

# Role of Insurance

## What to Know About Insurance

**Purpose:** The insurance industry plays a vital role in supporting building codes so that homeowners and occupants are better protected against and prepared for natural hazards. This section explains what insurance options are available and how purchasing insurance helps protect both renters and homeowners.

**Target User:** Homeowners, Renters

## What Homeowners Insurance Gets You

Homeowners insurance protects your home, contents and personal belongings against the damage caused by natural hazards. If a disaster strikes, having insurance for your home is the best way to ensure you have the financial resources needed to help repair, rebuild, or replace whatever has been lost or damaged. Having an insurance policy on your home needs to be part of your overall disaster recovery plan.

Many people believe that in a federally declared disaster, federal disaster assistance will make them whole again. This is not true. Having insurance should be part of your disaster recovery plan.

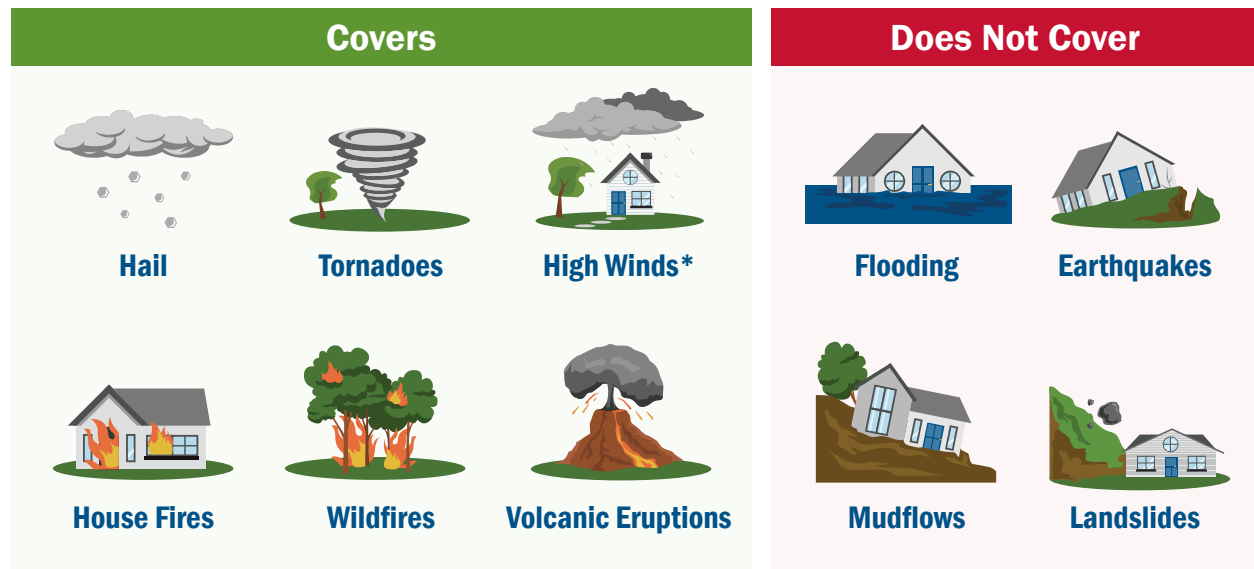
However, be aware that most normal homeowners insurance policies do not automatically cover all natural hazards. In many cases, to have insurance protection against damage from some hazards, such as flooding and earthquakes, a separate insurance policy may be required. To have proper insurance coverage, one needs to be aware of what hazards can affect them and have the proper insurance policies to cover their home from those hazards.

Not all insurance policies are the same – coverage amounts, deductibles, and payment caps can vary greatly. Talk with your insurance professional to be sure your policy covers damage caused by disasters common to your area.



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Homeowners' insurance typically:



\*such as from a hurricane or thunderstorm








For most homeowners that have a mortgage on their homes, homeowners insurance is required as part of the mortgage and is paid for and renewed automatically. If you happen to own your home without a mortgage, there may not be an insurance purchase requirement, but it is very important that you still have insurance on your home. Without insurance, you may not be able to afford the cost of repairs.

Parametric Insurance is a relatively new approach to insuring policyholders against specific events by using parameters (set criteria that apply to everyone) to determine the cost of any damage sustained. Payments are triggered if set parameters agreed on in the contract are met (for example, when an earthquake meets or exceeds a certain ground shake intensity) and a third party verifies that the agreed parameters have been met.

## What Renters Insurance Gets You

Renter's insurance is applicable to those who are renting a home. Tenants are less likely than homeowners to have adequate insurance. As a result, those who rent houses or apartments in natural hazard-prone areas are putting their safety, belongings, and financial security at risk. As is the case with homeowners insurance, renters insurance does not cover all natural hazards. It normally covers tornadoes, fires, hail, and rain and snow damage, but it may not cover flooding or earthquakes unless a special rider or separate policy is added. If one of these covered disasters severely damages your property and belongings or prevents you from living in the home, then your renter's insurance policy should kick in and provide some financial compensation for your losses.

Renters' insurance typically:

Covers	Does Not Cover
 <p><b>Tornadoes</b></p>  <p><b>Fires</b></p>  <p><b>Rain and Snow Damage (Non-Flooding)</b></p>  <p><b>Hail</b></p>	 <p><b>Floods</b></p>  <p><b>Earthquakes</b></p>  <p><b>Sinkholes</b></p>

## Building Codes and Insurance

Purchasing and maintaining insurance protects homeowners' investments. Along with buying insurance, incorporating up-to-date building codes into your building not only protects your investment through reducing future losses; it can also save you money each year through insurance incentives. Individuals that build above minimum codes and standards often receive discounts on wind, fire, flood, and earthquake insurance premiums. To receive a discount, the home usually must have been built to a specific code edition or upgraded to or above a certain code or standard. For example, this is the case with the Fortified program promoted by the Insurance Institute for Business and Home Safety. In many areas, the difference in the cost of premiums can, over time, be enough to pay for retrofits to better protect your home. Check with your state insurance office/department for specific requirements for your area.

- For more information on earthquake insurance, visit [FEMA's Earthquake Insurance webpage](#).
- For more information on the National Flood Insurance Program, visit [floodsmart.gov](#).
- For more information on tips on financial preparedness, please visit [Ready.gov](#).