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CTA Guide to Home and Renters Insurance

Do You Understand Your Home or Renters Insurance Policy?

In this newsletter, you will find updated information about home and renters insurance, tips to help you maintain adequate insurance coverage for your home, or the contents of your home if you are a renter and additional tips that can help you if you should experience a loss due to a claim.

What You Need to Know to Protect Yourself

Homeowners insurance is a necessity for every homeowner, and provides defense against monetary loss due to property damage or liability claims caused by lawsuits. How many times have you read about a homeowner who has been sued due to their dog biting the mailman, or due to someone who has slipped and fallen on their property? Have you ever filed a glass replacement claim with your insurance company for a broken window caused by a child throwing a ball through your window? Or, has someone ever broken into your home or garage and stolen your property? These are only a few examples of common insurance claims, which can affect any homeowner in America today.

What Type of Policy Should You Purchase?

Depending on whether you own your home or rent, or own a second property or mobile home, there is a homeowners policy available to fit your needs. Here are some examples:

HO-3: This is the most common type of homeowners policy, and covers insured policyholders against property damage and liability claims. However, damage due to floods and earthquakes are not covered unless the insured has purchased a policy rider specifically for protection against earthquakes or floods. To find out if you need additional policy riders such as a rider for earthquake coverage (one example), contact and review your current policy with your insurance agent (or representative), who will review your policy against your current coverage and advise you if you need to purchase additional coverage.

Produced for CTA Members by CTA's Risk Management and Member Benefits Department.

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HO-4: An HO-4 is renters insurance, commonly called a tenants package policy, and is intended to cover the contents of a renter's home, and does include liability coverage, but does not include coverage for damage to the structure.

HO-6: This policy is similar to a renters policy, but is intended for condominium owners, as this type of policy covers personal belongings, and coverage for the interior walls, floor coverings, and improvements.

Is Your Home Adequately Covered?

In recent years there have been many claims filed in California with insurance companies due to fires, floods, other disasters. As a result, homeowners found in some cases their home insurance was never upgraded to adequately reflect the increase in home values, which meant their homeowners insurance policy did not adequately cover increased costs associated with materials and labor for home repairs.

Nearly Two in Three American Homes Underinsured

Recent headlines in The New York Times, The Wall Street Journal and CBS News reveal a sobering statistic: Almost two out of three American homeowners don't have enough insurance to replace their homes if disaster were to strike tomorrow. According to a recent survey by Marshall & Swift/Boeckh, the worldwide leader in building cost valuation, 58% of America's homes are underinsured, with the typical homeowner vulnerable to a 21% coverage gap.

Why the widespread shortfall in insurance coverage? Turns out many homeowners don't regularly update their policy to reflect their home's replacement cost, which is affected by variables such as home improvements, inflation and building code changes. Also, industry standards for policy terms and coverage amounts have changed in recent years, partly due to these same market variables.

Grateful Insured with A+ (managed by California Casualty)

A retired teacher, who has been insured with California Casualty for the past 46 years, was indeed grateful in January of 2006 to know her home was adequately covered when her house suffered extensive damage due to a fire caused by a faulty water heater.

In February of 2005, the insured contacted Marshall & Swift/Boeckh after receiving a home survey in the mail to review the features of her home. The company was representing California Casualty as a special project to review all home policies for coverage accuracy. As a result of completing the survey over the phone, her home was estimated at a much higher amount for reconstruction value. This was a well-placed phone call because just six months later the insured suffered a fire at her home and found out just how well protected she was.

Who would have thought that a water heater and resulting fire could cause such extensive damage? A small enough item in anyone's home, but one that resulted in more than just a water leak, resulting in a repair cost to the home of over \$200,000.

Had this insured not participated by completing the survey and updating the current coverage on her home to adequately reflect the "costs of reconstruction in today's environment," her out-of-pocket expense due to the fire would have been approximately \$40,000.

Source: Based on an article from A + Auto and Home Insurance Plus – 2006

When You Should Increase Your Coverage

A good question to ask yourself is “Have I made any changes to my home which would require an increase in coverage levels?” Have you remodeled your kitchen, or made major changes to the structure of your home recently? If you started out with a three-bedroom home and have added an additional bedroom, this adds value to your home, more than likely adding to the cost of reconstruction should you experience a major claim loss.

Contact your insurance agent (or representative) to determine how much additional insurance coverage you need. It’s important that you know and understand your coverage, and are adequately covered in the event of a disaster. Your insurance agent (or representative) has the experience to help you make the right decision when it comes to purchasing adequate insurance coverage. Don’t wait until you experience a flood, fire or earthquake to find out you are under-insured!

Tips for Condominium (Condo) Owners

- You will need an HO-6 insurance policy which covers your personal property and the interior of your home.
- Contact your homeowners association, and determine what your association’s master policy covers.
- Review your policy and your association policy with your insurance agent (or representative), who will advise you, offering you additional coverage if it’s determined there are gaps between your policy and the policy carried by your homeowners association.

Do You Rent? Tips For Renters

- Don’t depend on your landlord. Your landlord’s policy will not cover your personal belongings, so make sure you purchase a renters insurance policy (HO-4).
- Your renters policy will have limitations. If you own computers, cameras, musical instruments, other expensive equipment, ask your insurance agent (or representative) if you should purchase additional coverage for these items. Otherwise, you may experience a loss and find out your insurance policy only covers a limited amount for theft of personal property, unless the insurance company has provided you with coverage for an itemized list, in addition to your primary policy.
- Keep an inventory of your major purchases, such as jewelry, musical instruments, etc. This will make it easier for you to document and recover the value of your loss.
- Ask your insurance agent (or representative) to verify that your policy includes liability coverage related to pets. If your dog should bite someone, you don’t want to be sued and find out you are under-insured.

CTA Home Insurance Program

CTA’s Home Insurance Program through A+ Auto and Home Insurance Plus (managed by California Casualty) offers CTA Members competitive rates and superior customer service. The home coverage is designed to meet the needs of CTA Members, providing:

- 24% rate differential between CTA Member and non-member rates
- Up to an additional 10% discount on a home or condo policy if you also cover your auto through A+
- Your professional equipment and materials used in teaching is covered to \$3,000
- \$500 coverage for luggage lost or stolen from a commercial carrier
- \$500 coverage for fund-raising monies and goods, stolen while in your care, or on school premises
- Monthly payment plan with summer skip option
- Multi-policy discount of 5% on a renters insurance policy if you also cover your auto through A+
- Identity Theft Resolution Service provided for free!

Additional Protection for CTA Members

CTA Members who purchase the CTA Auto and Home Insurance program through A+ Auto and Home Insurance Plus are afforded additional protection through the CTA Advisory Panel on Endorsed Services (Panel). The Panel, which is an advisory committee, made up of CTA Members, evaluates and adjudicates complaints with a CTA-endorsed program. If you should file a claim with A+ Auto and Home Insurance Plus and have concerns about the outcome, CTA's Advisory Panel on Endorsed Services will provide a prompt, fair and impartial review of your concerns, and A+ Auto and Home Insurance Plus is bound by the Panel.

If You Should Experience a Loss

Your Responsibility as an Insured:

- Important – If your claim involves another person, always contact your insurance company ASAP, as it's possible you will be sued. For example, if your dog bites the mailman, it might seem minor, but a lawsuit over a dog bite can turn into a major claim.
- As a homeowner, it's your responsibility to mitigate damage (for example, by making “temporary repairs to prevent further damage”) and to report claims timely, usually within 30 days (based on an article from CA DOI website, 2007).

Important to Remember:

- If you have a history of filing multiple claims, you risk incurring an increase in your rates or cancellation of your policy. Remember, insurance companies use tools to help them evaluate risk. With risk comes severity: the greater the risk, the higher your rates and risk of cancellation.

Conclusion

Whether you own your own home or rent, it's natural to want to protect your property and possessions. If you own a home, the best thing you can do is keep your home in good repair, repair damages when necessary, and purchase adequate insurance coverage to protect you in the event of a claim. Finally, whether you rent or own, CTA urges you to carefully evaluate any policy prior to purchase, and at least annually thereafter.