

AN INSURANCE PREPAREDNESS GUIDE FOR

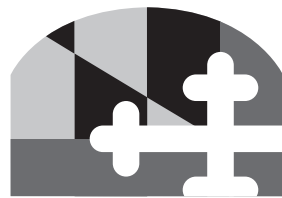
NATURAL DISASTERS



Maryland
INSURANCE ADMINISTRATION

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NATURAL DISASTERS



Maryland

INSURANCE ADMINISTRATION

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INTRODUCTION

The Maryland Insurance Administration (MIA) is an independent state agency that regulates Maryland's insurance marketplace and protects consumers by ensuring that insurers and insurance producers (agents and brokers) act in accordance with insurance laws. We produced this guide to help educate Maryland residents about insurance coverage and natural disasters.

The MIA also is responsible for investigating and resolving complaints and questions concerning insurers that conduct business in Maryland.

BEFORE THE WEATHER HITS

Natural disasters happen any time and any place; Maryland is no exception. In the last few years, Marylanders have sustained a significant amount of damage to their homes and personal property as a result of tornadoes, floods and hurricanes. While natural disasters are out of our control, you can take steps to lessen the exposure to these types of losses and ensure that you have the appropriate insurance to cover potential damages.

This brochure is designed to help you understand the types of coverages available to you, what you should do before a natural disaster hits, and what to do after a loss has occurred in order to protect your interests if you must file a claim.



DO YOU HAVE THE RIGHT INSURANCE?

HOMEOWNERS/RENTERS INSURANCE

- Read your policy to determine what is covered and what is excluded. Not all policies are alike. The following expenses may or may not be covered or may have limits on the extent of their coverage:
 - water and windstorm damage
 - debris or tree removal
 - sewer and drain back-up
 - sump pump failure
 - additional living expenses if disaster forces you from your home.

- Check the insurance coverage limits to ensure that you will have sufficient funds to repair or rebuild your home in the event of a loss. You also should review the amount of coverage you have for your personal property. Get a free copy of the *Consumer Guide to Homeowners Insurance* from the MIA for details. This brochure is available on our website, www.insurance.maryland.gov or by contacting us at 410-468-2000 or toll-free at 800-492-6116.
- Create and maintain an inventory of all the personal property in your home. You may wish to consider buying additional coverage (known as endorsements) for certain items you own, such as antiques, collectibles, jewelry, computers and any other expensive or hard-to-replace items.
- Consider making improvements or repairs to the property that may mitigate loss or damage from a hurricane or storm, such as the installation of: hurricane shutters, secondary water barriers, reinforced roof coverings, braced gable ends, reinforced roof-to-wall connections, tie downs, and reinforced opening protections. Other efforts include the repair or replacement of: exterior doors (including garage doors), hurricane-resistant trusses, studs and other structural components and manufactured home piers, anchors and tie-down straps. By law, these improvements and repairs are recognized as “qualified mitigation actions.” Homeowners insurers are required by law to offer a discount to policyholders who submit proof to the insurance company that they completed qualified mitigation actions or other repairs or improvements that materially mitigate loss from a hurricane or other storm otherwise covered under the policy. All improvements must be inspected by a licensed contractor and are subject to inspection and verification by the insurer. Contact your agent or insurer to find out more about what qualifies for a discount.
- Check your policy to see if a special deductible applies for losses due to windstorms, hailstorms or hurricanes. Many companies have a different deductible if the cause of the damage is wind or hail. These deductibles are often shown as either a dollar amount or a percentage of the home’s insured value (not as a percentage of the loss itself). By law, if the policy requires that a deductible in the case of a hurricane or other storm be expressed as a percentage, it cannot exceed 5 percent of the coverage limit, unless the commissioner has granted written approval to the insurance company. However, if you choose, you can purchase a policy with a deductible in the case of a hurricane or other storm in an amount greater than 5 percent. The insurance company is required to provide the policyholder with an annual statement explaining the manner in which the deductible is applied.
- Check the type of insurance coverage you have for the structure of your home. There are three different types of coverage you can purchase:
 - Actual Cash Value (ACV): This coverage provides you with the cost to replace your home, up to the limit of the insurance policy, minus the depreciation costs for age and use. For example, if at the time of the loss, your roof was 15 years old and had a 20-year life expectancy, your cost to replace the roof will exceed the actual cash value of the roof.

- Replacement Cost: This coverage provides you with the cost of replacing the damaged property, up to the policy limits, without any deduction for depreciation.
- Extended Replacement Cost: This coverage provides you with the cost of replacing the damaged property without any depreciation up to a certain percentage over the policy limit (usually this is 20 or 25 percent).
- Notify your agent or insurance company and increase the limits of your policy if you make any improvements or additions to your home. Also, due to inflation, the cost of necessary materials to rebuild your home may have increased. You should ensure your coverage limits are adequate by consulting with your insurance company or agent. Certain private companies have developed reconstruction cost estimator programs to assist you in determining the cost to rebuild your property. While you must pay a fee for these services, the information will help you make better informed decisions regarding the value of your home and the appropriate coverage limit. More information regarding insuring your home to value, as well as links to three estimators – ACCU Coverage, XactValue and Insure to Value – can be found on the MIA’s website, www.insurance.maryland.gov.
- Check the type of coverage you have for your personal property within your home. There are two different types of insurance coverage for personal belongings:
 - Actual Cash Value (ACV): This coverage provides you with the cost to replace the damaged personal property with “like kind or quality” minus the depreciation for age and use. Your cost to replace the damaged property will, in most cases, exceed the actual cash value.
 - Replacement Cost Coverage: This coverage provides you with the cost to replace the damaged personal property with “like kind and quality,” up to the policy limits, without depreciation. Absent specific language that provides you with replacement cost coverage, the coverage for personal property is actual cash value.

FEDERAL FLOOD INSURANCE

If your home could be damaged by rising water, consider buying federal flood insurance even if your home is not in a flood zone, as your home may be at risk for flooding. Standard homeowners, farm and ranch owners, renters and condominium policies DO NOT cover damage caused by rising waters. However, mobile home policies may cover this. Flood insurance is an optional coverage offered through the federal government. It also may be available through other sources. Read more about the federal flood insurance program later in this brochure. When deciding whether to purchase federal flood insurance, be aware of these important facts:

- There is a 30-day waiting period for a new or modified flood insurance policy to become effective, unless the lender requires that flood insurance be purchased in connection with a mortgage loan. If it does, there is no waiting period.

- The standard flood insurance policy covers direct losses caused by a flood, less an insurance deductible. As a general rule, if your property was built after the Flood Insurance Rate Map (FIRM) for your community was created, the standard deductible will be \$1,000.
- There are two types of coverage available under the National Flood Insurance Program (NFIP): **structural coverage** for walls, floors, insulation, furnace and items permanently attached to the insured structure and **contents coverage** for your personal property. These coverages are purchased separately and carry separate deductibles.

To learn more about federal flood insurance, visit the National Flood Insurance Program's (NFIP's) website at www.floodsmart.gov or talk to your insurance agent.

AUTOMOBILE INSURANCE

Check your automobile insurance policy. Comprehensive insurance provides coverage for property damage to your insured vehicle resulting from occurrences other than collision, and is sometimes referred to as coverage for "acts of God." Comprehensive insurance typically provides coverage for flood, theft, vandalism, glass breakage not resulting from an accident, and accidents in which the driver strikes an animal.

You are not required by law to purchase comprehensive coverage; it is optional coverage that you may purchase if you desire. However, vehicles subject to a lien may be required by the lien holder to have this type of coverage on the vehicle. In order to determine what types of automobile insurance coverages are available, you should talk to your agent or insurer. You can also read our *Consumer Guide to Automobile Insurance*. This is available on our website, www.insurance.maryland.gov or by contacting us at 410-468-2000 or toll free at 800-492-6116.

DO YOU HAVE A RECORD OF YOUR PERSONAL PROPERTY?

- Create an inventory of all your possessions and regularly update it. Photograph and/or videotape each room and the exterior of your home. Write down all the major items you own along with relevant information about them, such as the model and serial number. Attach sales receipts.
- Safeguard your records. If you evacuate your home and are able to do so, take your insurance policies and your personal property inventory with you. It is best to keep copies of your insurance policies and your personal property inventory, including receipts, outside your home (such as in a safe deposit box) so they will not be damaged or destroyed at the time of the loss.

- Make sure you know the storage location of your actual insurance policy so you can easily retrieve it after the storm passes if you need to make a claim.
- Make sure you have your insurance agent's name and telephone number, the insurance company's telephone number, and all of your policy numbers (particularly if you have more than one, or do business with more than one company).
- Know how to shut off the gas, electricity and water and how to board-up vulnerable places around the house, such as windows and doors.

[See Appendix B for a *Sample Personal Property Inventory Form*.]

TIPS AFTER A LOSS

- Contact your insurance company or agent immediately if you sustained property or automobile damage as a result of a natural disaster.
- Carefully read your policy, so you understand what coverage is available to you.
- If you have to relocate temporarily, make sure the insurance company or agent knows your temporary address and telephone number.
- Take photographs and/or video of the damaged areas. This will help you with your claim and will assist the insurance company in its investigation of your claim.
- Make only those repairs necessary to prevent any further damage to your home or business. This includes covering roofs, walls or windows with plywood, canvas or other waterproof material. Do not make permanent repairs without consulting your agent or company. Unauthorized repairs may not be reimbursed.
- Before you remove any damaged property from the premises, be sure an insurance adjuster or your agent has seen the damage so a damage-and-loss assessment can be prepared. This is important, especially if state or local officials have to begin debris removal on your property.
- Keep all receipts for emergency repairs and for temporary living expenses if needed. You will need to submit these receipts to your insurance company for reimbursement.
- As soon as you are able, prepare a detailed inventory of all damaged or destroyed property. Give one copy to the insurance adjuster and keep one copy for your files. Your list should include a description and quantity of the item(s), date of purchase or approximate age, cost at the time of purchase, and estimated replacement cost today. Include as much information as possible.
- If you hire a public adjuster, you should understand that your insurance company may or may not agree with that person's estimate of your damage. Your insurance company is not obligated to accept the damages that are claimed by a public adjuster. For more information about using a public adjuster, refer to the Maryland Insurance Administration's handout *Should I Hire a Public Adjuster to Help Me Settle My Claim?* on the agency's website, www.insurance.maryland.gov.

- Be present when your insurance adjuster inspects your property. This will enable you to point out all areas that you believe have been damaged.
- If a disaster occurs, adjusters will handle the largest losses first, but will work to handle all claims as quickly as possible.
- If you do not hear from your adjuster within a reasonable length of time following a natural disaster, contact your agent or company again, and make sure you leave them with a way to contact you.
- Do not accept an unfair settlement offer. If you cannot reach an agreement, call the insurance company and be prepared to explain why the offer is insufficient or unfair. If you are still not satisfied, contact the Maryland Insurance Administration's Property and Casualty Complaint Division at 410-468-2340 or toll free at 800-492-6116, extension 2340.
- If you think the insurance company's estimate is too low, you may wish to obtain an estimate from your own contractor. A contractor may charge a fee for this service; if he or she does the repair work, the fee usually will be credited toward the cost of the repairs.
- Even if your property is condemned by governmental authorities, it may not be a total loss. Your insurance company may decide the property can be repaired. To fully protect your ability to make a claim and be paid, you must be sure your insurance company's adjuster has fully inspected the damage.
- If your insurance company denies any part of your claim, be sure they put the denial in writing and that you keep all the paperwork they send you. You will need it if your area is declared a disaster by the federal government. If the federal government declares your area to be a disaster, you may be eligible for federal relief.
- Avoid shoddy repairs and workmanship by using licensed, reputable contractors. Be sure they secure the appropriate building permits. Beware of contractors requiring a large payment upfront or whose bids are amazingly low. Check with the appropriate licensing agency to make certain the contractor you are planning to use for the repairs has a valid license.
- If your home was destroyed beyond repair and you decide to rebuild your home on another lot or you choose to purchase another home instead, check your insurance policy and discuss your plans with your insurance carrier. There may be limitations on what your insurer will pay if you do not rebuild on the same property.
- The amount of your settlement won't necessarily be the same as your neighbor's. Your coverages, deductibles, limits and/or level of damage you sustained may be different.
- Your insurance policy provides coverage for the repair or replacement of the property with "like kind and quality" that you had prior to the storm. It does not provide for expensive improvements or upgrades, such as installing a slate roof if, prior to the loss, your roof was a standard 3-tab shingle.

- If you know your home was not built to the current local building code standards, you may be required to rebuild the damaged sections according to current codes. In some cases, this may cost more. A standard homeowners insurance policy generally does not cover such additional expenses. However, you may want to consider purchasing an endorsement to your policy that provides coverage for the costs associated with bringing the property into compliance with current codes and ordinances when making required repairs.
- You should contact your insurance company and claims adjuster any time you find additional damage not previously reported and inspected, or if you have additional information concerning your claim.

IMPORTANT NOTES

HOW QUICKLY WILL MY INSURANCE COMPANY RESPOND TO MY CLAIM?

You should be aware that an insurance company's responsiveness following a natural disaster may be affected by the severity and size of the area impacted by the disaster. Therefore, it may take several days or even as much as several weeks before all damage is assessed. Homeowners and commercial property owners are asked not to make repeated calls to report their claims, as this will only slow down the process. Insurance adjusters will visit and inspect the properties with the most extensive damage first. After a major storm, you can expect that thousands of people will make claims requiring inspections. Please be patient with the process.

IS IT WORTH IT TO FILE A CLAIM?

Insurance companies consider the loss history and your claims frequency when making decisions on whether they will insure you, renew your policy and maintain the cost of your policy. Therefore, before you make a claim, be sure it is worth making. A homeowners insurance policy is not a maintenance or warranty plan and should be used only to cover major losses.

FREQUENTLY ASKED INSURANCE QUESTIONS AFTER A WEATHER-RELATED LOSS

AUTOMOBILE INSURANCE

WHAT ARE MY COVERAGES?

If you sustained storm-related damage to your automobile, this damage would be covered under your comprehensive coverage. Without purchasing comprehensive coverage as part of your policy (if, for example, you only carry liability coverage), you will not have coverage for your automobile damage.

If you have purchased comprehensive coverage and your vehicle is determined to be a total loss as a result of the storm, your insurance carrier will make a settlement offer reflecting the actual cash value of the vehicle immediately prior to the loss based on the current retail value of your vehicle minus the amount of your deductible.

A total loss occurs when the cost to repair the vehicle is 75 percent or greater than the fair market value of the vehicle immediately prior to the loss. If you are the insured under the policy and your insurer has determined that your vehicle is a total loss as a result of a covered claim, your insurer generally has 10 business days to make you a cash settlement offer.

The offer from the insurer must be in an amount that reflects the retail value for a substantially similar motor vehicle using a nationally recognized valuation manual or computerized data bank that produces statistically valid fair market values for a substantially similar motor vehicle. A substantially similar motor vehicle means a vehicle that:

1. is the same make and model as the damaged vehicle;
2. is the same year as, or a more recent year than, the damaged motor vehicle;
3. contains at least the same major options as the damaged motor vehicle;
4. is in a condition substantially similar to or better than the condition of the damaged motor vehicle immediately before the damage occurred; and
5. has mileage that is within the greater of 4,000 miles or 10 percent of the mileage on the damaged motor vehicle at the time that the damage occurred unless the vehicle is limited in production, specialty in nature, or older than 10 model years at the time of total loss.

Generally, insurers refer to the National Auto Dealers Association (NADA) Official Used Car Guide, Kelley Blue Book or CCC database to determine your vehicle's fair market value. The offer will be based on that value plus the applicable taxes and transfer fees, less the amount of your deductible, if applicable. Alternatively, the insurer may determine the fair market value of your vehicle by obtaining a quote for a substantially similar vehicle from a qualified dealer at a location reasonably convenient to you. If the insurer uses the quotation to make its offer, it will add the applicable taxes and transfer fees and then subtract the deductible, if applicable.

If a vehicle is damaged by collision, fire, flood, accident, trespass or other occurrence to the extent that the cost to repair (excluding cosmetic damage) the vehicle for legal operation on a highway exceeds 75% of the fair market value of the vehicle prior to sustaining damage, by law, the vehicle is considered "salvage." If you decide to keep the damaged vehicle for salvage, there will be a deduction in the settlement offer for the amount of the vehicle's salvage value.

You may request that the insurer put, in writing, (1) its settlement offer; (2) an explanation of the method used to arrive at the offer; (3) a detailed explanation of the calculation of the motor vehicle's total loss value, including the calculation of any value added to the motor vehicle by options; (4) a list of all the deductions that will be made from the value of the motor vehicle; and (5) a copy of the inspection guidelines relied on to determine the condition of the vehicle at the time of the loss. An insurer is required by law to respond within 7 business days of your request. Upon receipt of the insurer's written settlement offer, you may either accept or, in writing, reject the offer and make a counteroffer based on quotes you have gotten from dealers for a substantially similar motor vehicle, ads you have found for a substantially similar motor vehicle, or any other source of valuation for a substantially similar motor vehicle. If you make a counteroffer, the insurer has 5 business days within which to accept your counteroffer or to provide you with a written explanation as to why the information relied on in making your counteroffer does not provide a more accurate valuation of the vehicle than the information relied upon by the insurer in making its offer.

Once you accept a settlement offer, the insurer will ask you to send it a copy of the vehicle's title. After the insurer receives the title, it will issue a check in the amount of the offer. If there is a lienholder on the vehicle, the lien will either be paid directly, or a joint check will be issued to you and the lienholder. If you choose to retain a damaged vehicle that has been declared "salvage", the insurer will request that you send your original title before it will send you a settlement check. The insurer is also obligated to notify the MVA that the vehicle has been declared salvage and that the owner is retaining possession of the vehicle. The MVA will then issue a salvage certificate to the owner.



HOMEOWNERS INSURANCE

WHAT ARE MY COVERAGES?

REPLACEMENT COST VALUE VS. ACTUAL COST VALUE

If you have Replacement Cost Value (RCV) coverage, your policy will pay the cost to repair or replace your damaged property without deducting for depreciation. If you have Actual Cash Value (ACV) coverage, your policy will pay the depreciated cost to repair or replace your damaged property. The amount deducted for depreciation may be significant, especially if the damaged property was at or near the end of its useful life. For example, if your 20 year old roof is destroyed by a covered cause of loss and must be replaced, the policy that pays RCV will cover the full cost to replace the roof; however, the policy that provides for ACV settlements may pay as little as twenty percent of the cost to replace the roof, since the useful life of a roof is generally considered to be 25 years. Under an RCV or ACV policy, the payment for the damage to the structure is paid under your dwelling coverage and is subject to the policy limit.

You should check the declarations page of your homeowners policy to see whether the policy provides replacement cost coverage. If it does not specify replacement cost, then your policy likely only covers actual cash value. If it specifies replacement cost, then you have replacement cost coverage. Even if you have purchased an RCV policy, you still must read the policy to determine if there are any provisions that limit payment for damage to certain surfaces, such as roofs, to ACV. You also can call your insurer to determine what type of coverage you have.

When you purchase an RCV policy and present a claim for a covered loss, the insurer initially may pay only the ACV for your damage; however, once you present evidence that the damaged property has been repaired or replaced, the insurer will pay the difference (referred to as “recoverable depreciation”) up to the replacement cost.

FLOOD

A flood is generally defined in the Standard Flood Insurance policy as “a general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is your property) from overflow of inland or tidal waters, from unusual and rapid accumulation or runoff of surface waters from any source, or from mudflow” as more specifically defined. General homeowners policies DO NOT insure you against flood damage. Flood insurance is offered by the federal government under the National Flood Insurance Program (NFIP). It also may be available through other sources. You do not have to be located near a body of water to be at risk for flood damage. Floods are often caused by storms, melting snow, hurricanes, wind-driven rain, dam failure or other events. Therefore, regardless of where your property is located, you may wish to consider purchasing flood insurance. Although it is a federal program, you can contact your agent or insurance company to get information or you can call the NFIP at 888-379-9531. (See section on Facts About the National Flood Insurance Program.)

HAIL & WINDSTORMS

For insurance purposes, tornadoes are considered “windstorms” and are covered under homeowners insurance policies. Homeowners policies cover the building and its contents for damage from tornadoes, hail and windstorms. However, these losses may be subject to a different deductible called a percentage deductible. A percentage deductible is based on your Coverage A – Dwelling policy limit and not on the amount of your damage claim. (Example: if your home is insured for \$200,000 with a 2% wind damage deductible, your wind damage claim is subject to a \$4,000 deductible). You should read your policy and/or ask your producer (agent/broker) or insurance company if there is one deductible for all covered losses or if there is a different deductible, such as a percentage deductible, depending on the type of loss.

WATER SEEPAGE

If water seeps into your basement from the ground, you are generally NOT covered for the resulting damages. Water seepage is excluded under most homeowners policies. If the water seepage is not the result of a flood, you will not have coverage under your flood policy either. Problems from seepage are considered maintenance issues and are not covered by insurance.

BURST PIPES

If a pipe bursts and water flows all over the floors, most homeowners policies will cover the damage caused by the water. However, repair or replacement of the pipe may not be covered.

SPOILED FOOD DUE TO AN ELECTRICAL OUTAGE

If you lose electricity and the food in your refrigerator spoils, you may or may not be covered for the cost of the lost food, depending upon the language and terms of your policy. Review your policy to determine if you are covered for food spoilage under these circumstances, because any claims you file, whether paid or not, will be counted against your policy and considered by the insurer when determining whether to renew your policy.

TOTAL LOSS VS. CONDEMNED

- Total loss means that the cost to repair the damage sustained to your dwelling and/or other structures on your property (such as a detached garage or shed) exceeds its value or is beyond the limits of your insurance coverage.
- A “condemned property” means that a governmental authority such as the county, city or other government jurisdiction has declared your property to be unsafe and in need of repair. Please note, even if the property is condemned, it does not mean your insurance company will consider it as a total loss.



RECONSTRUCTION COSTS DUE TO NEW BUILDING CODES

If your home is destroyed and your local building codes have changed, you generally are NOT covered under your homeowners policy for any additional costs to comply with current codes. As a general rule, homeowners policies exclude the costs associated with bringing a property into compliance with current ordinances or laws regulating the construction of buildings. You may want to consider purchasing an endorsement to your policy that does provide coverage for the costs associated with bringing the property into compliance with current codes and ordinances when making required repairs.

ADDITIONAL LIVING EXPENSES (ALE) AND/OR LOSS OF USE (LOU)

If it is necessary for you to move into a temporary residence (such as a motel or apartment) as a result of damage caused by a peril covered by your policy, your insurer will pay reasonable and necessary additional living expenses you incur. However, your insurer may not pay for all the living expenses that you incur. It typically pays only for those expenses that are beyond your normal and customary expenses, not any expenses you would pay regardless of whether you are living in your home. While Maryland law requires that your policy provide up to 12 months of coverage for additional living expenses, your insurance company will only be responsible for paying for the reasonable period of time needed to complete the repairs. In addition, this coverage is usually subject to a monetary limit, so be sure that you are aware of this limit before incurring any such expenses. Talk to your insurance company or producer to find out the details of what your policy covers.

An example of normal and customary expenses is food costs. If you are in a hotel, eating out for meals would not be a usual expense for you and would be reimbursed at a reasonable amount. However, if you are placed in housing with kitchen facilities, then eating out would not be covered as an additional expense, as you would have to buy food and eat regardless of the damage or loss to your home.

GENERAL DEBRIS REMOVAL

- If you are insured, the cost of debris removal should be part of your property insurance settlement. The general contractor usually handles debris removal as part of the repair contract.
- If you do not have insurance to cover you for the damage, your local jurisdiction may provide for debris removal from your property after a major storm. Watch for information in the newspaper or listen to the radio for details. If there is debris removal by a government jurisdiction, you may need to sign a *Right of Entry* form granting them permission to come onto your property and remove the debris.

DOWNED TREES

A homeowners insurance policy generally covers up to \$500 toward tree removal. This limit on coverage applies to the total amount of downed trees per event and is not paid on a per-tree basis. So, regardless of whether you have two trees or 12 trees down after a storm, you will receive only one payment from your insurance company in the amount of \$500.

If you have homeowners insurance and a tree falls on a covered dwelling (your home) or other structure, your insurance should cover the cost to remove the tree from the damaged structure. This would be paid under the dwelling portion of your policy. The tree(s) will then be placed on the ground for removal. The removal of the tree(s) generally will be included in the lump sum payment of \$500 for tree removal.

If a tree falls on your property and does not damage any part of your insured dwelling or other structures, talk to your insurance agent or insurer to find out whether or not your policy will provide coverage, and if so, the amount of that coverage.

You should check your homeowners policy or call your insurance producer to determine the specific amount of coverage available under your homeowners policy.

FIRE

If your home is destroyed totally by fire, you will want to be sure you have sufficient limits to enable you to rebuild your home. The time to determine whether you have sufficient coverage is before a loss and not after. The cost of rebuilding your home will depend on:

- the square footage of the home;
- the type of exterior construction (e.g. frame, brick, stone, veneer);
- the type of roof;
- any attached structures;
- the number of rooms and bathrooms;
- any additional features such as custom cabinetry and fireplaces; and
- the construction costs in your area.

You should check with your insurance producer (agent or broker) to be sure you are insured adequately. Many homeowners insurance policies with replacement cost coverage contain a provision requiring the limits to equal or exceed 80 percent of the cost to replace the home. If your policy does not comply with this provision, a penalty may be applied when settling the claim. Therefore, it is important to check periodically and update the coverage limits on your policy. Any improvements or additions to your home will increase the cost to rebuild it in the event of a loss. Therefore, any improvements or additions should be reported to your insurance company as soon as they are completed so the additional coverage can be added to your policy. If you choose not to replace your home, you will receive the replacement cost of your home minus depreciation, or the Actual Cash Value.

YOUR RESPONSIBILITIES AFTER A LOSS

- Report all claims to your insurance carrier immediately.
- Document your entire loss with photographs, videos, etc.
- Keep a log of your personal property loss and gather all receipts (proofs of payment) for those items damaged or destroyed. If you do not have proofs of purchase, photographs and videos may be substituted. If you do not have either, discuss suitable replacement of those pieces of property with your insurance carrier before you replace them.
- Mitigate your damages. This means that you should take whatever steps are necessary to prevent further damage and loss to your property until your insurance company has a chance to inspect and assess the damages. Use tarps and plywood to protect the structure and clear away nearby hazards, etc., as is safe to do. If you have questions, contact your insurance carrier for advice.
- In addition to your regular deductible, your policy also may include a deductible that is specific for wind, hail or hurricane damage. Please refer to your policy to determine the amount of your deductible.

FACTS ABOUT THE NATIONAL FLOOD INSURANCE PROGRAM

WHAT IS A FLOOD?

Flood insurance covers direct physical loss caused by “flood.” In simple terms, a flood is an excess of water on land that is normally dry. As of August 2009, the Standard Flood Insurance Policy defines “flood” as:

“A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is your property) from:

- Overflow of inland or tidal waters;
- Unusual and rapid accumulation or runoff of surface waters from any source;



- Mudflow*; or
- Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined . . . above.”

*Mudflow is defined as “A river of liquid and flowing mud on the surfaces of normally dry land areas, as when earth is carried by a current of water . . .”

IMPORTANT FACTS ABOUT FEDERAL FLOOD INSURANCE

- Flood coverage is available for any building located in a community that has qualified for the National Flood Insurance Program (NFIP). This means that buildings do not have to be located in a floodplain to be eligible for coverage. Nor do you need to be located near a body of water to be at risk for flood damage. Floods are often caused by storms, melting snow, hurricanes, heavy rain, dam failures or other causes.
- There is a 30-day waiting period for a new or modified flood insurance policy to become effective. However, if a lender requires that flood insurance be purchased in connection with a mortgage loan, there is no waiting period.
- The standard flood insurance policy covers direct losses caused by a flood, less an insurance deductible. In general, if your property was built after the Flood Insurance Rate Map (FIRM) for your community was created, the standard deductible will be \$1,000.
- Flood insurance protects against damages caused by surface flooding, with limited coverage in basements. It does not usually cover damages for sewer backup or sump pump failure. There may, however, be certain circumstances when this coverage would apply.
- There are two types of coverage available under the National Flood Insurance Program: **structural coverage** for walls, floors, insulation, furnace and items that are attached permanently to the insured structure and **contents coverage** for your personal property. These coverages are purchased separately and carry separate deductibles.
- Homes can be insured up to \$250,000; furnishings and contents coverage is available up to \$100,000. Commercial property limits are \$500,000 on the building and \$500,000 on contents.
- The policy offers limited coverage for basements. Unimproved structural parts such as walls, foundation and utility connections are covered. Coverage usually applies to sump pumps, water tanks, furnaces, air conditioners and clean-up as part of the structural coverage. Finished portions of a basement, by law, are not covered.

QUESTIONS ABOUT FLOOD COVERAGE

IS MY BASEMENT COVERED?

The NFIP generally defines a basement as *any area of a building with a floor that is below ground level on all sides*. While flood insurance does not cover basement improvements such as finished walls, floors, or ceilings, or personal belongings kept in a basement, it does cover structural elements, essential equipment, and other basic items normally located in a basement. Many of these items are covered under Building Coverage and some are covered if you have purchased contents coverage. Enclosed areas under the lowest elevated floor of a building also are covered.

As of August 2009, the Standard Flood Insurance Policy states that, under building coverage,

“ . . . Coverage is limited to the following:

- a) Any of the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source:
 - 1) Central air conditioners;
 - 2) Cisterns and the water in them;
 - 3) Drywall for walls and ceiling in a basement and the cost of labor to nail it, unfinished and unfloats and not taped, to the framing;
 - 4) Electrical junction and circuit breaker boxes;
 - 5) Electrical outlets and switches;
 - 6) Elevators, dumbwaiters and related equipment, except for related equipment installed below the base flood elevation after September 30, 1987;
 - 7) Fuel tanks and the fuel in them;
 - 8) Furnaces and hot water heaters;
 - 9) Heat pumps;
 - 10) Nonflammable insulation in a basement;
 - 11) Pumps and tanks used in solar energy systems;
 - 12) Stairways and staircases attached to the building, not separated from it by elevated walkways;
 - 13) Sump pumps;
 - 14) Water softeners and the chemicals in them, water filters, and faucets installed as an integral part of the plumbing system;
 - 15) Well water tanks and pumps;
 - 16) Required utility connections for any item in this list;
 - 17) Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support a building.
- b) Cleanup.”

Items in a basement covered under contents coverage (if installed in their functioning location and connected to a power source):

- Clothes washers and dryers
- Food freezers and the food in them
- Portable and window air conditioners.

IS WIND-DRIVEN RAIN CONSIDERED FLOODING?

No. Rain entering through wind-damaged windows, doors or a hole in a wall or roof that results in standing water or puddles is considered windstorm damage, not flood damage. The NFIP only covers damage caused by a general condition of flooding (defined as a general and temporary condition during which the surface of normally dry land is partially or completely inundated). Flooding typically is caused by storm surge, wave wash, tidal waves or the overflow of any body of water over normally dry land areas. Buildings that sustain this type of damage usually have a high-water mark showing how high the water rose before it subsided. Although the Standard Flood Insurance Policy (SFIP) specifically excludes wind and hail damage, many homeowners policies provide coverage for this type of damage. Check your policy to see if this is included.

AM I COVERED FOR “REPLACEMENT COST” OR “ACTUAL COST” OF MY PROPERTY?

Replacement cost coverage is available for single-family homes. Single-family homes include a residential condominium unit that is the policyholder’s principal residence and is insured for at least 80 percent of the unit’s replacement cost at the time of the loss. Replacement cost coverage is not available for mobile homes under a certain size as specified in the Standard Flood Insurance Policy.

Losses for contents (personal property) always are adjusted on an actual cash value basis. Actual cash value means the replacement cost of an insured item of property with “like kind and quality” at the time of the loss, less the value of physical depreciation of the damaged item.

If the replacement cost conditions are not met, the building also will be adjusted on an actual cash value basis. Replacement cost conditions may not be met where, for example, the home is not the principal residence, it is not a single-family residence or it is not insured for 80 percent of its replacement cost.

DOES THE NFIP COVER ADDITIONAL LIVING EXPENSES?

No. The policy covers only direct physical damage to the dwelling and does not provide additional living expenses. Most homeowners policies have some additional living expense provisions, but that coverage is only available if the home is not livable as a result of a covered cause of loss under the homeowners policy.

WILL MY NFIP COVERAGE INCLUDE ADDITIONAL MONIES TO BRING THE PROPERTY UP TO CURRENT BUILDING CODE REQUIREMENTS?

The Increased Cost of Compliance Coverage (ICC) under the standard flood policy provides additional monies to help pay for the cost to comply with state or community floodplain management laws or ordinances from a flood event in which a building has been declared substantially damaged or incurred repetitive damage. In this case, ICC coverage will help pay for the cost to elevate, flood-proof, demolish or relocate the building up to a maximum benefit of \$30,000. This coverage is in addition to the coverage for the repair of the actual physical damages from the flood.

NOW THAT THE HURRICANE HAS PASSED, CAN I STILL BUY FLOOD INSURANCE IF MY PROPERTY HAS BEEN FLOODED?

Yes. Even if your home, apartment or business was damaged by a flood, you still may be eligible to purchase flood insurance once the repairs from the prior flood are completed. This new policy will not cover the costs of repairs for damage that occurred before the policy became effective.

QUESTIONS ABOUT FLOOD CLAIMS

HOW DO I REPORT A FLOOD CLAIM?

There are specific guidelines that must be followed when filing a claim under an NFIP policy. FEMA created a *Flood Insurance Claims Handbook* so that every policyholder would know and understand the claims-settlement procedures. This handbook can be downloaded at www.floodsmart.gov.

There are a number of steps you should take immediately, such as:

- Contact your agent or insurer to report the loss.
- Separate the damaged from the undamaged property and photograph or videotape the damaged property. But, you should not discard damaged property until the adjuster has seen it. If you must discard it due to action by local authorities, keep small samples of rugs and other personal property.
- If you have contents coverage, make a list of all damaged items and attach any receipts, bills of sale, etc., as proof.
- Make a list of all structural damage to the dwelling so that you can point this out to the adjuster.

Once the adjuster arrives, he will inspect the property and note the damaged areas. He also may ask you for any lists that you have prepared, along with your receipts, photos, or other proof of the value of the damaged items. This information will be used to prepare a “suggested proof of loss” that will be provided to you. You must review the proof of loss, verify its accuracy, and if you agree with the amounts stated, sign and return it to the adjuster or insurer within 60 days. If you and the insurer agree on the amount, once the insurer receives the signed proof of loss, a check will be issued. If

the property is mortgaged, the check will be issued payable to the policyholder(s) and the mortgage company. A check for personal property will be made payable solely to the policyholder.

WHAT HAPPENS IF I FIND MORE DAMAGE AFTER THE PROOF OF LOSS HAS BEEN FILED?

You can make a claim for the “supplemental loss” by following all the steps outlined in FEMA’s *Flood Insurance Claims Handbook*.

HOW LONG WILL IT TAKE TO RECEIVE A CHECK FOR MY DAMAGES?

In many cases, the adjuster can give you a monetary advance on your final claim determination to help you begin repairs. You should receive a check very quickly after the determination of the total cost of the loss. The rest of the claim amount will follow in a few weeks.

HOW CAN I APPEAL A DECISION OF THE INSURANCE ADJUSTER?

The appeal procedures also are contained in FEMA’s *Flood Insurance Claims Handbook* and must be followed for your appeal to be considered. There are four steps to the appeals process:

1. Call your adjuster and discuss the differences with him. You should keep careful notes of your discussions, including dates, times and topics discussed or agreed upon.
2. If you cannot reach an agreement with the adjuster, contact the adjuster’s supervisor and discuss the issues with that individual. Again, keep detailed notes of conversations, including the name and number of the contact, and the time and nature of the conversation.
3. If you cannot reach an agreement with the supervisor, contact the insurance agent or company’s claim representative to try to resolve the differences.
4. If you still cannot get the matter resolved, you may write to FEMA at: Federal Insurance and Mitigation Administration, Federal Insurance Administrator, 1800 South Bell Street, Arlington, VA 20598-3010. This letter must be received by FEMA within **60 days** of the date of a final decision from your adjuster or insurer. If you are uncertain whether this is a final decision, promptly contact your adjuster or insurer so that you quickly can file your appeal. The letter should contain all your pertinent policy and contact information and also should include a detailed outline of your issues. You may attach copies of any correspondence as well. The specific documents necessary are listed in the *Flood Insurance Claims Handbook*. You will receive an acknowledgement letter from FEMA notifying you that it has received your appeal. Within 90 days from the date FEMA receives all of the information regarding your claim, a written explanation of its decision will be provided.

HOW CAN I LEARN MORE ABOUT FLOOD INSURANCE?

- Visit the National Flood Insurance Program website at www.floodsmart.gov.
- Talk to your insurance agent.
- FEMA has published the *National Flood Insurance Program Summary of Coverage*, which was designed to help applicants and policyholders understand the federal flood insurance program.

APPENDIX A

RESOURCES FOR CITIZENS AFFECTED BY A STORM

Federal Emergency Management Agency (FEMA)

Provides payments for some storm-related costs not covered by insurance.

800-621-FEMA (3362)

www.fema.gov

Maryland Department of Business and Economic Development (DBED)

Provides loans and other financial assistance based on need and qualifications.

410-767-6300 or 888-ChooseMD (888-246-6736)

www.commerce.maryland.gov

Maryland Department of Emergency Management (MDEM)

Coordinates the state's response to natural disasters and other emergencies.

877-636-2872

www.mdem.maryland.gov

Maryland Department of Housing and Community Development (DHCD)

Can provide information regarding state housing renovation and rebuilding programs.

800-756-0119

www.dhcd.maryland.gov

Maryland Home Improvement Commission

A state regulatory agency that licenses home improvement contractors and salespeople, investigates complaints, and maintains a database of complaints against contractors.

888-218-5925

www.dllr.state.md.us/license/mhic/

Maryland Insurance Administration (MIA)

Regulates the insurance industry in the state and helps resolve consumer complaints.

800-492-6116

www.insurance.maryland.gov

Maryland Legal Services Corporation

Offers a list of organizations in Maryland that provide low-cost or free legal services.

800-492-1340

www.mlsc.org

National Flood Insurance Program (NFIP)

Underwrites flood insurance policies sold by local insurance companies. Claims are paid under NFIP guidelines through the companies that sold the policies.

888-379-9531

www.floodsmart.gov

Office of the People’s Counsel

Helps residential customers of electricity, natural gas, telephone and private water services find financial assistance for utility bills.

800-207-4055

www.opc.maryland.gov

Small Business Administration (SBA)

Provides low-interest loans to individuals and businesses to cover property-damage costs.

800-659-2955

www.sba.gov

MOLD REMEDIATION HELP

To obtain information about mold and how to safely remove it, you should contact your local health department. The phone number will be listed in the blue pages of your phone book. You also may contact Maryland’s **Prevention and Health Promotion Administration** for the name and phone number of your local health department.

877-463-3464

http://phpa.health.maryland.gov/

The **Environmental Protection Agency** also offers mold remediation help on its website.

800-438-2474

www.epa.gov/mold

LOCAL EMERGENCY MANAGEMENT AGENCIES

First point of contact for constituents at the local level providing both information and resources.

Allegany County	301-876-9155
Anne Arundel County	410-222-0600
Baltimore City	410-396-6188
Baltimore County	410-887-5996
Calvert County	410-535-1600
Caroline County	410-479-2622
Carroll County	410-386-2260
Cecil County	410-996-5350

Charles County	301-609-3400
Dorchester County	410-228-1818
Frederick County	301-600-6790
Garrett County	301-334-7619
Harford County	410-638-4900
Howard County	410-313-6030
Kent County	410-778-7458
Montgomery County	240-777-2300
Ocean City	410-723-6616
Prince George's County	301-324-4400
Queen Anne's County	410-758-4500
St. Mary's County	301-475-4200
Somerset County	410-651-0707
Talbot County	410-770-8160
Washington County	240-313-4360
Wicomico County	410-548-4920
Worcester County	410-632-1315

APPENDIX B

SAMPLE PERSONAL PROPERTY INVENTORY FORM

Article	Date of Purchase	Price
LIVING ROOM		
Carpet/Rugs	_____	_____
Curtains/Drapes	_____	_____
Sofas	_____	_____
Ottomans	_____	_____
Chairs	_____	_____
Coffee tables	_____	_____
End tables and contents	_____	_____
Television/VCR	_____	_____
Camcorder	_____	_____
Videotapes / DVDs	_____	_____
Radio/Stereo	_____	_____
Compact Discs / Records	_____	_____
Tapes	_____	_____
Bookcases	_____	_____
Books	_____	_____
Musical Instruments	_____	_____

Plants/Planters	_____	_____
Mirrors	_____	_____
Collectibles	_____	_____
Other	_____	_____

DINING ROOM

Carpet/Rugs	_____	_____
Curtains/Drapes	_____	_____
Buffet	_____	_____
Tables	_____	_____
Chairs	_____	_____
China Cabinet	_____	_____
China	_____	_____
Silverware	_____	_____
Crystal	_____	_____
Glassware	_____	_____
Clocks	_____	_____
Lamps/Fixtures	_____	_____
Serving Table/Cart	_____	_____
Table Linens	_____	_____
Wall Hangings	_____	_____
Other	_____	_____

BATHROOMS

Clothes Hamper	_____	_____
Curtains	_____	_____
Wall Hangings	_____	_____
Dressing table	_____	_____
Toilet Articles	_____	_____
Electrical Appliances	_____	_____
Scale	_____	_____
Shower Curtains	_____	_____
Linens	_____	_____
Rugs	_____	_____
Other	_____	_____

KITCHEN

Table	_____	_____
Chairs	_____	_____
Linens	_____	_____
Curtains	_____	_____

Cabinets	_____	_____
Lighting Fixtures	_____	_____
Bowls	_____	_____
Pots/Pans	_____	_____
Utensils	_____	_____
Cutlery	_____	_____
Dishes	_____	_____
Refrigerator	_____	_____
Stove	_____	_____
Dishwasher	_____	_____
Garbage Disposal Unit	_____	_____
Freezer	_____	_____
Washer	_____	_____
Dryer	_____	_____
Small Appliances	_____	_____
Clocks	_____	_____
Radios	_____	_____
Step Stool	_____	_____
Television	_____	_____
Microwave	_____	_____
Food/Supplies	_____	_____
Wall Hangings	_____	_____
Other	_____	_____

BEDROOMS

Bookcases	_____	_____
Books	_____	_____
Chairs	_____	_____
Carpet / Rugs	_____	_____
Curtains / Drapes	_____	_____
Beds	_____	_____
Linens	_____	_____
Mattresses	_____	_____
Cedar Chests	_____	_____
Desk and contents	_____	_____
Dressers and contents	_____	_____
Dressing Table	_____	_____
Night Tables	_____	_____
Lamps	_____	_____
Mirrors	_____	_____
Clock	_____	_____

Radios	_____	_____
Sewing Machine	_____	_____
Television/VCR	_____	_____
Toilet Articles	_____	_____
Computer Equipment	_____	_____
Games	_____	_____
Toys	_____	_____
Collectibles	_____	_____
Clothing	_____	_____
Shoes	_____	_____
Wall Hangings	_____	_____
Other	_____	_____

ATTIC/BASEMENT/GARAGE

Furniture	_____	_____
Luggage / Trunks	_____	_____
Exercise / Sports Equipment	_____	_____
Toys	_____	_____
Outdoor Games	_____	_____
Ornamental Lawn Items	_____	_____
Lawn Mower	_____	_____
Shovels	_____	_____
Spreaders	_____	_____
Sprinklers / Hoses	_____	_____
Wheelbarrow	_____	_____
Snow Blower	_____	_____
Ladders / Step Stools	_____	_____
Workbench	_____	_____
Carpentry Tools / Supplies	_____	_____
Canned Goods / Supplies	_____	_____
Pet Supplies	_____	_____
Garden Tools	_____	_____
Other	_____	_____

PATIO/PORCH

Chairs	_____	_____
Floor Covering	_____	_____
Outdoor Cooking Equipment	_____	_____
Plants / Planters	_____	_____
Tables	_____	_____
Umbrella	_____	_____
Other	_____	_____

Video/Photograph:

You also may make a video inventory of your property. Or, you may use photographs and a tape recorder. A complete video or tape-recorded inventory should contain verbal descriptions of major assets, as well as their value. Don't forget to record items stored in the garage, attic, basement and the exterior of the house, as well as the garden and fencing. Store the video and/or photographs with this inventory in a safe-deposit box, and send a copy to a friend or relative.

Important Documents:

Important documents should be photocopied. If possible, keep the original in a safe-deposit box and a copy in your home. Important items include:

- House: escrow, title, deed, insurance policy
- Personal: birth certificates, medical history, passports, insurance certificates, credit card numbers, will
- Automobile: certificates of ownership, finance contracts, registrations, insurance policies and drivers licenses
- Finance: account numbers for checking and savings accounts, Certificates of Deposit, stocks, bonds, other significant investments
- Tax: copies of the first two pages of your state and federal returns for the past five years. Complete returns should be kept in a separate file box.

Special Note:

Most policies limit the amount of coverage for theft of valuable items such as furs, jewelry, stamps, guns, coins, silverware, and other collectibles. If you have valuable items in these categories, you may wish to purchase additional coverage, called a "personal articles floater." These types of policies individually cover each item and are usually inexpensive. Talk to your agent about which coverage is best for you.

This consumer guide should be used for educational purposes only. It is not intended to provide legal advice or opinions regarding coverage under a specific policy or contract; nor should it be construed as an endorsement of any product, service, person, or organization mentioned in this guide.

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Maryland

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