



Coastal Homeowners Survival Kit

Your guide to homeowners insurance



Pro-tip:

If you live near the coast, we advise you have both wind and flood coverage in addition to your traditional homeowners coverage.

Welcome to the Coastal Homeowners Survival Kit. This guide provides valuable information on homeowners insurance in hurricane-prone regions. Learn how to protect your coastal home, choose the right coverage and more.

1

What kind of homeowners insurance do I need if I live in a hurricane-prone region?

Coastal property owners should verify they have adequate coverage to protect their properties from hurricanes, wind and flood events. Traditional homeowners insurance policies include coverage for damage caused by wind, but most standard carriers don't offer wind coverage in hurricane-prone regions.

If you live near the coast, we advise you have both wind and flood coverage in addition to your traditional homeowners coverage.

2

How does wind coverage work?

For states near the coast, wind coverage is offered in a variety of ways. ICAT makes it easy by including the wind coverage as a part of our coastal homeowners product.

Coastal homeowners insurance is a specialized type of insurance which includes additional coverages for homes located near the water. In addition to standard homeowners coverages, this kind of policy typically includes hurricane/named storms and other wind events, and each have their own deductibles, which are usually either a flat dollar deductible or between 1-10% value of the home.



Pro-tip: Flood damage is excluded from all homeowners insurance policies.

3

Do I really need flood insurance?

Flood damage is excluded from all homeowners insurance policies, even if you have coastal homeowners coverage with wind. If you're in a designated flood zone, you may be required to have flood insurance. We highly recommend clients close to the water obtain flood coverage. Homes close to the coast are at higher risk of flood events caused by storm surge, heavy rains, high waves and more. ICAT does not offer flood coverage in addition to our coastal homeowners product. Talk to your agent about purchasing flood coverage.

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How are my wind, hurricane, or named-storm deductibles set and how do they work?

These deductibles are usually a flat dollar deductible or between 1-10% of the value of your home. This number is dependent on your location and the insurance carrier. For wind damage coverage, some insurance companies use what's called a hurricane or named-storm deductible. It only applies to damage caused by a named hurricane, and it's usually higher than your other deductibles for other causes of loss.

Most hurricane deductibles are from 1-10%. So, if your dwelling is insured for \$500,000 and you have a 10% hurricane deductible, you would need to pay \$50,000 out of pocket before your insurance company would cover any repairs for hurricane or named storm damage.



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How can I lower my insurance costs?

- **Increase your deductible:** If you have a good amount in your savings and you're willing to pay more when disaster strikes, you can benefit from lower premiums by increasing your deductible.
- **Maintain your coverage:** Don't let your coverage lapse; this can make it difficult to find coverage again and can increase your costs.
- **Risk Mitigation:** Roof updates, durable siding, alarm systems and water leak detection devices are just a few things you can do to your home to help reduce risk and in some cases lower the cost of your premiums.

Talk to your agent about options available to find coverage that fits both your budget and coverage needs.



Pro-tip:
Taking action to mitigate future losses on your home is a good way to lower premium and lower your risk of suffering damage.

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How do I know if I have enough coverage?

Understanding accurate valuation is an important part of determining how much insurance you need. Work with your agent to ensure you're considering not just the value of the home, but also the contents, the cost to rebuild, and other expenses. Factors such as inflation and demand surge after a storm can also play a role in the cost.

Consequences of undervaluation include the property owner having to pay out of pocket to rebuild.

Insurance to Value (ITV), considers the property value along with other factors, such as inflation, materials, and service costs to replace the property should a loss occur.

| Example | Submitted ITV | Accurate ITV |
|---|----------------|----------------|
| Dwelling Amount | 500,000 | 750,000 |
| Premium | 5,000 | 7,500 |
| Deductible Cost at 3% | 15,000 | 22,500 |
| Loss to Dwelling | 600,000 | 600,000 |
| Uninsured Loss | 100,000 | — |
| Out of Pocket Cost (premium + deductible + uninsured loss) | 120,000 | 30,000 |

Homeowners Insurance Glossary

Actual Cash Value (ACV): The amount of money needed to repair or replace a home, minus the decrease in value due to age or use. ACV is also known as Depreciated Cash Value.

All Other Perils (AOP) Deductible: The amount you will be responsible for in a covered loss. This is the deductible on your homeowners policy that covers all other perils such like theft, vandalism, fire etc. All other perils refers to all perils that are not specifically excluded on the policy. All other perils refers to all perils that are not specifically excluded on the policy.

Bodily Injury: Any physical injury to a person. The purpose of liability insurance is to cover bodily injury to a third party resulting from the negligent or unintentional acts of an insured.

Burglary: Coverage protecting your property and its contents from damage caused by forced entry into premises.

Claim: A formal request by a policyholder to an insurance company for coverage or compensation for a covered loss or policy event. The insurance company validates the claim and, once approved, issues payment to the insured or an approved interested party on behalf of the insured.

Claimant: Someone who requests payment from an insurer for covered losses.

Dwelling: Dwelling coverage is a part of a homeowners or condo insurance policy that covers the physical structure of a home, including any permanent fixtures and appliances.

Deductible: the amount of money a policyholder pays before their insurance begins to cover covered services.

Depreciation: A decrease in value due to age, wear and tear, etc.

Endorsement: Amendment to the policy used to add or delete coverage. Also referred to as a “rider.”

Exclusion: A provision that eliminates coverage for specific types of damage, locations, acts, or property. Exclusions are a way for insurance companies to define what’s covered and what’s not in their policies.

Hurricane or Named storm deductible: A named storm deductible is a special deductible that applies to losses caused by named storms, such as hurricanes. Named storm deductibles are different from the normal deductible in a homeowners policy and are usually higher than traditional fixed-dollar deductibles. They are only triggered under specific circumstances and can vary based on location.

Insurance to Value (ITV): The cost to replace or repair if loss or damage occurs. Knowing your insurance to value helps you judge if your home has adequate coverage. The rebuilding cost is different from the market value.

Insured: A person or organization whose life, health, or property is covered by an insurance policy.

Limit: Maximum amount a policy will pay either overall or under a particular coverage.

Liability Insurance: Coverage for all sums that the insured becomes legally obligated to pay because of bodily injury or property damage, and sometimes other wrongs, to which an insurance policy applies.

Loss: The financial damage caused by an insurable event that the insured incurs in order to have a claim for damages.

Peril: Any incident that causes loss or damage to your property. For example, fire, theft, or hail. In insurance policies, some perils are covered and others aren’t.

Premium: The amount of money an insurance company charges for insurance coverage.

Replacement Cost: The amount of money needed to repair or rebuild your home at today’s prices of building supplies; or replace your belongings at today’s cost of the similar.

Replacement Value: The full cost to repair or replace the damaged property with no deduction for depreciation, subject to policy limits and contract provisions.

Rider: Usually known as an endorsement, a rider is an amendment to the policy used to add or delete coverage.

Wind deductible: A wind deductible is a type of deductible that applies to wind damage. It’s often expressed as a percentage of the property’s value or the dwelling limit. Most home insurance policies include some sort of wind damage deductible, which typically ranges from one to five percent of your home’s insured value.

Contact your insurance agent or visit www.icat.com to learn more.