

# Consumer Counselor

## Insurance Information for Michigan Consumers

### Homeowners Insurance: Are You Eligible?

The Essential Insurance Act guarantees that auto and home insurance will be available to most Michigan citizens. The law states that you are eligible for home insurance if you live in and rent or own one of the following: a house, a condominium, a cooperative unit, a room, or an apartment. You are also eligible if you own and live in a dwelling having more than 1 but not more than 4 separate living units (such as a duplex).

#### Reasons for Denial

Under this new law, you cannot be denied insurance solely because of the age of your house, its location, or the type of neighborhood you live in. There are times when a company can refuse to insure you. You can be turned down for insurance if:

1. Within the past five years, you have been found guilty of a crime (or an attempt to commit a crime) of arson, the use of explosives, or destroying property.
2. Within the past five years, you have been denied payment of a claim because there was evidence of arson or fraud on your part.
3. The property you want to insure is used for illegal or dangerous purposes.
4. You refuse to purchase the minimum required amount of coverage required for the type of policy you want to buy.
5. Within the past two years your home insurance has been cancelled because of

non-payment of premium. This can be overlooked if you pay the entire premium on the policy you are buying in advance.

6. The value of the property you want to insure does not meet the minimum requirements for the type of policy you want to buy. The law requires that if you want to buy a repair cost policy through the regular market, the insured value of your home must be at least \$15,000. If you want to buy a replacement cost policy through the regular market, the insured value of your home must be at least \$35,000.
7. The taxes on the property you want to insure are over two years past due.
8. The insurance you want to buy requires you to be a member of a group, club or organization and you do not join that organization.

Insurance companies also use certain guidelines, called underwriting rules, to help decide whether they will insure or continue to insure you. These rules may be somewhat different for each company, but each company must apply its rules in the same way to everyone.

These rules may be based on several factors such as how well your property is kept up and the amount and/or kind of insurance claims you have made in the past.

#### If a Company Refuses to Insure You

1. You are entitled to a WRITTEN explanation of the reasons.



2. If you think the reasons are unfair, you are entitled to a private, informal conference with a management representative of the company.
3. If, after this conference, you are still not satisfied, the matter can be reviewed by the Department of Insurance and Financial Services (DIFS).

If you are unable to find insurance through a regular company, or can only find it at an extremely high price, you may want to apply to the Michigan Basic Property Insurance Association (MBPIA). This organization is designed to provide insurance to those persons who have difficulty finding it through regular companies. Your agent can apply to MBPIA for you. Additional information on the MBPIA can be obtained from the Insurance Counselor entitled, "The Michigan Basic Property Insurance Association."

### **If You Are Eligible**

1. Be sure to shop around for the best combination of price, coverage and service.
2. Your agent should provide you a premium quote from among the companies he or she represents.

Upon your request, your agent must also provide you with additional quotes and must submit an application for you to any company he or she represents.

3. You are eligible for a wide variety of coverages. Be sure to ask for coverage for your specific needs.
4. There are two types of homeowners policies: replacement cost policies and repair cost or market value policies.

A replacement cost policy is what most people mean by "homeowners insurance." It allows you to repair, replace or rebuild your damaged property to its original condition

with new materials of the same size, kind and quality.

A repair cost policy allows you to repair, replace or rebuild your damaged property to a condition similar to what it was before the damage, using modern materials. A repair costs policy generally provides less total insurance than a replacement cost policy for about the same price.

Be sure to choose the type suited to your needs. The Insurance Counselor entitled "Homeowners Insurance: Replacement vs Repair Cost Policies" gives more information about these two types of policies.

If you have any questions about your home insurance, contact your agent or company. If they cannot answer your questions, contact DIFS at the address or phone number on the bottom of this sheet.

