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# A Fair Housing Guide to Homeowners Insurance



Serving Bucks, Chester, Delaware, Montgomery and Philadelphia  
Counties



**A HOME IS USUALLY THE LARGEST AND MOST IMPORTANT ASSET YOUR FAMILY WILL OWN. IT IS VITAL THAT THIS ASSET BE PROTECTED IN CASE OF DISASTER.**



Homeowners insurance is insurance coverage that protects you against losses from damage to the physical structure of your home and may also cover the contents of your home as well. It also protects you from liability for personal injuries that might occur on your property.

Title VIII of the Civil Rights Act of 1968, otherwise known as the Fair Housing Act, makes it unlawful to discriminate in connection to any housing related transactions based on race, color, religion, national origin, gender, disability or familial status. This includes homeowners insurance.

This guide was designed to assist you with understanding the various aspects of homeowners insurance products and to increase your ability to detect behavior that might be discriminatory.

If you believe you may be a victim of discrimination, contact the Fair Housing Council of Suburban Philadelphia at (610)604-4411 or [information@fhcsp.com](mailto:information@fhcsp.com).



## FINAL TIPS

Do some more research! There is a wealth of information available to assist you in choosing the insurance that is right for your family. For more information about homeowners insurance:

“Insurance Facts for Pennsylvania Consumers: Your Guide to Homeowner’s Insurance” is a 20-page booklet by the Pennsylvania Department of Insurance. Call 1-877-881-6388 find this brochure online at [http://www.ins.state.pa.us/ins/lib/ins/consumer/brochures/Home\\_2005.pdf](http://www.ins.state.pa.us/ins/lib/ins/consumer/brochures/Home_2005.pdf)

“12 Ways to Lower Your Homeowners Insurance Costs” is an 8-page brochure by the Insurance Information Institute. Call 212-346-5500 or find this brochure online at <http://www.taidirect.com/files/17741850.pdf>

“A Consumer’s Guide to Home Insurance” is a booklet by the National Association of Insurance Commissioners. It can be found online at [http://www.naic.org/documents/consumer\\_guide\\_home.pdf](http://www.naic.org/documents/consumer_guide_home.pdf)

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## COVERAGE

Your homeowners policy will have various types of coverage. The following is a basic description of the types of coverage available.

**Dwelling/Structure:** coverage on your physical home and any attached structures (porch, garage).

- Market Value Coverage: covers your home only for its market value, up to the limits of the policy.
- Replacement Cost Coverage: is coverage that provides for actual replacement of your home with contemporary equivalents, up to the limits of the policy. Some companies require that you be insured for 100% replacement cost. Most follow the “80% rule” which requires you only to be insured at 80% of replacement cost, as there is almost never a total loss to the home.



- Guaranteed replacement cost coverage: insures your home will be replaced even if the cost exceeds the limit on the policy (for some companies, how much the cost may exceed your policy level is limited). Virtually all companies require that you be insured to 100% of replacement cost in order to obtain guaranteed replacement cost coverage.

**Personal Property/Contents:** coverage on your belongings such as clothing, books, stereo equipment, furniture, jewelry, etc. (Covers your belongings even when you take them out of your home).

- Market value coverage provides compensation for your lost/damaged/stolen belongings at their depreciated value.



- Replacement cost coverage provides for compensation to replace your belongings with their equivalent.
- There are limits to how much the insurance company will pay for particular categories like jewelry, computers, and antiques. If you own items that exceed the basic policy standards, you can obtain extra coverage at an additional charge in the form of a “personal articles floater” (see *Endorsements* section on pg. 6).

**Liability:** The personal liability component covers you for a claim made against you when you cause a loss to someone else (for example, when someone bitten by your dog sues you). It also covers the cost of your legal defense. This coverage is usually \$100,000, although some companies are increasingly offering \$300,000, usually at an additional charge.

**Medical Payments to Others:** If someone were injured while on your property with your permission, this coverage would compensate them for medical expenses. This is a small amount of coverage and usually protects you only up to \$1,000 - \$5,000.

**Dwelling Extension/Additional Structures:** Provides coverage for other buildings/structures on your lot (unattached garage/tool shed/gazebo). This coverage is usually 10% of the amount of the coverage on the dwelling.

**Loss of Use:** Covers expenses associated with your home being uninhabitable. This pays for a comparable place for you to stay or sometimes the fair market rental value of your home. The coverage is usually limited in time.

submit their social security number and/or have both an internal and external inspection of the home. White consumers were not required to submit social security numbers or have an inspection prior to receiving a quote.

- An African American consumer with a home was told that his property did not qualify for a replacement cost policy, and would only qualify for a market value policy. The quote the African American consumer received for inferior coverage was three times higher than a quote a white consumer received with a home in a white neighborhood for a replacement cost policy.

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## SHOP AROUND

The best advice to follow when seeking homeowners insurance is to shop around! You will find that both prices and products vary from company to company. This will increase your choice of products and could save you money. Ask your friends, check the yellow pages, call the agency you have car insurance with, or call a housing counseling agency. The Pennsylvania Department of Insurance has several useful consumer guides, and information can be accessed from their website regarding any complaints filed against particular insurance companies.

Don't consider price alone. The insurer you select should offer a fair price and deliver the quality of service you would expect if you needed assistance in filing a claim. So talk to a number of insurers to get a feeling for the type of service they provide.

discrimination where an insurance agency or agent treats homeowners differently, not because of their minority status, but because of the minority composition of the neighborhood where their home is located.

Discrimination of this nature may take the form of:

- Imposing different terms and conditions for coverage of homes in minority neighborhoods
- Refusing/failing to write policies for applicants in minority neighborhoods
- Refusing/failing to market its products in minority areas
- Discouraging applicants from minority neighborhoods



The Fair Housing Act protects you from these forms of discrimination. Yet discrimination of this nature is often very subtle and difficult to detect.

The following are some examples of discriminatory treatment that FHCSA has uncovered:

- An African-American consumer left several messages for an insurance agent over a five day period before finally getting a return call, whereas a white consumer received a return call on the same day as leaving the initial message.
- African American consumers were told that only a verbal quote for insurance could be given, whereas the white consumers were able to get written quotes for insurance coverage from these same agents.
- African American consumers were told that in order to receive a quote for insurance, they must first either

## TYPES OF POLICIES

There are seven basic homeowners insurance policies, developed by the Insurance Services Office (ISO). Many insurance companies utilize these policies in the exact form provided by the ISO, however some companies utilize their own policies.

Homeowners insurance policies can protect your home from most or all of the following disasters: fire or lightning; windstorm or hail; explosion; riot or civil commotion; damage caused by an aircraft or vehicles; smoke; vandalism or malicious theft; volcanic eruption; falling objects; weight of ice, snow or sleet; water from rupture in plumbing system or water heater; freezing of plumbing/heating/AC; or electrical damage. The following is a description of the types of coverage offered:



**HO 1:** This is the basic homeowners insurance policy which typically covers most of the disasters listed above, with a few exceptions. It also provides coverage for personal liability such as bodily injury, damage to property of others, cost of legal defense, medical payments, personal property and additional living expenses. This type of policy will typically (but not always) be a market value policy.

**HO 2:** HO 2 is called the Broad Form policy, adding coverage for all items listed above in addition to those covered by HO 1.

**HO 3:** This Special Form policy provides coverage for all risks of physical loss except those specifically excluded, (flood, earthquake). HO 3 policies are typically replacement cost policies or have replacement cost as an

option.

**HO 4:** The HO 4 policy provides coverage to renters or owners of co-op apartments for personal property and liability, but the structure itself is not covered.

**HO 5:** HO5 is the Comprehensive Form policy. It provides coverage for the structure and personal property from all disasters unless the disaster is explicitly excluded (flood, earthquake, etc.) These policies almost always provide coverage at guaranteed replacement cost.



**HO 6:** This policy provides coverage to owners of condominiums, excluding coverage on structural elements covered by the master condominium policy.

**HO 8:** The HO 8 policy provides coverage for older historic and antique structures that are irreplaceable. It is insurance for actual cash value, rather than replacement value.

## ENDORSEMENTS

In order to obtain coverage for disasters (such as flood, earthquake, war, nuclear accident, or others) not included in a standard policy or a higher amount of coverage for a particular item, you would need to obtain an endorsement to the policy, which provides additional coverage for that particular disaster. The endorsement, of course, requires a higher payment. A "personal articles floater" is necessary to insure valuable personal possessions such as jewelry, computers, or antiques. A standard policy usually places a \$1,000 limit on payment for losses of these items.

## EXCLUSIONS

It is important to know what perils are excluded from your policy and for which you should try to obtain an endorsement. Damage from earthquakes or floods are not covered under homeowners insurance policies. Federal flood insurance is available to consumers in localities that are in compliance with federal land use regulations regarding flooding. For communities that meet these guidelines and qualify under the Federal Flood Emergency Program, you can purchase federally backed flood insurance from local insurance agents. Earthquake coverage is excluded from policies unless an endorsement or special policy is obtained. There is usually a substantial deductible, and the coverage is fairly expensive.



## DISCRIMINATORY PRACTICES IN THE HOMEOWNERS INSURANCE INDUSTRY

Discrimination in the homeowners insurance industry occurs when an insurer unlawfully treats current or prospective homeowners' differently because of their race, sex, religion, color, national origin, because they are disabled, or because they have children in their family.

These differences in treatment may include such things as:

- Charging higher rates
- Offering policies with inferior coverage
- Not returning calls for information
- Denying coverage altogether

Homeowners insurance "redlining" is a form of