, flooring, bathtubs, sinks, walls, etc.

Includes structures attached to the dwelling such as attached Garages.

Dwelling limit is determined by RCT (Software developed by Contractors and Architects) Gives you an estimate of how much it would cost to rebuild your home.

■ Coverage B: Other Structures.

(Usually 10~20% of Cov'g A)

Buildings that are **detached** from main structure such as detached garages, sheds, fences, block walls, retaining walls.

(Some exclusions apply to these structures.)

H03 Coverages (Up to 4 Units)

- Coverage C: Personal Property.

(Usually 50 ~ 70% of Coverage A)

Furniture, Appliances, Clothing, Electronics,
Electronic Equipment, Kitchenware, etc.

- When you move to a new house, what you take is your Personal Property.
- Personal Property coverage is world-wide.
- Replacement Cost is available.
- There are Special Limits for Jewelry, Money, Etc.

HO3 Coverages (Up to 4 Units)

- Coverage D: Loss of Use.

(Usually 10~20% of Cov'g A)

Pays for any necessary increase in living expenses you incur so that you can maintain your normal standard of living.

For Example: Hotel stay costs, Moving expenses, Kennel services for your pets, etc.

HO3 Coverage (Up to 4 Units)

■ Coverage E: Personal Liability.

(\$100K~\$1M)

- Protection against lawsuits for bodily injury, property damage or personal injury caused by insured to 3rd party.
- Insurance company pays for attorney and legal fees.
- Covers resident relatives
- Covers World-wide
- No deductible

H03 Coverage (Up to 4 Units)

- Coverage F: Medical Payments To Others.
(\$1,000~\$5,000 Per Person, Up to \$25,000)
 - Pays for non-law suit medical expenses incurred by non-residents.
 - No deductible

HO3 Coverage (Up to 4 Units)

- Extended Replacement Cost
 - Depending on insurance company, extends Coverage A limit up to 200%.
 - Must be insured to 100% at the time of loss.
- Ordinance or Law (Building Code)
 - Covers upgrades and betterments required law.
 - Insurance only pays for what you had prior to a loss.
 - Some policies only give 10% of Coverage A.

HO6 Insurance (Condos)



HO6 Insurance (Condos)

- Owner Occupied Condos / Townhouses
- Lenders are now requiring HO6 insurance for refinances or new purchases.
- The HOA Master Policy may satisfy the lender's requirement, however the Unit Owner will not have important coverages.
- Recommend to check HOA Master Policy before purchasing HO6 insurance.

HO6 Insurance (Condos)

- **HOA Master Policy** typically covers:
 - Exterior building and common areas
 - Premises Liability of Community
 - Directors and Officers Liability
 - May cover Earthquake damage for exterior building
 - Interior walls of each unit is rarely covered

HO6 Insurance (Condos)

- HOA Master Policies **NEVER** covers:
 - **Personal Property** of Individual Unit Owner
 - Furniture, Appliances, Clothes, etc.
 - **Personal Liability** of Individual Unit Owner
 - If you are sued for bodily injury or property damage.
 - **Loss of Use** of Unit Owner
 - Cost of additional living expenses due to covered loss.

HO6 Insurance (Condos)

- Coverage for **HO6** Owner Occupied Condos or Townhouses
 - Covers everything attached to the unfinished interior wall.
 - Covers Personal Property of Unit Owner.
 - Covers Personal Liability of Individual Unit Owner.
 - Covers Loss of Use
 - Covers Loss Assessments by HOA.

HO6 Insurance (Condos)

- Coverage A: Additions & Alterations. (Dwelling)
 - Interior structure or building: (Alterations, permanently installed appliances, fixtures and improvements)
 - Most lenders require 20% of loan amount.
- Coverage B: NONE (Other Structures)
- Coverage C: Personal Property.
 - You determine the limit of coverage.
 - Minimum is between \$25~\$50,000
- Coverage D: Loss of Use.
(Same as HO3)

HO6 Insurance (Condos)

- Coverage E: Personal Liability.
 - (Same as HO3)
- Coverage F: Medical Payments To Others.
 - (Same as HO3)
- Loss Assessments:
 - Pays for HOA Assessments to Unit Owners to pay for deductibles or liability losses to common area.
 - Most policies limit this to \$1,000. Increase is optional.

What types of losses are covered?

What is covered?

- Coverage A and B: Dwelling and Other Structures
 - All direct damage is covered unless it is:
 - Excluded,
 - Freezing,
 - Theft during construction,
 - Vandalism & Malicious Mischief if vacant for 30 days,
 - Settling, Cracking, Shrinking of foundations, patios, pools.

What is covered?

■ Coverage C: Personal Property

- **ONLY** covered if caused by:
 - Fire or Lightning Damage
 - Smoke Damage
 - Wind/Hail Damage
 - Explosion
 - Aircrafts and Vehicles
 - Falling Objects
 - Lightning
 - Pipe Bursts (Not slow leaks)
 - Theft and Vandalism Damage (Not DP3)

*There are other coverages which are not listed here.

Exclusions: (NO coverage at all)

■ Exclusions:

- Earth Movement: Earthquake, Volcanic Eruption, Landslide, Mudflow.
- Water Damage: Floods, Tsunamis, Overflow of body of water, Sewer Back Up.
- Wear and Tear (Maintenance Related)
- Birds, Vermin, Rodents, Insects or Animals
- Constant Seepage or Leakage
- Mold, Fungi, Bacteria unless after a covered loss.

Exclusions: (NO coverage at all)

■ Disclaimer:

- There are other exclusions that were not listed.
- Please review your policy to see all exclusions.

Not covered under Coverage C:

■ Excluded from Personal Property:

- Animals, Birds or Fish
- Auto, aircraft parts
- Property of tenants or other residents that are not related to insured.
- Business merchandise stored at residence

Special Limits under Coverage C

- Special Limits if loss by THEFT ONLY:
 - \$200 for Money, gift cards, bank notes, stamps
 - \$1,000 for securities, accounts, deeds, etc
 - \$1,000 for watercraft, including their trailers
 - Total of \$2,500 for jewelry, watches, furs, precious stones, but not more than \$1,500 per item
 - \$1,000 for theft of firearms
 - \$5,000 for computers and laptops. (Limited to home)
 - \$1,000 per bicycle, maximum up to \$2,000
 - \$1,000 for discs, cassettes, tapes used for electronic games.

Scheduling Items

■ Scheduled items:

- Valuable jewelry and watches can be specifically added to the policy for an additional premium. The insurance companies usually require a recent appraisal of the item.
- Premium range is \$20~\$30.00 per \$1,000.
- Example: \$10,000 Wedding ring = \$200~300.00 / yr.
- If you schedule an item, it is covered for All Risk, which means the covered perils are much broader.
- If you lose your wedding ring, that would be covered.
- There is no deductible for Scheduled Items.

What can you schedule?

- Schedule:
 - Jewelry
 - Fine Arts
 - Furs
 - Cameras
 - Musical Instruments
 - Silverware

DP3 (Tenant Occupied)

DP3 (Dwelling Fire)

- DP3 (Dwelling Fire) Policies are typically written on Rental Properties.
- Main differences are:
 - No Theft Coverage for Personal Property.
 - Liability is Premises Only. Not World-wide.
- If you decide to rent out your home, you will need to change your HO3 to a DP3.

Rating Factors

■ Factors:

- Coverages and Deductible
- Location
- Age of home
- Square Footage (Living space and Garage)
- Number of Stories
- Construction Type
- Building Material
- Protection Class (Fire Station response time)

*Other factors also apply.

Discounts

- Multi-policy
- Renewal Discount
- Higher Deductible
- Alarms (Central Station Fire & Burglar)
- Smoke detectors, Deadbolts
- Gated Community
- Roof types (Tile Roofs)
- Fire Sprinklers

Recent RCT Reports

- Irvine: \$246.00 / SF (Built in 2000)
- Long Beach: \$252.00 / SF (Built in 1936)
- Long Beach: \$261.00 / SF (Built in 1929)
- North Torrance: \$153.00 / SF (Built in 1961)
- North Torrance: \$175.00 / SF (Built in 1953)
- Los Angeles: \$289.00 / SF (Built in 1928)
- Sherman Oaks: \$239.00 / SF (Built in 1948)
- Rancho PV: \$202.00 / SF (Built in 1958)

(*According to Marshall, Swift & Boeckh)

Recommendations:

- 1. Review your policy.
- 2. Check your Coverage A amount. (\$ Per Square Foot)
- 3. Check your deductible. \$1,000 is average.
- 4. Check your Personal Liability Limit. (\$500K)
- 5. Ask your agent to check your estimated replacement cost of your home.
- 6. Do you have both auto and home insurance with same company?
- 7. Do you have an Umbrella policy?
- 8. Make an appointment with Yutaka Anegawa