

Homeowners insurance is an essential component of the home-buying process, safeguarding one of the most significant investments individuals make. Lenders typically require proof of adequate homeowners insurance before finalizing a mortgage. The curriculum designed for prospective and current homeowners educates them on the importance of homeowners insurance, its coverage, and how to select the right policy. It includes activities that enhance understanding, such as assessing the necessity of homeowners insurance, exploring typical coverage features, and clarifying misconceptions about flood insurance, which is often not included in standard policies. Homeowners insurance generally covers personal property and the physical structure of the home but excludes maintenance issues and specific perils like floods, which require separate policies. When filing a claim, homeowners must consider whether the damage exceeds their deductible, and the curriculum emphasizes understanding the difference between Actual Cash Value and Replacement Cost coverage, as these significantly impact compensation after a claim.

Participants are encouraged to maintain their homes to preserve value and ensure adequate insurance coverage, including taking a detailed inventory of personal property to share with their insurance agent. The structured approach to purchasing homeowners insurance begins with comparing quotes for desired coverage, which can be obtained online or directly from insurance providers. Individuals must decide between actual cash value or replacement value coverage and consider additional floaters for high-value items. It is also crucial to inquire about potential risks in the area, such as floods or earthquakes, which may necessitate separate policies or floaters for comprehensive coverage. Policyholders should assess their eligibility for discounts, which may be available for bundling insurance types or having safety features in their homes, such as security systems or proximity to fire services. After selecting a provider, applicants must carefully review their policy upon approval to ensure it aligns with their needs and that they understand all terms and conditions.

The document includes educational activities for participants to practice shopping for insurance,

emphasizing the importance of understanding various insurance terms, such as actual cash value, replacement cost, deductibles, and limits. It highlights the significance of knowing property details, such as construction type and safety features, which influence coverage and premiums. Additionally, it discusses the National Flood Insurance Program (NFIP), which provides flood insurance to homeowners in participating communities, noting that flooding is a significant risk not typically covered by standard homeowners policies. The NFIP aims to mitigate flood risks through community management and offers affordable insurance options, with coverage for flood insurance starting at just over \$100 annually in low- to moderate-risk areas. It is recommended to purchase as much flood coverage as possible, as primary residences insured for at least 80% of their value qualify for replacement cost coverage, which pays for repairs or replacements of building elements up to policy limits without depreciation deductions.

A 30-day waiting period applies from the policy purchase date before coverage begins, with exceptions for existing policyholders needing additional coverage due to loan requirements, where coverage is effective immediately if the premium is paid at or before loan closing. If a lender mandates flood insurance for a loan lacking coverage, it also becomes effective immediately upon premium payment. A one-day waiting period applies when additional coverage is required due to a map revision from a non-Special Flood Hazard Area to a Special Flood Hazard Area, provided the endorsement is received within 13 months of the revision. Flood insurance is legally required in certain situations, particularly for federally secured financing for properties in Special Flood Hazard Areas, including most mortgage types and FHA/VA loans. The policy also covers expenses incurred to prevent flood damage, such as moving insured contents to safety, with reimbursement limits of \$500 for moving costs and \$750 for other preventive measures like sandbags and pumps, both without deductibles. For further information, policyholders are encouraged to contact their insurance company or the National Flood Insurance Program (NFIP).