

The insurance policy document, guided by the Federal Alliance for Safe Homes, Inc. (FLASH®) and The Actuarial Foundation, emphasizes the critical need for homeowners to secure adequate insurance coverage against various natural disasters, including earthquakes, floods, hail, hurricanes, lightning, tornadoes, wildfires, and winter freezes. It outlines the types of insurance policies available, such as homeowners, dwelling, manufactured home, condominium, renter's, and farm owner's policies, noting that earthquake and flood insurance typically require separate purchases. The document explains the voluntary and involuntary insurance markets, detailing how homeowners can obtain coverage through independent agencies, direct writers, and shared market mechanisms like FAIR Plans for those unable to secure coverage in the voluntary market.

Homeowners are encouraged to understand what constitutes covered property, which includes the dwelling, other structures, personal property, and loss of use, and to assess their insurance needs accordingly. The policy distinguishes between "Open Perils" and "Named Perils" coverage, with Open Perils covering all risks except those specifically excluded, while Named Perils only covers risks explicitly listed. It highlights that specific perils like earthquakes and floods are generally excluded from standard property insurance policies, necessitating separate policies for these risks. Coverage for hail is typically included under windstorm provisions, while hurricanes and tornadoes are generally covered, although flood losses from hurricanes are excluded. Wildfires are covered under all property insurance policies, though higher deductibles may apply based on exposure levels.

The document discusses various coverage types for property loss, including Replacement Cost Coverage, which covers the current cost to replace damaged property without depreciation, and Actual Cash Value, which accounts for depreciation. It emphasizes the importance of the Insurance-to-Value ratio, requiring properties to be insured for at least 80% of their replacement cost to avoid penalties on loss payments. Additional coverages, such as building code upgrades, may be available, and policyholders can adjust deductibles to influence premiums, with higher deductibles

generally leading to lower premiums. Premium discounts may be available for bundling insurance, having security features, or being a long-term policyholder, while the condition of the home and prior losses can affect premiums and coverage availability.

Location significantly impacts insurance availability and cost, with properties in high-risk areas facing higher premiums and potential coverage limitations. The document outlines home improvement measures to mitigate damage from natural disasters, emphasizing foundation anchoring for earthquakes, impact-resistant roofing for hail, and reinforcing structures for hurricanes and tornadoes. It also highlights the importance of maintaining homes to meet current building codes to ensure coverage and notes that flood damage is not covered under standard property policies, requiring a separate flood insurance policy available through the National Flood Insurance Program (NFIP).

The NFIP provides limited coverage through the Emergency Program while communities await approval for the Regular Program, with a mandatory 30-day waiting period for new flood insurance policies, except when linked to home purchases or mortgage refinancing. The NFIP offers three types of flood insurance policies, covering direct physical losses from floods, with specific exclusions and limitations. Claims can be settled on a Replacement Cost Value or Actual Cash Value basis, and policyholders can influence premiums through deductible choices. The document stresses the importance of understanding insurance terms and concepts, including Actual Cash Value, Loss of Use, and the Claim Settlement Provision, while encouraging homeowners to maintain electronic records and notify their insurance company about evacuations.

In conclusion, the document serves as a comprehensive resource for homeowners to navigate the complexities of insurance and disaster preparedness, ensuring they are well-informed about their coverage options, exclusions, and the conditions affecting their insurance needs. It encourages consultation with local insurance advisers for tailored advice and emphasizes the importance of

proactive measures to mitigate risks associated with natural disasters.