

How Much Coverage Do You Need?

Enough to cover:

Your Property and Belongings: The better your coverage, the less you will have to pay out of your own pocket if disaster strikes.

Self Protection: You need enough liability coverage to protect yourself from lawsuits resulting from your negligence or events that could occur on your property.

Lender Requirements: Your housing lender will require you to cover the house for at least the amount of the mortgage or the replacement cost of the dwelling.

Policy Requirements: Insurers may impose some coverage requirements for replacement cost protection. Preferred plans usually require policy limits at 100% of replacement cost. Standard plans usually require policy limits of at least 80% of replacement cost.

Types of Coverage in a Homeowners Insurance Policy

The following chart gives examples of the types of coverage that are usually listed in your insurance policy. These are only examples.

PLEASE READ YOUR POLICY TO KNOW YOUR COVERAGES.

CoverageType	Description
Coverage A: Damage to House	Covers damage to the house. The face amount of the policy (for example \$100,000) is the most you will receive if your house is totally destroyed.
Coverage B: Other Structures	Covers damage to other structures or buildings, such as a detached garage, work shed, or fencing.
Coverage C: Personal Property	Covers damage to, or loss of personal property. Personal property includes household contents and other personal belongings used, owned or worn by you and your family.
Coverage D: Additional Living Expense	Covers additional living expenses when incurred. This means that the policy covers the necessary living expenses up to the stated limit, incurred by the insured to continue, as nearly as possible, the normal standard of living when the house cannot be occupied due to a covered loss.
Coverage E: Comprehensive Personal Liability	Covers personal liability. This coverage protects you against claims arising from accidents to others on property that you own or rent. With a few exceptions, such as auto or boating accidents, it is an all purpose liability policy that follows you wherever you go.
Coverage F: Medical Expense	Covers medical expenses. Coverage is limited to an amount per person and per accident for injuries occurring on your premises to persons other than an insured, or elsewhere, if caused by you, a member of your family, or your pets. An important feature of this coverage is that payment is made regardless of legal liability.

Are There Any Additional Coverages I Should Purchase?

Extra Contents Coverage

Remember that most of the coverages are a flat percentage of the amount of insurance on the home itself. For example: contents coverage is 50% of the insurance on the home itself. If you insure your home for \$100,000, the contents coverage will be \$50,000. For a minimal extra charge, you can increase the coverage on your contents without increasing the amount of insurance on the home itself.

Replacement Cost

Most companies offer "Guaranteed Replacement Cost Coverage" for an additional premium. Ask your agent if this is available and to explain the advantages of having this broader coverage. The most important coverage that is usually offered is full replacement cost coverage on your roof with no deduction for depreciation.

Personal Property Extensions of coverage

Another good example concerns special limits on certain types of personal property. For instance, most policies limit their coverage for the theft of furs or jewelry to \$500. The limit for firearms or computers is probably \$1000. Numerous other items are also typically limited to \$500 or \$1000 since the homeowners program is designed to fit the coverage needs of the average insured. It is the consumer's responsibility to review the limitations placed on certain types of property. If needed, increase the coverage of one area or another by adding a "Scheduled Personal Property Endorsement" to the basic policy.

Additional Liability

You can also purchase additional liability coverage and medical payments coverage for a nominal premium.

Flood Insurance

The most important exclusion is flood, as many people have learned to their great misfortune. If you need flood coverage, any property/casualty insurance agent can help you get it. If you live in a flood-prone community, don't risk going without flood insurance. See your broker about flood coverage.

Earthquake Insurance

No standard insurance policy, including the homeowners policy, covers catastrophic damage that can be caused by an earthquake. For an additional premium, companies offer an earthquake endorsement with your homeowners policy that will protect you in case your home suffers earthquake damage. In some areas, this coverage is typically inexpensive and should be considered. For instance, the New Madrid fault runs through the Midwest United States, an area not perceived as having earthquakes occurring frequently.