



Why Should You Maintain Homeowners Insurance After Paying Off Your Mortgage?

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Patricia Dorn, Consumer Education and Advocacy

patricia.dorn@maryland.gov



This presentation does not provide legal advice.
You should discuss any specific questions with
your trusted financial advisor or insurance
producer.

Agenda

- Introduction to Maryland Insurance Administration
- You've paid off your home!
- Why did my lender require Homeowners Insurance?
- Why do I need Homeowners Insurance now that I've paid off my mortgage?
- What does Homeowners Insurance cover?
- Shopping for Homeowners Insurance
- What if my Homeowners Insurance has lapsed?

Introduction to Maryland Insurance Administration

The [Maryland Insurance Administration \(MIA\)](#) is the state agency that regulates insurance in Maryland. The MIA:

- Licenses insurance companies and producers.
- Examines the business practices of licensees to ensure compliance.
- Monitors solvency of insurance companies.
- Reviews/approves insurance policy forms and ensures rates are not excessive, inadequate, or discriminatory.
- Investigates consumer and provider complaints and allegations of fraud.

You've Paid Off Your Mortgage!

- Paying off your mortgage is an exciting event, but it comes with new responsibilities.
- When you first purchased your home your lender likely required you to pay extra money each month to an escrow account – to pay for expenses such as your homeowners insurance.
- As the sole owner of your property now - you are now on your own to cover the cost of homeowners insurance.



Why Did My Lender Require Homeowners Insurance?

- Your lender had the right to take possession of your property if you failed to make your mortgage payments.
- Homeowners insurance protected the lender's financial interest in your property.



Why Do I Need Homeowners Insurance Now That I've Paid Off My Mortgage?

- While maintaining Homeowners insurance after you've paid off your home is not state or federally mandated, it is something you need to think carefully about before you cancel your insurance.
 - Your home is likely your largest asset.
 - Homeowners insurance is there to pay for damages covered under the policy.
 - Most people do not think about Homeowners insurance until they have a reason to use it.
 - Although we know that fires, theft, and other accidents occur, we tend to think, "Odds are, that will never happen to me."
 - Unfortunately, if you experience a loss and you don't have insurance, your finances may be ruined.



What Does Homeowners Insurance Cover?

- **Homeowners insurance policies protect more than just the structure of you home.**
- **Common coverages found in a Homeowners policy include:**
 - **Dwelling:** This is the coverage that protects your home for loss caused by things like fire, wind, hail, vandalism, and many other perils. Not all perils are covered. For example, most Homeowners policies do not cover flood losses; you may want to purchase a separate flood insurance policy.
 - **Other Structures:** This is the coverage that protects other structures on your property that are not attached to the main dwelling, like a garage, shed or other out building.

What does Homeowners Insurance cover?

- **Personal Property:** This coverage protects the contents of your home if they are damaged by a covered peril, including loss by theft.
- **Loss of Use:** This coverage will reimburse you for the increase in your living expenses, including the cost of alternate housing, if your home is uninhabitable as a result of a covered claim. Your policy will provide up to 12 months of coverage but is limited to the reasonable period of time needed to complete the repairs.

What does Homeowners Insurance cover?

- **Liability:** This coverage protects you in the event you or a member of your family are legally responsible for an injury to another person or cause damage to another person's property.
 - Your Homeowners policy may provide that liability coverage in the policy is not limited to events that occur at your home; it may also provide protection to you and your family for claims against you due to your activities away from home.
- **Medical payments:** This coverage provides up to a specific benefit amount for medical expenses incurred by people injured in an accident in your home regardless of fault (does not apply to you or members of your household).

What does Homeowners Insurance cover?

- **Trees, Shrubs and Plants:** Provides limited protection against damage to greenery on property, but only for certain types of losses.
- **Debris Removal:** Pays a limited amount to remove debris from damaged property if the damage that caused the debris is covered by your policy. Your policy may also pay to remove fallen trees that cause damage to your property, generally subject to a dollar limitation.
- **Mold Coverage:** May be covered if the mold arises out of a covered loss. Even if covered, mold damage may be limited to a specific maximum amount.

Shopping for Homeowners Insurance: Where Do I Start?

- Contact your Homeowners insurance company or your insurance producer!
- It's important that you provide the documentation they need to remove your lender from your insurance policy.
 - Your lender is a named policyholder on your contract; and thus, the lender would be entitled to payment if you filed a Homeowners insurance claim.
 - If your mortgage is satisfied, this money would eventually find its way to you.
 - Having the lender's name removed from your policy in advance can save you frustration and delays.

Shopping for Homeowners Insurance: How Much Homeowners Insurance Do I Need?

- Homeowners insurance companies use a calculator based on factors like the age of your home, square footage, and building materials to calculate the replacement cost of your home...but there are still things for you to consider.
- Your dwelling coverage limit should be sufficient to rebuild your home from the foundation up in the event of a total loss.
- How much liability coverage do you want? Consider your assets and talk to a financial advisor if you need to.

Shopping for Homeowners Insurance: How Much Homeowners Insurance Do I Need?

- **Do you have valuable personal property that needs to be scheduled, such as jewelry, furs, or coins?**
 - You should speak with your insurance company about scheduling those valuables separately.
- **What deductible can you afford?**
 - The higher your deductible the lower your premium, but make sure you have enough money in emergency savings to cover the deductible in the event of a claim.
 - Some policies have a separate deductible for wind, hurricanes and other storms, so be sure to ask about that.

Shopping for Homeowners Insurance:

Other Shopping Tips

- Be sure to understand the difference between **actual cash value (“ACV”)** and **replacement cost value (“RCV”)** **coverage** on your personal belongings.
 - Actual cash value coverage will pay you the value of your items after depreciation, but replacement cost value coverage will give you full replacement cost of your items, without depreciation after you have repaired or replaced the damaged item(s).
- Ask about **water backup coverage** for water that backs up through sewers and drains.
 - This is a common Homeowners insurance claim that can cost tens of thousands of dollars to clean up after.

Shopping for Homeowners Insurance:

Other Shopping Tips

- If you are planning on long vacations, or you have a second home where you spend time – look for language in the policy about vacant or unoccupied property, and talk to your insurance agent about your specific situation.
- Remember to read your policy, and ask questions if you need to! It could save you a lot of heartache in the future.

Shopping for Homeowners Insurance:

Other Shopping Tips

- **Maintain an inventory of all your possessions and regularly update it.**
 - Photograph and/or videotape each room and the exterior of your home.
 - Write down all the major items you own along with relevant information about them, such as the model and the serial number.
 - Attach sales receipts when available.
 - Safeguard these records – store them safely somewhere outside your home, such as a safe deposit box.

Shopping for Homeowners Insurance: What Else Do I Need To Know?

- **Consider paying your insurance premium by automatic deduction from your bank account.** Some insurers offer a discount for this option and this can save potential disruptions if you choose to take a long trip or end up hospitalized for a period of time.
- **Ask your current insurance company if you qualify for discounts** like safety and security devices, multi-policy, or other available discounts.

Shopping for Homeowners Insurance: What Else Do I Need To Know?

- **Shop around!**
 - You may be surprised at how much less you can pay with another company for the exact same coverage.
 - Don't forget – you want an apples to apples comparison, make sure the quotes you get are for the same coverage.

Shopping for Homeowners Insurance: What Do I Need to Know?

- Don't forget to ask about **riders for earthquake and other optional coverage.**
- **Consider Purchasing Flood Insurance:**
 - You can learn about the risk to your own property at the National Flood Insurance Program (NFIP) website: www.floodsmart.gov or call 888-379-9531. Talk to your agent or contact the NFIP directly.
 - Your home does not need to be located in a high-risk flood zone to be eligible for coverage. A high percentage of flood claims occur outside of designated high-risk flood zones.
 - Flood insurance protects against damages cause by surface flooding, with limited coverage for damage in basements.

What If I've Already Let My Homeowners Insurance Lapse?

- If you have already gone some time without homeowners insurance, it may be difficult for you to find a Homeowners insurance policy in the traditional market.
- However, limited insurance protection may be available through the Maryland Property Insurance Availability Program, known as the Joint Insurance Association (JIA).
- You can reach them at:

Joint Insurance Association
3290 North Ridge Rd Suite 210
Ellicott City MD 21043

410-539-6808 800-492-5670 www.mdjia.org

In Conclusion...

- You may not like paying for insurance – but the consequences of not having it can be devastating.
 - You could quickly erase the good decisions you've made in the past, and eliminate the benefits from the hard work you put in while paying off your home.

Additional Resources

- See Maryland Insurance Administration's library of brochures and Consumer Alerts:
 - <https://insurance.maryland.gov/Consumer/Pages/ConsumerPublications.aspx>
- The National Association of Insurance Commissioners (NAIC) provides consumer resources at:
 - https://naic.org/index_consumer.htm
- Learn more about flood insurance at:
 - <https://www.floodsmart.gov/>

Questions?

The Maryland Insurance Administration's website is
www.insurance.maryland.gov.

If you have questions, please call:
410-468-2244 or 1-800-492-6116, ext. 2244.

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