

# Fair Housing and Home Insurance

## Fact Sheet #17



Homeowner's insurance protects a homeowner from the financial burden due to unexpected damage to their home. It is vital to keeping homes in safe condition and preserving the wealth that homeowners hold in their properties. Home insurance may often be overlooked, but it is an increasingly critical factor in housing affordability and generational wealth building.

### What does homeowner's insurance cover / not cover?

Standard homeowner's insurance is the most common type of insurance held by homeowners. Coverage typically includes:

- **Dwelling Coverage:** Protection for the home structure, such as floors, walls, and built-in appliances, as well as attached structures
- **Contents Coverage:** Protection for items in the home, such as furniture, clothing, and valuables
- **Personal Liability Coverage:** Protection should someone be injured on the property

Property damage from floods is typically not covered by standard home insurance policies. To protect yourself from the cost of flood damage, homeowners must purchase a separate flood insurance policy.

**Flood insurance** is not required by mortgage lenders for every home. Most mortgages require flood insurance *only* if the home is in a FEMA-designated flood zone. However, FEMA flood zones are widely regarded as outdated and limited in their ability to accurately predict the risk of flooding. Therefore, homebuyers should check for updated maps for flood risk and opt in to coverage, even when it is not required.

### Do I need homeowner's insurance?

If your home is under a mortgage, your lender will require you to have homeowner's insurance. If you own your home outright, you are not required to have homeowner's insurance; however, not having insurance leaves you vulnerable to losing the full value of your home and cost of your belongings if damaged or destroyed. It will also impact your ability to rebuild unless you have independent cash reserves to cover your loss.

### Home Insurance Housing Discrimination Examples

A long history of court cases has found that home insurance is covered under the federal Fair Housing Act. It is also explicitly mentioned in the Indiana Fair Housing Act. As such, some forms of unlawful insurance discrimination may include:

- providing different customer service to potential customers because of their protected class(es) or the demographics of their neighborhood.
- providing a quote to a white customer but refusing to do so for a Latino customer.
- flying drones or reviewing aerial photos to look for damage or limit claims only in neighborhoods of color.
- citing environmental disasters as the reason for limiting coverage in a way that impacts certain protected classes more harshly.
- overly burdensome requirements for housing for persons with disabilities or who may use housing vouchers as payment.
- targeting neighborhoods of color more harshly than majority-white communities regarding coverage, premium pricing, underwriting policies, or dropping of coverage.

### Protected Classes under the Federal Fair Housing Act

**Race** refers to people distinguished by socially significant, perceived physical characteristics. Includes hair texture, skin color, eye shape, or other differences.

**Color** refers to a person's skin color (e.g. light, dark, etc.).

**National Origin** refers to one's country of origin or where one's ancestors originated. (Examples include accents, certain surnames, and cultural characteristics.)

**Religion** includes one's membership in an organized religious group - does not include any such groups that discriminate in access due to race, color, or national origin.

**Sex/gender** includes discrimination due to being male or female. (Note: It is the FHCCI's interpretation that due to a SCOTUS decision and some federal court actions that **sexual orientation, gender identity, gender expression, and transgender** may also be part of the sex/gender protection.)

**Disability** includes physical, cognitive, intellectual, and mental impairments, if the impairment substantially limits a major life function.

**Familial Status** refers to the presence of one or more children under the age of 18 in the household, anyone who is in the process of acquiring legal custody of a child under 18, or any person who is pregnant.

**For more information, check out the FHCCI's Education page on this topic:**

<https://www.fhcci.org/programs/education/insurance/>

**Or scan the QR code:**





## How can I get a copy of my credit report?

You have the right to request a free copy of your credit report once a week from each of the three major consumer reporting companies: Equifax, Experian, and TransUnion. Visit the site: [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com).

Review your reports for identity errors and incorrect or outdated information. If you find errors, you should file a dispute directly with the appropriate credit reporting company.

## How can I learn about my credit score to improve it?

Many banks offer free monthly credit scores with an account so you can monitor them. A credit counselor can help you develop a sustainable plan to pay off your debt or fix errors. Look for reputable nonprofit credit counseling agencies that offer ranges of services for low or no cost. Be cautious of for-profit debt settlement companies that offer to clear all your debts in exchange for expensive fees.

## What should I do if I believe I'm a victim of housing discrimination?

Housing discrimination due to a protected class is unlawful, and you have the right to file a complaint. Contact the FHCCI with any questions or to learn of your options under law.

## FHCCI Mission Statement

The mission of the Fair Housing Center of Central Indiana (FHCCI) is to facilitate open housing for all people by ensuring the availability of affordable and accessible housing; promoting housing choice and homeownership; advocating for an inclusive housing market; working toward stable and equitable communities; and eradicating discrimination within Central Indiana, the State of Indiana, and nationally.

## Home Insurance and Credit Scores

Given the privacy of insurance data, it is difficult to determine the exact factors that influence the price a consumer pays; however, it appears that insurers generate an "insurance score" for each customer. Most factors used to calculate insurance scores appear to be taken from a consumer's credit history, such as their outstanding debt balance, history of timely payments, how long they have been building credit, and other factors.

Credit scores, problematically, are heavily influenced by income. Poorer households often have lower credit scores and are more likely to have limited credit history. The same is true for Black and Hispanic households, due to systemic barriers to credit- and wealth-building. As concerning as this is, it also suggests that **a consumer may be able to decrease their insurance costs by improving their credit score.**

## Indiana FAIR Plan

If a Hoosier homeowner is unable to obtain coverage in the private market, their only option may be to purchase coverage from Indiana's FAIR (Fair Access to Insurance Requirement) Plan. To qualify, a customer must have been declined coverage by at least three non-related insurance providers.

FAIR Plan coverage is more costly and does not protect against as many kinds of damage compared to other providers. The Indiana FAIR Plan only accepts payment of the annual premium in full, not monthly like many private insurance payment plans. It also caps the maximum coverage (for both the dwelling and its contents) for residential dwellings at \$250,000. However, for those who need insurance to keep their home, it is an option. To learn more about Indiana's FAIR Plan, go to: [www.indianafairplan.com](http://www.indianafairplan.com). *Note: The Indiana FAIR Plan is not a government agency. Instead, it's a private, voluntary association of insurance companies that is state-mandated and regulated.*

## Options for Home Insurance Consumers

If the price of your insurance premium drastically increases, your plan does not get renewed, or you lose coverage flexibility, consumers have some options. Contact your insurance company to inquire as to the reason behind the change you are experiencing. You can ask them if there are any home improvements you can make to get them to reconsider.

To reduce your insurance premium, you could:

1. Inquire about bundling policies
2. Ask about any discounts for customer longevity, security alarm systems, or lack of previous claims
3. Work to improve your credit and then ask for a premium update
4. Opt for lower coverage (but this does put you at higher risk)
5. Shop around for better rates from multiple different insurers

You can also file a complaint with the Indiana Department of Insurance if you feel you have been treated unfairly.

## Contact us!

**If you are experiencing barriers to housing, including questions about home insurance, please reach out to the FHCCI:**



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