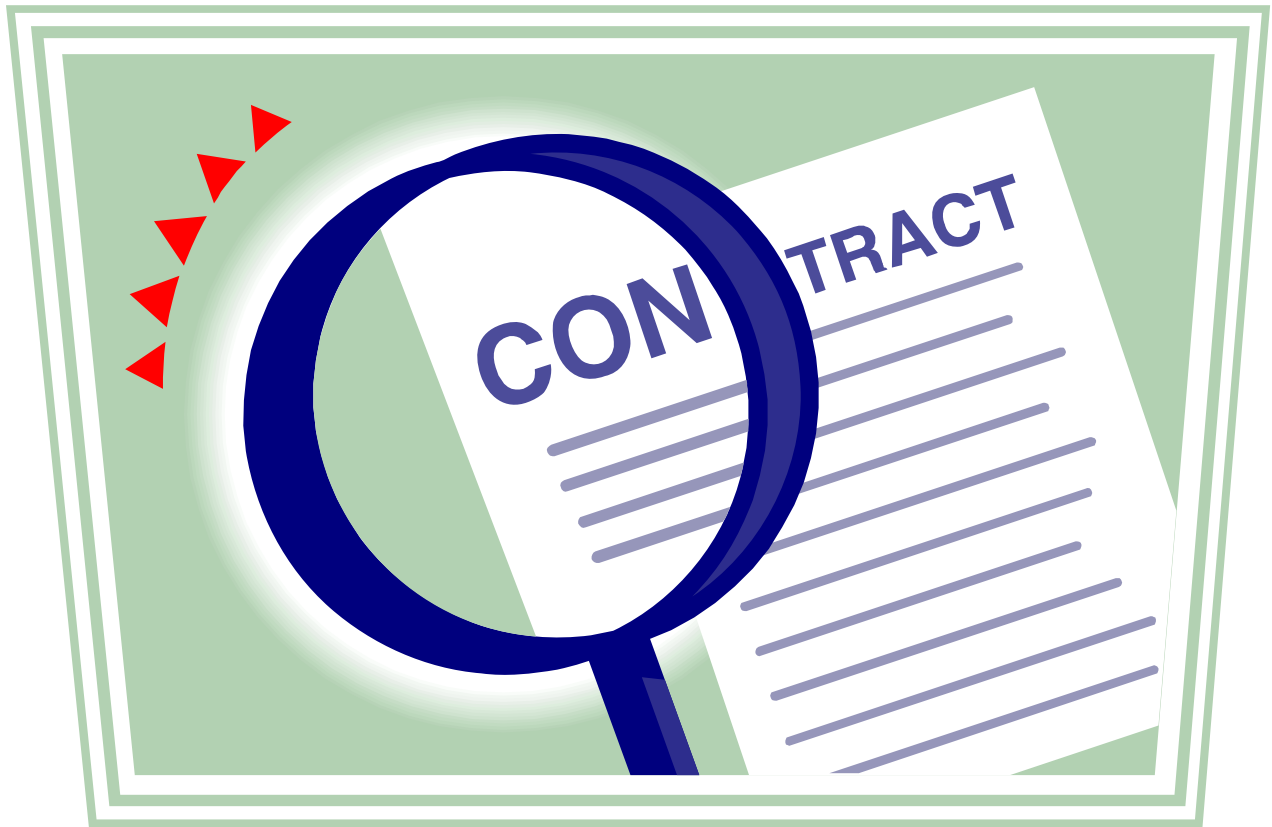


A Massachusetts Guide to Understanding the Insurance Policy Covering Your Home



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How to Use This Guide

The key to having the right coverage for your home is understanding what is in your policy. It is important that you understand that an insurance policy is a legal contract of the promise that an insurance company gives you for a specified period of time (usually one-year) to pay for those losses outlined in your policy provided that you pay premiums to that insurance company. An insurance policy should not be considered a bank account where your premiums are stored, but rather a promise to pay covered losses in return for premiums set at a level expected to pay for the losses of all the people covered under the policy

It is important that you read policies carefully to determine the exact coverage, as well as your rights and responsibilities under each policy. Treat the purchase of insurance and taking steps to protect your house as you would any other major financial decision by seeking independent advice from professionals who are in a position to analyze your individual needs. You should also review your coverage periodically to determine whether your existing policy continues to meet your needs and remember to upgrade your coverage as your assets change. **Please do remember, however, that although others may advise you about coverage options, it is up to you to choose the right policy to protect your own assets.**

You should also know that companies offering coverage for your home can and do decide whether to give you a policy and, near the end of the term, whether to renew it for another term. Companies may decide not to give you coverage or not to renew your coverage, and if they do, you and your insurance producer may need to search for other options in the market.

To learn about home insurance in general and ways to reduce your home insurance costs, please consider reading “A Massachusetts Guide to Insurance for Your Home and Ways to Help Reduce the Cost of Your Insurance Premiums” that can be downloaded from www.mass.gov/doi/Consumer. If you have additional questions, you can contact the Division of Insurance Consumer Services Section at (617) 521-7777 or through www.state.ma.us/doi.

Please note that there are a number of appendices at the end of the guide, with a comparison of common home insurance policies (Appendix A), glossary of commonly used terms that appear throughout the guide (Appendix B), record of any policy that you may purchase (Appendix C).

Disclaimer

This guide is not a legal analysis of your rights under any insurance policy or government program. Your insurance policy, program rules, Massachusetts law, federal law and court decisions establish your rights. You may want to consult an attorney for legal guidance about your specific rights.

This guide includes information, documents, and materials (collectively, the "Contents") that are subject to change without notice. The Massachusetts Division of Insurance cannot guarantee that the contents of this guide are up-to-date or complete and assumes no responsibility for errors or omissions in any Contents, including Contents that are referenced by or linked (by hypertext links) to any other Contents or third party websites. The Massachusetts Division of Insurance makes no representations or warranties of any kind whatsoever for the Contents or for any products or services or hypertext links.

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A- The Different Parts of the Policy

Homeowner insurance policies do differ in their actual structure, but usually contain basically the same components. The parts of the policy are referred to in this way:

The Declarations section is almost always on the first page. This section contains summary information including the name and address of the insured, the dollar amount of coverage in the policy, a description of the insured property, the cost of the insurance, the name of the insurance company assuming the risk and contact information.

The Definitions section is used to explain the meaning of terms used in the policy. These definitions are the key to understanding the extent of coverage your policy provides.

The Coverage sections explain the extent of the policy's protection under both property and liability coverages. Property Coverage is for damage to your property (house, other structures, and household contents) while Liability Coverage is for bodily injury or property damage to others actually or alleged to be caused by you.

The Exclusions sections details what is **not** covered by your policy, under both property and liability coverage. It is very important for you to be familiar with what your insurance company will not cover. This is an area that is commonly misunderstood. You should consult with your insurance producer or company about the exclusions in your policy.

The Conditions section is used to explain the responsibilities of both the insured and insurance company under the policy. For example, this section explains your duties in the event of a loss and also the procedures the company will follow to settle any losses.

Endorsements are riders, amendments, or attachments to your policy which add, remove or otherwise change the standard coverage of the policy. Although you may be able to choose from a number of optional coverages or exclusions with your company or producer (agent, broker or agency), you may need to pay higher premium when optional coverages are added. You should also be aware that an insurance company may, as a condition of continuing your coverage, add endorsements that may limit your coverage. If you accept the endorsements and do not cancel the coverage, the exclusion will be attached to the coverage and once attached will take precedence over the original provisions of the policy.

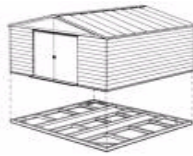
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B - Basic Coverages Available

Whether you own or rent, there are different packages of insurance offered to protect your home and belongings. Each package can protect against a specific number of perils (events that cause damage to property). Three examples common perils protected under a home insurance package are losses due to: fire, windstorm, and theft.



Each policy package usually defines what types of losses are covered in the event of a covered peril. In the standard policy, a home insurance plan may cover losses such as: (1) the costs to repair or replace damaged property, (2) additional living expenses due to loss of use, (3) personal liability which is the cost of losses to others allegedly due to your negligence, and (4) the cost of medical payments to others.



(1) Damage to Real Property

Dwelling coverage pays for damage to the structure of the home you live in. In addition to your home, dwelling coverage will provide coverage – usually set at 10% of the coverage for your home – for other structures on your property, such as sheds, barns, or detached garages. (This is part of the standard package whether you have other structures or not.) You should check to make sure the amount of coverage on other structures is enough to cover a loss, and if not, you should consider purchasing additional coverage.

Although not considered part of dwelling coverage, many home insurance policies include coverage for personal property, which is the personal belongings owned by you or by family members who live with you, even when traveling outside the home or living temporarily away from the home, including for example, students living on a college campus. Belongings of people, other than the insured, living with you, *i.e.*, boarders or renters, are not typically protected by your home insurance, unless you have arranged for this type of coverage with your insurer. The personal property limit is usually a percentage (*e.g.*, 50%) of the dwelling coverage limit. Some insurers may offer greater than 50%. You should check to make sure the amount of coverage for your personal property is enough to cover the loss and if not, contact your insurance producer to see about increasing the limit.

You should also be aware that some forms of personal property, such as silverware, computers, guns, money, expensive antiques, and jewelry, have limited coverage under your homeowners policy and you may need additional insurance to protect them in the event of loss. If you are interested in coverage beyond what is covered under your home insurance coverage, you can investigate various optional coverage endorsements from your insurance producer or company (see page 8 for a discussion of the personal property endorsement).

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Other property such as animals, motor vehicles, aircraft and parts are not covered under home insurance policies.

In addition to the home you live in, other structures on your property and your personal property, some home insurance policies provide limited coverage for small boats. Other motorized vehicles are usually not covered under a home insurance plan unless they are not required to be licensed and are used only at home.

Actual Cash Value and Replacement Cost

While you may have an understanding of its “actual cash value,” it is important to know that under a typical homeowners policy, your home and other structures on your property are valued at “replacement cost.” It is important to understand the differences between these

Actual cash value is the amount of money it would take to repair or replace damage to the contents of your home after depreciation is taken into account. For example, if your refrigerator has a 20-year life expectancy and is 17 years old, if it were damaged, the company would not pay to replace the refrigerator but to pay for what a refrigerator with only 3 years of usefulness would cost.

*Most home insurance policies cover the contents of your home on an **actual cash value basis**.* Many insurers offer an option for you to insure your belongings at replacement cost. The premium will be slightly higher for this coverage; however, you may want to consider this option.

Replacement cost is the amount of money it would take to replace or rebuild your home or repair damages with materials of similar kind and quality, *without* deducting for depreciation.

Many insurers require homeowners to insure their homes for at least 80% of the replacement cost and some may require 100%. You should note, however, that even if your producer helps you to buy 100% coverage, the maximum amount payable for the home is the amount of insurance you purchased even if the cost to repair, replace or rebuild it exceeds that amount. If the homeowner maintains coverage at the required level, the carrier is to pay the replacement cost of a filed claim after the damaged property has been repaired or replaced; if the homeowner fails to insure for the percentage of replacement cost required by the contract, a penalty is applied to partial losses. **The problem is that many homeowners have not increased their coverage to meet the changing cost of replacing their homes and may be underinsured in case of loss.**

For example, assuming (1) it would cost \$200,000 to replace your home, (2) it is insured for \$160,000 (80% of its replacement value), (3) you do not have a deductible on your policy and (4) a fire causes \$40,000 worth of damage, then your insurance company will pay \$40,000 to repair the cost of the claim at the replacement cost under the policy. If, under this scenario, however, your coverage is only for \$120,000, the insurance company would only be required to pay the following:

$$\begin{array}{r} \text{Amount of Insurance on Your Policy} \\ \hline \end{array} = \begin{array}{r} \$120,000 \\ \hline \end{array} = 75\% \times \$40,000 = \$30,000.$$

Amount of Insurance Necessary
to Cover Assets (80% of \$200,000) \$160,000

You would be responsible to pay the remaining \$10,000 of the repaid cost. Since such underinsurance can be catastrophic, you should make sure you review and update your coverage every year.

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Insuring your home for the appropriate percentage of its replacement cost is very important. Check with your producer or insurance company to see what is required.

Check with your producer or company at least once a year to review your coverage and make sure your policy gives you adequate limits of coverage.

Whether your home is insured for replacement cost or actual cash value, it is important to keep track of its value. For instance, adding a new room, new insulation, and inflation all increase the replacement cost of your home, while the actual cash value of the home may decrease over time.

Check with your insurer or insurance producer at least once a year to review your coverage and make sure your policy gives you adequate limits of coverage.

Additional Coverages (without additional premium)

There is also additional coverage under the property section for the cost of damage to trees, shrubs and other plants; removing debris; reasonable repairs to protect your property against further damage; and any fire department service charge when caused by a covered loss under the policy. There are special policy limits and you should refer to your policy for additional detail.



(2) Loss of use

Most home insurance policies also coverage for the additional living expenses that you would need to pay if your home is damaged so that you cannot live there while it is being repaired. Although the additional living expenses limit can vary, it is usually 20 % of the dwelling coverage limit. If part of the home is rented or held for rental to others and that part of the premises is not fit to live in because of an insured peril, this coverage will pay for the lost rental income.



(3) Personal Liability

Personal liability coverage protects you against a lawsuit alleging that bodily injury or property damage was caused by our negligence. Some types of negligence are excluded, such as business or auto related lawsuits, and not covered under a policy of home insurance. Protection from those types of lawsuits would best be handled under a business liability policy or an auto policy. Personal liability coverage applies to you and all family members who live with you usually at a \$100,000 coverage limit. You should check with your producer or insurance company to determine if the amount of personal liability coverage is enough.

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(4) Medical Payments to Others

Medical payments coverage pays for medical expenses for persons accidentally injured on your property by a member of your family or by your pets. **It does not matter who is at fault.** Medical payments **do not** apply to your injuries or those of family members living with you or a tenant regularly residing in your building, or to activities involving your at-home business. The medical payments coverage limit is typically \$1,000. Check with your producer or insurance company to determine whether the amount of medical payments coverage on your policy is sufficient.

C- Typical Homeowner Insurance Forms



An insurance form is another name for an insurance policy, and it sets forth your coverage and identifies which perils your home and belongings are insured against. **Please note that while it is important to understand what is covered, it is just as important to understand what is not covered, including for example, flood, earthquake, war, and government seizure of land and property.**

The following are descriptions of the various insurance forms available for homeowners, renters, and condominium owners. Not all insurers use these exact terms or form numbers to describe their home insurance forms; however the coverage will be similar.

Homeowner Insurance Forms

Most of the standard homeowners insurance forms offered are **HO-2 and HO-3**. The more perils your policy covers, the more you will pay for your policy. (Most companies have their own variations of these forms, so check with the individual company.)

Broad Form (HO-2) is a homeowner policy covering damage only for those perils named in the policy, including those due to fire or lightning, windstorm or hail, vandalism or malicious mischief, theft, damage from vehicles and aircraft, explosion, riot or civil commotion, glass breakage, and smoke. This policy form also covers building collapse; freezing of or accidental discharge of water or steam from internal plumbing, heating, air-conditioning systems or domestic appliances, falling objects, weight of ice, snow or sleet damaged cause by, rupture or bursting of pipes.

Special Form (HO-3) is the most popular of all homeowners forms. It is more comprehensive and covers all perils unless specifically excluded. Some common exclusions are for earthquake or flood. Some insurers will offer even more comprehensive coverage by attaching an endorsement that deletes certain exclusions from the policy. Personal contents are only covered for those perils named in the Broad Form (HO-2).

In addition to the above, if your home does not qualify for one of the homeowner package policies, a company may offer you *limited coverage* on your house.

Fire and Extended Coverage will protect your house, and only your house, for damages due to very specific perils or losses. Other structures, including garages, sheds or other structures on your property are not covered under a fire and extended policy, but coverage for these other structures, as well as for personal property, may be available as endorsements subject to review by your insurer.

Dwelling policy coverage provides more protection than a fire and extended coverage policy, but your personal property is not covered under a dwelling policy.

Mobile Home Insurance

There is a specific policy that is available for mobile homes since there are generally no attached structures. It is a package of insurance written specifically for mobile homes that includes coverage on the mobile home as well as theft and liability protection.

Renters Insurance

If you rent an apartment or a house, you still have an exposure to personal liability coverage and are responsible for insuring against damages to your personal belongings. Personal liability coverage protects renters the same as it would if you were a homeowner. The owner of the building is responsible for insuring the building and for obtaining business liability insurance.

Tenants Form (HO-4) for renters, insures household contents and personal belongings against the same perils as the homeowners insurance form Broad Form (HO-2). It also provides additional living expense coverage and personal liability protection, loss of use and medical payments.

Condominium Unit Owners Insurance

Although condominium associations usually have policies that cover the building, including any common walls, and grounds, if you own a condominium, you need coverage for everything not covered by the condominium association master policy.

Condominium Unit Owners Form (HO-6) is similar to homeowners insurance and renters' insurance. According to many condominium by-laws or trust agreements, the condominium unit owner owns everything within the unit including permanently attached fixtures, improvements, and other items that would normally be the property of, and the responsibility of, the landlord in a rental unit. Condominium unit forms cover what is the property of the condominium owner. Also, many association agreements contain a provision that allows them to "assess" the condo unit owner for additional costs that may be associated with a loss that is covered by the association master policy. The condominium unit owner form may provide coverage for insurance related assessments.

D- Optional Coverage You May Wish to Buy

Extended Replacement or Contents Replacement Cost Endorsements

Extended replacement cost coverage provides additional coverage beyond the amount shown on the Declarations page. This amount can vary, however, it is typically limited to 20 or 25 percent of the dwelling value. To obtain this type of coverage, you must meet specific underwriting rules and conditions of the company. This may include increasing your insurance to keep up with inflation. Check with your insurance producer or company to see if an additional premium is required and if there are exclusions or conditions that apply. A Contents Replacement Cost Endorsement is generally added to every homeowners insurance form so that contents will be covered on a replacement cost basis instead of an Actual Cost Value basis

Ordinance or Law Endorsement

This coverage would protect a policyholder from any ordinance or law that if enforced during the policy period may adversely affect the home. For example, if an ordinance is already in place, but when replacing a loss, the insured needs to make a property meet building codes that were not in place when the property was built or last remodeled.

Inflation Guard Endorsement

If the replacement cost of your home is increasing with inflation, your policy amounts must be periodically increased to maintain your coverage at 80% or higher. Even though the amount of the homeowners insurance you carry now is at least 80% of your home replacement cost, this amount may not be enough in the future.

To help you keep coverage at an adequate level, some companies offer an "Inflation Guard Endorsement." This endorsement will allow your insurance company to automatically change your policy limit during the policy period and upon each subsequent renewal policy by a pre-determined percentage (*i.e.*, 2, 4, 6 or 8%).

Even if you have this endorsement on your policy, check your coverage limits periodically to make sure you are adequately, but not overly insured. Not all companies offer this endorsement, so check with your producer or company if you are interested in buying it.

Scheduled Personal Property Endorsement

This endorsement is sometimes called a "personal article floater." It covers possessions such as jewelry, furs, stamps, coins, guns, computers, antiques, silverware, fine arts, and other items that may exceed the coverage amount in your regular home insurance policy.

A personal articles floater lists each article that is insured, gives a description of the article insured, and lists excluded perils. It often provides coverage that is broader than the coverage under the home insurance policy. There is typically no deductible applied to this coverage. Still, you should get regular appraisals, at least annually, of property covered under this endorsement to be sure that you are covered at the appropriate level in case of loss.

Increased Limits on Moneys and Securities

This endorsement increases the coverage on money, bank notes, securities and deeds, etc.

Secondary Premises and Liability Coverage Endorsement

Homeowners coverage under this endorsement applies to secondary premises, for example a summer home. Remember these secondary residences are **not typically** covered by the homeowner's insurance policy on your primary or principal residence. Liability coverage is usually extended from your primary residences.



Watercraft Endorsement

This endorsement applies to small sailboats, ALL inboards from jetskis to yachts, and outboard motor boats, and provides broadened personal liability and medical payments coverage.



Identity Theft Protection Endorsement

As a result of this endorsement, your theft protection is broadened to include ~~any~~ losses tied to identity theft.



Flood Insurance

Standard home insurance policies **do not cover flood damage**. Depending on where your home is located in Massachusetts, you may be able to purchase flood insurance through the National Flood Insurance Program. Your producer or company can help you with application forms for flood coverage. If your home is located in a flood plain, your lender **will require flood insurance**. Just because your home is not in a designated flood plain, don't assume you will never have flood damage. For more information about federal flood insurance, you can contact your insurer or producer or contact the National Flood Insurance Program at 1-800-638-6620.



Earthquake Insurance

Earthquake insurance is available through most insurance companies for an extra cost with a special deductible that applies separately to each of the coverages. It is normally issued as an endorsement and attached to your home insurance policy.

E- Some Additional Things You Should Know



Insurance Contract

An insurance policy is a legal contract. Unlike a bank account, where you may deposit money to pay for a rainy day, under an insurance contract you pay a premium to an insurance company in return for the insurance company's promise to pay for covered losses that occur during the specified term of the policy, usually for a one-year period. The contract and any insurance company obligations end at the conclusion of the term, unless you and the insurance company agree to extend the promise for another specified term or the obligation of the insurer may continue beyond a year if it is determined after the term, that the damage was caused by a specified loss during the policy period. You and the company each have responsibilities under this contract. There is an expectation of good faith, *i.e.*, that you and the insurance company will be fair and honest in your dealings with one another.

Insurance Binder

Insurers use a set of requirements, also known as underwriting guidelines, to make decisions about whether they will accept, modify, or reject the application of a prospective insured. When you complete an application, the producer or company may issue you an insurance binder, which is a statement that you have immediate protection but only for a specified period of time while the company decides whether or not to issue you a policy. At the end of the binder period, if the company formally accepts your application, you will be issued a policy, usually for one year. If you near the end of the binder period and you haven't heard from the company, it's best to contact your producer or company.

Cancellation and Non-renewal

Insurers may decide to non-renew your policy or decline offering a policy as long as they provide adequate notice and follow the criteria outlined in Massachusetts insurance laws. Non-renewal of a policy, generally, requires the company to provide 45 days written notice to the insured or his/her producer, prior to the policy expiration date. Cancellation of a policy, generally, requires the company to provide 5 days written notice to the insured (10 days written notice for non-payment of premium) and 20 days written notice to lender or mortgage company prior to the cancellation of a policy. An Insurer can cancel your policy for only limited reasons after the policy has been in effect for more than 60 days. You can cancel your policy anytime and for any reason.

Special Deductibles

In addition to the standard deductibles in a homeowner's insurance policy, there are also separate deductibles that you may encounter.

Wind loss deductibles apply year round to any loss caused by wind. This is a separate deductible from the standard homeowner insurance policy deductible that applies to all other perils. For many years, insurers have offered, for a reduced premium, optional wind loss deductibles that are higher than the standard homeowner insurance policy deductible. Some insurance companies now have mandatory wind loss deductibles in coastal

areas exposed to high winds, which can be either a fixed dollar amount or a percentage amount based on the amount dwelling coverage. If you would like to buy an optional wind loss deductible, or increase your mandatory wind loss deductible to help reduce your premium, contact your producer or insurance company.

Loss Requirements

Most homeowner insurance policies generally require you do the following things:

- Give immediate notice of a possible claim to your producer or company. If the loss is a theft, you are also to notify the police. If you lost your checkbook or credit cards, you should notify your bank or credit card company.
- Protect your property from further loss or damage. If you make temporary repairs, keep a record of what you do and save all receipts for expenses you incur in undertaking the repairs. This could include things like buying plywood and nails to board up broken windows.
- Give your producer, claims adjuster and or company a list of all damaged, destroyed or stolen property. Be sure to keep a copy of this list. In case of theft, be sure to give a copy to the police.
- Show the damaged property to your producer, claims adjuster and/or company if asked. Do not dispose of any damaged property until your producer, claims adjuster and/or company says you can.

If you feel that the amount of money offered by your insurance company to pay for a loss is not fair or there are other insurer practices that seem unfair or deceptive, there are several alternative courses of action that you may want to consider;

- You can demand for appraisal, as per the terms of your homeowners insurance policy, which is a method for resolving the question of the loss amount when the insurer and insured can't agree;
- You can file a complaint with Massachusetts Division of Insurance;
- You file a claim in small claims court; or
- You can hire a lawyer to represent your interests.

F – Your Policy Premium

Your premium is tied to the risk that you may have future losses filed on your policy during the specified term of the policy. Insurance companies decide whether to issue a policy or what rates to charge based upon their review of you and your home in relation to their company-specific criteria (also called “underwriting criteria”). Among the common criteria used, most companies will review the size, location and condition of your home, the distance to the nearest fire department and fire hydrant, whether you have installed certain protection, such as burglar alarms and smoke detectors and whether there are conditions that increase the risk of your property, such as pools, trampolines, aggressive dogs or old wiring on the property. Companies may adjust rates if any of these conditions change in the future.



In addition, your premium is tied to the level of coverage you have under your plan. Your coverage limits, as well as additional endorsements that have been added to the policy, affect the level of payment that the insurance company may be exposed to under your insurance protection. Since the level of coverage does affect the price, you should work closely with your agent or company to buy the appropriate level of coverage for your house and personal property. Although you do not want to be underinsured, you also do not want to pay for levels of insurance that you may not need.

G– Summary

Your insurance policy is a contract that you have purchased which gives certain responsibilities to both you and the insurance company in the event of an accident. It is important that you become familiar with the specific coverages present in your plan before an event does occur. **The worst time to learn that you are not covered for something is after you have had a loss and want to file a claim for it.** If after reviewing your policy, you see that you need to adjust your coverage, you will need to contact your agent or company for more information.

If you are interested in learning more about available coverage, please consider reviewing Appendix A of this guide which summarizes the differences among the most common coverages for your home.

If you have additional questions, please consider contacting your agent or company, or contact the Division of Insurance’s Consumer Services Section at (617) 521-7777 or online at www.state.ma.us/doi.

Appendix A

Differences Among Standard Policy Forms Home Insurance

The chart below shows which policies cover damage to either your home or the contents of your home as caused by the specific perils listed in the right hand column.

HO-2 Broad	HO-3 Special	HO-4 Tenants	HO-6 Condo	Dwelling D	Personal Property P
D, P	D, P	P	P	Fire or Lightning	
D, P	D, P	P	P	Loss of property removed from premises endangered by fire or other perils	
D, P	D, P	P	P	Windstorm or hail	
D, P	D, P	P	P	Explosion	
D, P	D, P	P	P	Riot or civil commotion	
D, P	D, P	P	P	Aircraft	
D, P	D, P	P	P	Vehicles	
D, P	D, P	P	P	Smoke	
D, P	D, P	P	P	Vandalism and malicious mischief	
D, P	D, P	P	P	Theft	
D, P	D, P	P	P	Breakage of glass constituting a part of the building	
D, P	D, P	P	P	Falling objects	
D, P	D, P	P	P	Weight of ice, snow, sleet	
D, P	D, P	P	P	Collapse of building(s) or any part	
D, P	D, P	P	P	Sudden & accidental tearing apart, cracking, burning, or bulging of a steam or hot water heating system or of appliances for heating water	
D, P	D, P	P	P	Accidental discharge, leakage or overflow of water or steam from within a plumbing, heating or air-conditioning system or domestic appliance	
D, P	D, P	P	P	Freezing of plumbing, heating and air-conditioning systems and domestic appliances	
D, P	D, P	P	P	Sudden and accidental damage from artificially generated currents to electrical appliances, devices, fixtures and wiring (TV & radio tubes not included)	
	D			All perils except flood, earthquake, war, nuclear accident and others excluded in your policy. Check your policy for a complete listing of perils not covered.	

Appendix B – Glossary of Common Insurance Terms

Appraisal

A review of a property claim to determine the value of a particular item, or the value of the loss to damaged property.

Cancellation

Termination of policy during the policy term. During the first 60 days of a policy, a company can cancel a policy for any reason with appropriate notification. After 60 days of coverage, a company can only cancel coverage for reasons identified in Massachusetts' statutes.

Claim

A request for reimbursement for a loss covered by a policy. For example, a claim for items stolen from the policyholder's home.

Deductible

An amount that an individual must pay for covered services before the insurance company will begin to make payments.

Depreciation

A decrease in the value of a property due to wear and tear or obsolescence.

Endorsement

Amendments or attachments to your policy which add, remove or otherwise change the standard coverage you have under your policy.

Exclusion

Certain causes and conditions listed in the policy that are not covered.

Group Policy

A policy sold through an employment-based group, association or special group insurance trust. Individuals receive certificates of coverage from the group policy.

Independent Agent or Producer

A producer who represents more than one insurer.

Individual Policy

A policy sold directly by a company to an individual without requiring the individual to be a member of an employment-based group, association or special group insurance trust. These policies are usually sold by insurance producers but sometimes through direct mail or phone solicitations.

Inflation Protection

A policy option that provides for increases in benefit levels to help pay for expected increases in the costs of property repairs.

Insurance

A formal device for reducing an insured's potential costs by transferring specific risks to insurance companies.

Lapse

Termination of a policy because of nonpayment of policy premiums or because the premium paid is less than what was to have been paid and the coverage no longer in existence.

Liability Coverage

Coverage for payment and services on behalf of an insured for loss arising out of his responsibility, due to negligence, to others imposed by law or assumed by contract

Market Value

A real estate term that describes what the current value of your home would be if you were to sell it – including the price of land. This amount is generally not involved in determining what amounts to purchase under an insurance policy.

Nonrenew

Insurance company action to not extend coverage beyond the current policy term. Companies may only nonrenew coverage after making appropriate notices to policyholders.

Peril

The cause of a possible loss.

Personal Property

All tangible property not classified as real property.

Policy

A written contract for insurance between an insurance company and a policyholder.

Premium

The amount of money an insurance company charges, based on a given rate, to provide the coverage described in the policy for a specified period of time, generally one year.

Property Coverage

Insurance providing protection against the loss or damage to real and/or personal property caused by specific perils covered in the insurance policy or contract.

Real or Tangible Property

Land and anything permanently attached to, embedded in, or growing on the land.

Replacement Cost Coverage (on Dwelling)

Coverage intended to pay for losses based on how much it would cost to replace or repair what has been damaged at current costs without factoring in how much or whether structures may have depreciated in value. The ultimate payment is based on the overall limits of the policy.

Replacement Cost on Contents

Coverage to pay for losses on the basis of how much it would cost to replace or repair them at current costs without factoring how the item may have depreciated in value from its purchase. Without replacement cost coverage, a policy only pays for the actual cash value of an item.

Sub-limit

A limit within the policy maximum that imposes a smaller limit for specified coverage or types of property.

Underwriting

The process of examining, accepting or rejecting insurance risks, and classifying those selected, in order to charge the proper premium for each.

Appendix C – Facts to Keep Handy About Your Own Policy

For use after you buy an insurance policy. Complete this form and put it with your important papers. You may want to make a copy for a friend or a relative.

1. Insurance Policy Date

Policy Number _____

Date Purchased _____

Annual Premium _____

2. Insurance Company Information

Name of Company _____

Address _____

Phone Number _____

3. Agent Information

Agent's Name _____

Phone Number _____

Address _____

4. Type of Insurance Policy

_____ Homeowners _____ Condominium Owners

_____ Renters _____ Other

5. How much is the deductible before benefits begin? _____

6. How do I file a claim? (Check all that apply)

Fill out a claim form

Contact the company

7. How often do I pay premiums? _____ Annually _____ Semi-annually _____ Other

8. Are my premiums deducted from my bank account? _____ Yes _____ No

Name and address of my bank: _____

Bank account number: _____

9. Where do I keep this policy? _____

Other information _____

10. Friend or relative who knows where my policy is: _____

Address _____

Phone number _____



We Can Help!



The Division of Insurance exists to serve you. The Division can be a source of unbiased information and assistance to you, such as verifying if a producer or insurance company is licensed to do business in the Commonwealth or providing answers to many frequently asked or general insurance questions.

If you have a complaint against an insurer, it is always best to contact your insurance company first and try to settle the matter. Most insurance companies have policyholder service offices to handle your questions. However, if you are still not satisfied, contact the Division's Consumer Service Section staff to help with your problem. Although they cannot represent you legally against an insurance company or adjuster, they can make an appropriate investigation into potential violation of insurance laws or regulations based on your complaint.

The Consumer Service Section can be contacted at 617-521-7777, Monday - Friday 8:45 am - 5:00 am or visit the Section on the Division's web site at www.state.ma.us/doi. You may also contact or send in a consumer complaint by writing to the Consumer Service Section at the Commonwealth of Massachusetts Division of Insurance, One South Station, Boston, MA 02110. For your convenience, a consumer complaint form may be printed from the Division's web site.

*****PLEASE NOTE THAT MASSACHUSETTS LAWS HAVE CHANGED AND***
BEGINNING APRIL 1, 2006, ALL MASSACHUSETTS HOMES ARE REQUIRED TO HAVE**
CARBON MONOXIDE DETECTORS.**

Disclaimer

This guide is not a legal analysis of your rights under any insurance policy or government program. Your insurance policy, program rules, Massachusetts law, federal law and court decisions establish your rights. You may want to consult an attorney for legal guidance about your specific rights.

This guide includes information, documents, and materials (collectively, the "Contents") that are subject to change without notice. The Massachusetts Division of Insurance cannot guarantee that the contents of this guide are up-to-date or complete and assumes no responsibility for errors or omissions in any Contents, including Contents that are referenced by or linked (by hypertext links) to any other Contents or third party websites. The Massachusetts Division of Insurance makes no representations or warranties of any kind whatsoever for the Contents or for any products or services or hypertext links.