



Insurance (Homeowner's And Renter's)

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Background

Insurance is a legally binding contract, typically referred to as an insurance policy. The contractual relationship is between the insurance company and the person or entity buying the policy, the policyholder. The policyholder makes payments to the insurance company, which can be monthly, quarterly or yearly. The insurance company agrees to pay for certain types of losses under certain conditions, which are set forth in the policy.

One requirement for insurance is that the policy-holder needs to possess an insurable interest in the subject of the insurance. A policyholder either owning or renting property is said to have such an interest in the property. Insurance policies compensate an insured party for the cost of monetary damages in the event of economic loss or in the event of damages leveled against a policyholder who is liable for damages to another. Liability insurance pays damages up to the dollar amount of liability coverage purchased and protects the personal assets of the policyholder in the event of a judgement against the policyholder for damages.

Types of Insurance

Homeowner's Insurance

Homeowner's insurance includes both property and liability coverage, many of which cover activities away from and not in any way connected with a policyholder's residence. Homeowner's insurance covers repair or rebuilding of a house which is damaged by natural causes such as fire, fallen trees, or heavy winds. It also covers acts of theft and [VANDALISM](#). This type of policy also typically pays for replacement of the personal items inside a residence if those items are damaged by the same causes that damage the house or if such items are stolen.

Homeowner's policies also cover legal liability in the event that anyone suffers an injury while on the insured property. Certain actions of the policyholder, which occur away from the insured property may also be covered. Even if a house is under construction and has no contents to be protected, the homeowner can insure the structure against damages for fire and liability.

Title Insurance

TITLE INSURANCE provides coverage to a homeowner if it is discovered in the future that there was a defect in the title and the homeowner did not get clear title to the property. Coverage is provided if a dispute arises that was not discovered during the [TITLE SEARCH](#). The title insurance will pay attorney fees, as well as all other costs in defending the title. The lender will usually require title insurance until the loan is paid in full.

Mortgage Insurance

MORTGAGE insurance is only for the benefit of the lender. It protects the lender against the risk of nonpayment by the buyer. It is generally required by a lender to protect it against [DEFAULT](#) by a borrower who makes a low [DOWN PAYMENT](#). If the borrower defaults, the mortgage insurer pays the lender its money and then seeks to recover from the borrower or forecloses on the property.

Mortgage Life Insurance

Mortgage life insurance is not the same as mortgage insurance. It is simply a life insurance policy that pays off the mortgage balance if the policyholder dies.

Renter's Insurance

Although renting a property is not subject to the same liability as owning a property, renters can still benefit from property insurance. Renter's insurance typically covers the cost of replacing personal items that are stolen, damaged, or destroyed. Additionally, renters, like owners, have potential liability to anyone injured on the occupied property. Renter's insurance policies are similar to homeowners' insurance policies but have no coverage for buildings or structures. Although renter's insurance is not usually required by the terms of some leases, tenants may be required to have insurance to cover their liability exposure if someone is injured on the premises, or if damages occur from items owned by the renter, such as waterbeds.

Insurance Coverage

Exclusions and Limitations

Limitations and exclusions can alter the provisions of coverage in a policy. A limitation is an exception to the general scope of coverage, applicable only under certain circumstances or for a specified period of time. An exclusion is a broader exception which often rules out coverage for such things as intentional acts, when the policy covers damages due to negligent acts.

Rates and Applications

State insurance laws dictate the manner in which insurance companies may conduct marketing, underwriting (determining which policyholders or risks to accept or reject for coverage), and rate activities. Insurance underwriting decisions must be based on reasons that are related in some way to the risk to be insured. Some states have laws limiting an insurance company's ability to cancel or discontinue coverage once a policy has been issued. In all states, it is illegal to refuse insurance on the basis of race, color, sex, religion, national origin or ancestry. In many states this list is expanded to include marital status, age, occupation, language, sexual orientation, physical or mental impairment, or the geographic area a person resides. An individual has a [LEGAL RIGHT](#) to be promptly informed of the reasons for a refusal to issue an insurance policy.

Encyclopedia of Everyday Law: Insurance (Homeowner's And Renter's)

Insurance companies determine the premium, or payment to charge, based on numerous circumstances known as rating factors. These rating factors must be reasonably related to the risk being insured. The rates and rating factors for insurance must be filed with the state insurance regulatory agency for each state where the insurance is to be sold. In certain states, the rates must get regulatory approval before they can be used.

Cancellations

Generally, once a policy is issued, it can be cancelled only for failure to make premium payments or for misrepresentation or [FRAUD](#) by the policyholder. State laws typically limit items an insurance company can include in the cancellation provisions of its policies. Most property and liability policies are issued for a stated policy term. The limitation on cancellation applies only during the policy term. Insurance companies can decide to discontinue or not renew these policies at the end of the term for any reason except a reason that would be prohibited by law. In most states, an insurance company is required to provide the policyholder with written notice if it intends not to renew a renter's or homeowner's policy.

A policyholder may cancel an insurance policy at any time by giving notice to the insurance company. Some clauses include financial penalties for early cancellation by the policyholder. Most property and liability policies require what is known as a short rate [PENALTY](#) when a policyholder requests cancellation, which gives the insurance company the ability to retain a larger, disproportionate amount of the premium.

A cancellation notice usually must be sent to the policyholder several days prior to the effective date of cancellation. State law usually requires at least 10 days advance written notice, with a reinstatement period. Once the time period has expired, reinstatement after termination of coverage is discretionary by the insurance company.

Payment of Claims

Insurance companies and policyholders have contractual obligations which must be satisfied to ensure resolution of claims. Insurance policies list specific things a policyholder must do in order to perfect a claim once a loss has taken place. These duties are known as contract conditions. Policies typically require an insured to give prompt notice of any loss, information about what property was damaged or the time and place of an accident or injury. In the case of property damage, the policyholder will be required to take steps to protect the property from further destruction. In the event of theft, policies usually require a police report. Liability claims require the policyholder to give the insurance company copies of any notices or legal papers received.

The insurance company may deny or refuse to pay a claim. The insurance company may take the position that the loss is not covered by the policy or that the claimant was not insured under the policy. In some cases, the insurance company may conclude that the policyholder took some type of action that rendered the policy void. Because insurance policies are contracts which are open to interpretation by the courts, policyholders may be able to use the legal system to reverse such decisions.

Good Faith Payment of Claims

All insurance policies are contracts and all contracts contain an implied obligation of [GOOD FAITH](#) and fair dealing. When a claim is presented, this implied obligation means that an insurance company must make a thorough, good faith investigation of the claim. This investigation includes an obligation for the insurance company to review potential reasons and circumstances that could justify the claim.

Encyclopedia of Everyday Law: Insurance (Homeowner's And Renter's)

If an insurance company breaches this implied covenant of good faith and fair dealing and refuses to pay a claim that it legally should be pay or denies a claim without adequate investigation, the policy-holder may have a [BAD FAITH](#) claim against the company. If the company is found to have acted in bad faith in its handling of a claim, the policyholder would be entitled to damages. If the conduct by the insurance company is outrageous and totally unconscionable, the insured also may be entitled to recover [PUNITIVE DAMAGES](#).

Insurance Regulation

No federal regulatory agency exists to monitor insurance companies and so companies selling insurance are regulated by individual state agencies. These state regulatory groups are designed to assure that insurance companies operating in the state have the financial ability to pay claims. The state regulatory agency is typically empowered to take various actions against an insurance company that fails to conduct its business in a financially sound manner, including actions to prohibit the company from doing business in the state.

Most states have laws regarding the conduct of insurance business to ensure lawfulness and fairness to applicants for insurance and policyholders. State agencies can investigate complaints by consumers and [SANCTION](#) companies with unfair practices. State agencies also review policy forms used by insurance companies and rates charged for various types of insurance for compliance with state law.

Unlike car insurance, there is no law that requires a homeowner to have insurance. However, banks and lending institutions usually require that a borrower carry such insurance to protect the interest of the lender until the loan is repaid. A mortgage or [DEED OF TRUST](#) typically requires enough insurance to cover the repair or rebuilding of the house in the event it is destroyed. Mortgages can be structured so that the lending company pays the insurance directly, and the cost is taken out of the homeowner's monthly mortgage payment.

Additional Resources

A Glossary of Insurance, Development and Planning Terms. Davidson, Michael, American Planning Association, 1997.

The Legal Edge for Homeowners, Buyers, and Renters. Bryant, Michel J., Renaissance Books, 1999.

Organizations

Alabama Department of Insurance

201 Monroe Street, Suite 1700, PO Box 303351
Montgomery, AL 36104

Phone: (334) 269-3550

Fax: (334) 241-4192

URL: www.aldoi.org

Alaska Department of Community and Economic Development

3601 C Street, Suite 1324
Anchorage, AK 99503
Phone: (907) 269-7900

Fax: (907) 269-7910

URL: www.dced.state.ak.us/insurance

Alaska Department of Community and Economic Development

P.O. Box 110805

Juneau, AK 99811

Phone: (907) 465-2515

Fax: (907) 465-3422

URL: www.commerce.state.ak.us

Arizona Department of Insurance

2910 North 44th Street, Suite 210

Phoenix, AZ 85018

Phone: (602) 912-8444

Fax: (602) 954-7008

URL: www.state.az.us/id

Arkansas Department of Insurance

1200 West 3rd Street

Little Rock, AR 72201

Phone: (501) 371-2640

Fax: (501) 371-2749

URL: www.state.ar.us/insurance

California Department of Insurance

300 Capitol Mall, Suite 1500

Sacramento, CA 95814

Phone: (916) 492-3500

Fax: (415) 538-4010

URL: www.insurance.ca.gov

Colorado Division of Insurance

1560 Broadway, Suite 850

Denver, CO 80202

Phone: (303) 894-7499, ext. 4311

Fax: (303) 894-7455

URL: www.dora.state.co.us/Insurance

Connecticut Department of Insurance

P.O. Box 816

Hartford, CT 06142

Phone: (860) 297-3984

URL: www.state.ct.us/cid

Delaware Department of Insurance

841 Silver Lake Blvd., Rodney Building

Dover, DE 19904

Phone: (302) 739-4251

Fax: (302) 739-5280

URL: www.state.de.us/inscom

District of Columbia Department of Insurance and Securities Regulation

810 First Street, NW, Suite 701
Washington, DC 20002
Phone: (202) 727-8000
Fax: (202) 535-1196

Florida Department of Insurance

Plaza Level Eleven
Tallahassee, FL 32399
Phone: (850) 922-3130
URL: www.doi.state.fl.us

Georgia Insurance and Fire Safety

Two Martin Luther King, Jr. Drive
Atlanta, GA 30334
Phone: (404) 656-2070
Fax: (404) 651-8719
URL: www.inscomm.state.ga.us

State of Hawaii, Department of Commerce and Consumer Affairs

250 South King Street, 5th Floor
Honolulu, HI 96813
Phone: (808) 586-2790
Fax: (808) 586-2806
URL: www.hawaii.gov/insurance

State of Idaho Department of Insurance

700 West State Street, P.O. Box 83720
Boise, ID 83720
Phone: (208) 334-4250
Fax: (208) 334-4398
URL: www.doi.state.id.us

Illinois Department of Insurance

100 West Randolph Street, Suite 15-100
Chicago, IL 60601
Phone: (312) 814-2420
Fax: (312) 814-5435
URL: www.state.il.us/ins

Illinois Department of Insurance

320 West Washington Street
Springfield, IL 62767
Phone: (217) 782-4515
Fax: (217) 782-5020
URL: www.state.il.us/ins/

Indiana Department of Insurance

311 W. Washington St., Ste 300
Indianapolis, IN 46204
Phone: (317) 232-2385

Fax: (317) 232-5251

URL: www.state.in.us/idoi/

State of Iowa Division of Insurance

330 Maple Street

Des Moines, IA 50319

Phone: (515) 281-5705

Fax: (515) 281-3059

URL: www.state.ia.us/government/com/ins/ins.htm

Kansas Insurance Division

420 SW 9th Street

Topeka, KS 66612

Phone: (785) 296-7801

Fax: (785) 296-2283

URL: www.ink.org/public/kid

Kentucky Department of Insurance

215 West Main Street

Frankfort, KY 40601

Phone: (502) 564-3630

Fax: (502) 564-1650

URL: <http://www.doi.state.ky.us/>

Louisiana Department of Insurance

950 North Fifth Street

Baton Rouge, LA 70804

Phone: (225) 343-4834

Fax: (254) 342-5900

URL: www.lidi.state.la.us

Maine Bureau of Insurance

34 State House Station

Augusta, ME 04333

Phone: (207) 624-8475

Fax: (207) 624-8599

URL: www.maineinsurancereg.org

Maryland Insurance Administration

525 St. Paul Place

Baltimore, MD 21202

Phone: (410) 468-2000

Fax: (410) 468-2020

URL: www.mia.state.md.us

Massachusetts Division of Insurance

South Station, 5th Floor

Boston, MA 02110

Phone: (617) 521-7794

Fax: (617) 521-7772

URL: www.state.ma.us/doi

Michigan Office of Financial and Insurance Services

611 West Ottawa Street, 2nd Floor North, P.O. Box 30220

Lansing, MI 48933

Phone: (517) 373-0220

Fax: (517) 335-4978

URL: www.cis.state.mi.us/ofis

Minnesota Department of Commerce

133 East 7th Street

St. Paul, MN 55101

Phone: (651) 296-2488

Fax: (651) 296-4328

URL: www.commerce.state.mn.us

Mississippi Department of Insurance

P.O. Box 79

Jackson, MS 39205

Phone: (601) 359-3569

Fax: (601) 359-2474

URL: www.doi.state.ms.us

Missouri Department of Insurance

301 West High Street, Room 630

Jefferson City, MO 65102

Phone: (573) 751-4126

Fax: (573) 751-1165

URL: www.insurance.state.mo.us

Montana Department of Insurance

840 Helena Avenue, P.O. Box 4009

Helena, MT 59601

Phone: (406) 444-2040

Fax: (406) 444-3497

URL: www.state.mt.us/sao

Nebraska Department of Insurance

941 O Street, Suite 400

Lincoln, NE 68508

Phone: (402) 471-2201

Fax: (402) 471-4610

URL: www.nol.org/home/NDOI

Nevada Division of Insurance

1665 Hot Springs Road, #152

Carson City, NV 89706

Phone: (775) 687-7690

Fax: (775) 687-3937

URL: www.doi.state.nv.us

New Hampshire Department of Insurance

56 Old Suncook Road

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Concord, NH 03301
Phone: (603) 271-2261
Fax: (603) 271-1406
URL: www.state.nh.us/insurance

New Jersey Department of Banking and Insurance

20 West State Street
Trenton, NJ 08625

Phone: (609) 633-7667
Fax: (609) 984-5273
URL: <http://states.naic.org/nj/NJHOMEPEG.HTML>

New Mexico Department of Insurance

P.O. Box 1269
Santa Fe, NM 87504
Phone: (505) 827-4601
Fax: (505) 827-4734
URL: www.nmprc.state.nm.us

New York State Insurance Department

Agency Bldg. 1-ESP, Empire State Plaza , NY 12257
Phone: (518) 474-6600
Fax: (518) 474-6630
URL: www.ins.state.ny.us

Consumer Services Bureau NYS Insurance Department

65 Court Street #7
Buffalo, NY 14202
Phone: (716) 847-7618
Fax: (716) 847-7925
URL: www.ins.state.ny.us

North Carolina Department of Insurance

430 North Salisbury Street
Raleigh, NC 27611
Phone: (919) 733-7349
Fax: (919) 733-6495
URL: www.ncdoi.net

North Dakota Insurance Department

600 East Blvd. Avenue, 5th Floor
Bismarck, ND 58505
Phone: (701) 328-2440
Fax: (701) 328-4880
URL: www.state.nd.us/ndins

Ohio Department of Insurance

2100 Stella Court
Columbus, OH 43215
Phone: (614) 644-3378

Fax: (614) 752-0740

URL: www.state.oh.us/

Oklahoma Insurance Department

3814 North Santa Fe

Oklahoma City, OK 73118

Phone: (405) 521-2828

Fax: (405) 521-6652

URL: www.oid.state.ok.us

Oregon Insurance Division

350 Winter Street, NE, Room 440-2

Salem, OR 97310

Phone: (503) 947-7984

Fax: (503) 378-4351

URL: www.cbs.state.or.us/ins

Pennsylvania Insurance Department

1321 Strawberry Square, 13th Floor

Harrisburg, PA 17120

Phone: (717) 787-2317

URL: www.insurance.state.pa.us

Rhode Island Insurance Division

233 Richmond Street, Suite 233

Providence, RI 02903

Phone: (401) 222-2223

Fax: (401) 222-5475

South Carolina Department of Insurance

1612 Marion Street

Columbia, SC 29201

Phone: (803) 737-6180

Fax: (803) 737-6231

URL: www.state.sc.us/doi/

South Dakota Division of Insurance

118 West Capitol

Pierre, SD 57501

Phone: (605) 773-3563

Fax: (605) 773-5369

URL: www.state.sd.us/insurance

Tennessee Department of Commerce and Insurance

500 James Robertson Parkway, 5th Floor

Nashville, TN 37243

Phone: (615) 741-2241

Fax: (615) 532-6934

URL: www.state.tn.us/commerce

Texas Department of Insurance

333 Guadalupe Street
Austin, TX 78701
Phone: (512) 463-6169
Fax: (512) 475-2005
URL: www.tdi.state.tx.us

Utah Department of Insurance

State Office Building Rm 3110
Salt Lake City, UT 84114
Phone: (801) 538-3805
Fax: (801) 538-3829
URL: www.insurance.state.ut.us

Vermont Department of Banking, Insurance, Securities and Health Care Administration

89 Main Street, Drawer 20
Montpelier, VT 05620
Phone: (802) 828-3302

Fax: (802) 828-3301
URL: www.state.vt.us/bis

Virginia Bureau of Insurance

P.O. Box 1157
Richmond, VT 23218
Phone: (804) 371-9967
URL: www.state.va.us/scc

Washington Office of the Commissioner of Insurance

14th Avenue and Water Street
Olympia, WA 98504
Phone: (360) 753-3613
Fax: (360) 586-3535
URL: www.insurance.wa.gov

West Virginia Department of Insurance

1124 Smith St.
Charleston, WV 25301
Phone: (304) 558-3354
Fax: (304) 558-0412
URL: www.state.wv.us/insurance

Wisconsin Office of the Commissioner of Insurance

121 East Wilson Street, P.O. Box 7873
Madison, WI 53707
Phone: (608) 266-0103
Fax: (608) 266-9935
URL: badger.state.wi.us/agencies/oci

Wyoming Department of Insurance

122 West 25th Street, 3rd Floor East

Encyclopedia of Everyday Law: Insurance (Homeowner's And Renter's)

Cheyenne, WY 82002

Phone: (307) 777-7401

Fax: (307) 777-5895

URL: www.state.wy.us/~insurance/

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