

### *Additional Living Expenses*

In the event damage to your home prevents you from living there, your homeowners policy may cover your substitute living expenses, such as hotel bills and restaurant meals. A limit, equal to a certain percentage of the coverage on your house, usually applies, but increased coverage may be available at an additional cost. A time-frame for repairs may also apply. To ensure the reimbursement process goes as smoothly as possible, keep expenses reasonable and save all receipts.

### *Does Your Homeowners Insurance Need a Check-Up?*

It has been centuries since laws introduced the basis for insurance of all types. Since then, insurance has changed as society's needs have changed. Chances are your needs have changed since you initially purchased your homeowners policy. For example, you may have acquired more expensive possessions that require special coverage, or you may have made some home improvements that have increased your home's value. Here are some tips on how to keep your insurance up to speed with changes in your home and possessions:

**Be familiar with your homeowners policy.** Read your policy's provisions, limits, and exclusions. Insurance professionals can answer any questions and analyze all potential homeowner risks.

**Have your home appraised regularly.** If you had to rebuild your home today due to a disaster, would you have enough insurance to cover the rebuilding costs? Be sure to get a regular appraisal of your home's value so you can adjust your insurance coverage for appreciation, rising construction costs, and home improvements.

**Check community building codes.** Sometimes, a damaged home can't be reconstructed *exactly* as it was without violating current building codes. For instance, the home may need electrical rewiring or special windows due to updated safety or energy codes. Knowing about these potential expenses *in advance* can give you time to obtain extra insurance protection if necessary.

**Take a home inventory.** You can estimate how much insurance you need by documenting your possessions, both on videotape and on paper (or on your personal computer). Update this inventory yearly to include new possessions. Be sure to store copies in a safe place outside your home.

**Evaluate your liability exposure.** Does your homeowners policy offer enough liability coverage for your needs? A **personal umbrella policy** may be a worthwhile consideration.

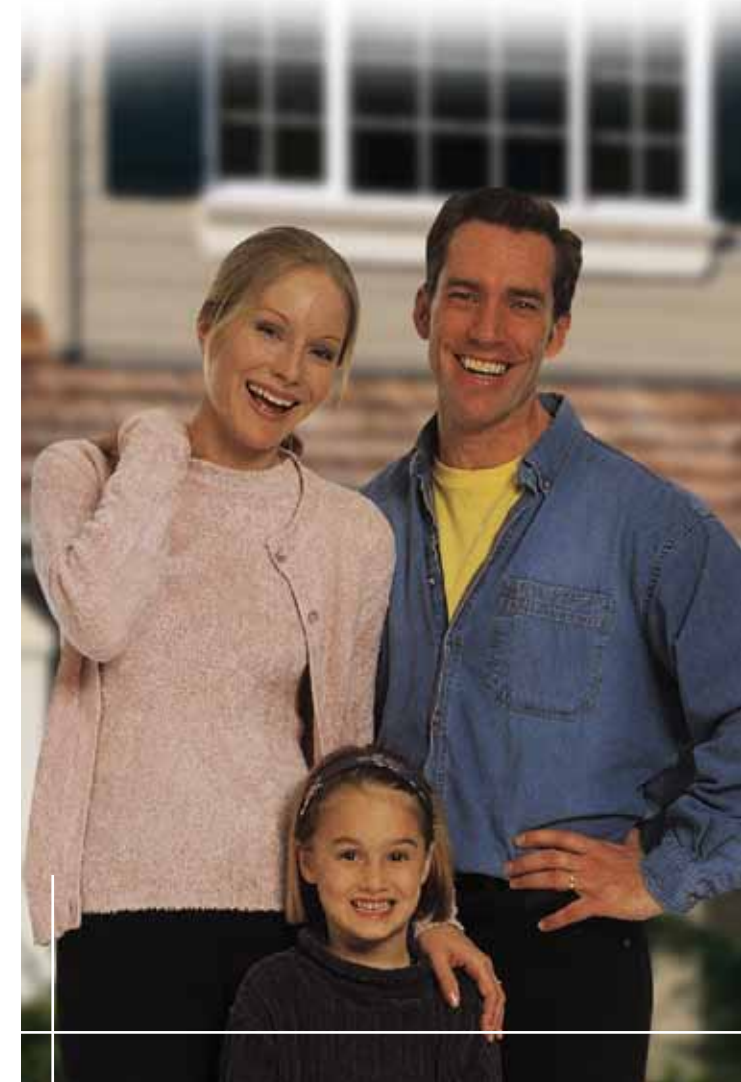
### *Parting Thoughts...*

A homeowners insurance policy can help protect you and your family from suffering a devastating financial loss. It offers you protection against expenses you otherwise might not be able to afford. Keep your policy current to cover home improvements or the acquisition of high-value possessions. Failure to maintain proper coverage may result in your sharing a partial loss as a penalty.

Although insurance originated over 3,000 years ago, it has evolved throughout the centuries to keep pace with society's needs. Regularly review your insurance coverage to help ensure it meets *your* needs.

# Homeowners Insurance

## *Does Your Policy's Coverage Match Your Needs?*



Over 3,000 years ago, a written code of laws inscribed on a stone monument in the center of an ancient city included what may be the first recorded mention of insurance. Under such law, the neighbors of a resident who fell victim to a robbery would pay restitution for stolen goods if the perpetrator was not found and tried.

For hundreds of centuries, people have realized the importance of being compensated in the event of a loss, particularly with respect to a home and its contents. Today, it is not uncommon to find insurance for most aspects of life; you can insure your car, your life, and even your income. However, for many people, their home is their largest asset, and obtaining a **homeowners insurance policy** is the first step toward protecting it.

### Knowing the Basics

Homeowners insurance policies typically cover the home and its contents, as well as liability for injuries to others or property damage. Policies are generally structured in two parts — Part I pertains to the dwelling and personal property coverage, while Part II addresses liability coverage. The following are the three standard types of coverage on Part I of a typical homeowners policy:

The **basic form (HO-1)** covers the house, its contents, shrubs, trees, and other outside structures such as a tool shed or garage, and it insures the same against ten major hazards such as fire and theft. Note: Some states have withdrawn it from use because it offers such limited coverage.

The **broad form (HO-2)** adds seven more hazards common enough to consider: hot water system leaks; plumbing; heating; air conditioning; freezing pipes; faulty electric wiring; falling objects; weight of ice, snow, or sleet; or collapse of the building.

The **special form (HO-3)** is the most common type of coverage, and it provides more complete and extensive protection to the house, its contents, and appurtenant structures, excluding only specific disasters such as floods.

### Personal Property Coverage

In general, homeowners policies cover contents in your home for their **actual cash value (ACV)** less depreciation, generally limited to a certain percentage of coverage on your home. **Replacement cost coverage** provides for the cost of replacing an item without subtracting depreciation. Documenting your personal property with photos, receipts, and video footage can help ensure you have an accurate inventory of your personal property should you need to file a claim. Be aware that the contents portion of all homeowners policies generally has specific limitations on items such as money, computers, jewelry, furs, silverware, artwork, and securities. Refer to your policy for a full description of limitations. You may want to consider buying additional coverage for expensive items and/or collectibles as needed.

### Liability Coverage

Although most homeowners are familiar with Part I of their homeowners policy, which covers a dwelling and its contents, they may be surprised to discover the extent to which Part II of a standard policy might protect against bodily injury and property damage a family member may cause others.

Part II protects you up to a stated limit for **comprehensive personal liability**. This portion of your homeowners policy covers everyone in the family, including pets, against personal injury or property damage to others due to negligence

on or off the premises. This coverage typically ranges from \$100,000 to \$300,000, and it often includes coverage for medical expenses as a result of injuries. In the event legal action is taken against you, damages and legal fees may be covered up to your coverage limit.

For additional liability protection, consider a **personal umbrella policy**. It may cover claims in excess of your basic homeowners coverage or protect you against perils not covered by your typical homeowners policy, such as liability for libel or slander.

### Your Homeowners Policy: Weathering a Storm

Basic coverage also protects against natural disasters, but not all perils are covered. Additional insurance may be required. For damage resulting from a covered incident, nearly all insurance companies require a policy be issued for at least 80% of the replacement cost of the home. The following are some natural occurrences that are usually covered by an average homeowners insurance policy:

**Lightning, Hail, and Wind.** Damage to your home and property caused by lightning, hail, or winds associated with thunderstorms, tornadoes, and hurricanes is generally covered. You might wonder, “What happens if one of my trees falls down and damages my neighbor’s house?” In some cases, your homeowners policy may pay to remove the debris and repair any damages the falling tree caused, just as it may pay if your mail carrier were to fall on your icy walkway and become injured. Your policy generally will pay (within specified limits) for losses to your own property, as well as those for which you might be held liable.

**Snow.** If part of your roof collapses under the weight of snow, sleet, or ice, your homeowners policy will generally pay for any necessary repairs. In most cases, you may also be covered for living expenses, should you have to vacate your home and temporarily live in a hotel or apartment.

To determine which weather-related risks or other natural disasters are *excluded* from coverage, check your “policy exclusions.” Some typical exclusions include the following:

**Earthquake, Flood, and Sewer Backup.** Most homeowners policies do not cover damages caused by earthquake, flood, or sewer backup, although you may be able to add earthquake or sewer backup coverage to your policy by **special endorsement**.

**Flood insurance**, in particular, may be required if your home is located within a declared “flood zone.” The only way you can protect your home and belongings from flood damage is with a policy backed by the National Flood Insurance Program (NFIP), a division of the Federal Emergency Management Agency (FEMA). According to FEMA, a preferred risk policy costs a little over \$100. The average policy in a designated area costs a little more than \$300 a year for about \$100,000 of property coverage. In contrast, a disaster home loan for \$50,000 can cost you more than \$300 a month for 20 years.

**Landslides, Mudslides, Tidal Waves, and Ocean Storms.** Landslides, mudslides, tidal waves, and wave damage in coastal areas are excluded from most homeowners policies. Like earthquakes, these hazards generally affect individuals in only certain geographic areas.