

Important Points To Remember When Buying Homeowners Insurance

What's Covered By My Homeowners Policy?

Coverage A— Dwelling

This is the part of the policy that pays for damages to your home. The most common form of policy sold today is referred to as an HO-3 “Special or Extended” policy. It covers 17 named perils (causes of loss) which typically include fire, windstorm, and hail plus any other peril not specifically excluded. The specific exclusions are flood, earthquake, war, and nuclear accident. It is always a good idea to make certain that your coverage in this section is sufficient to rebuild your home if it was totally destroyed for two reasons; first, inadequate coverage can leave you liable for a significant portion of even a partial loss (known as a “co-insurance penalty”); second, other coverages are usually expressed as a percentage of this coverage.

Coverage B— Other Structures

This is the part of the policy that pays for damages to the other structures on your property; i.e., a detached garage, storage shed, or other “outbuildings”; including a pool. As a general rule, the amount of insurance provided in this section will be equal to 10% of Coverage A.

Coverage C—Personal Property

Most policies cover personal property with this section of the policy anywhere in the world. A good example of how this guards you against loss would be the loss of a personal item while traveling; or, the loss of an item you purchased while traveling and had arranged for shipment to your home ... even though the item had never yet been in your home. It is important to note that some personal property such, as jewelry, has a limited amount of coverage unless additional coverage is specifically purchased by *scheduling* the item or items.

Coverage D—Loss of Use

Assume, for a moment, that your home was damaged in a fire and you were unable to live in it while repairs were completed. You would have to rent an apartment or a hotel room; you might be required to eat in restaurants if you could not prepare food in your temporary quarters. These everyday expenditures could become prohibitively

expensive unless your policy provided this protection. Typically, this coverage is equal to 20% of Coverage A but can be as high as 30% in some states.

Coverage E—Liability

If a visitor is injured in your home or on your property, you can be held personally/financially responsible. The protection afforded by this section of the policy provides the money that pays these expenses (up to policy limits) so you don't have to take the funds out of your own checkbook if you are sued by the person who was injured in your home.

Coverage F— Medical Payments

When someone is injured in your home, they may require treatment by a doctor in an emergency room; or, by their own family physician. This is the section of the policy that provides the money with which to pay for these medical expenses.

What Is The Co-Insurance Penalty?

While your homeowner's insurance policy is designed to cover the cost of replacing your home in the event of a complete loss, houses are not always completely destroyed. Knowing this, some individuals attempt to save money by insuring their house for less than the cost of completely replacing it. To make certain that policyholders carry the right amount of insurance, many insurance companies require that policyholders to insure to full value by covering partial losses only to the extent that a full loss would have been covered. For example, if a complete loss on your house would require \$100,000 to rebuild and you were only carrying \$50,000 of Coverage A (50% of full coverage), the insurance company would only pay half of a \$5,000 loss. You would be responsible for the other half because you had elected to carry only enough insurance to pay for one half of a loss.

Replacement Cost vs Actual Cash Value

When you buy your policy, you will be asked if you want to add *Replacement Cost Coverage*. If your answer is "no", you will have selected Actual Cash Value coverage which pays to replace your lost property with identical items ... replacing old property with old property (think shopping at garage sales to replace what you lost). If you answer "yes", the insurance company will replace your old, depreciated items with new merchandise. This coverage may cost more, but you may decide that it is worth the extra premium.

Flood Insurance and Earthquake Insurance

Homeowner's insurance policies do cover either peril. If you live in an area where flooding is a possibility, you may want to purchase coverage through the National Flood Insurance Program. Likewise, earthquake coverage can often be obtained by

purchasing a special endorsement that provides protection against loss from this peril. Your agent can tell you how to obtain these valuable coverages.

Is There Any Way To Reduce Premiums?

Many insurers offer discounts that allow you to reduce the cost of your homeowner's policy. Common discounts include those for deadbolt locks on exterior doors; smoke detectors and fire alarms on each floor of the house; a burglar alarm or security system that is monitored by a security company; having both your car and your home insured by the same company. Your agent can help you determine what discounts are available and which ones you are already qualified for which you could readily qualify.

Renter's Policies

If you do not own your home, you face a very different situation. Your landlord undoubtedly has an insurance policy that protects him/her if the building is damaged. That policy DOES NOT replace your property that may be lost in a fire or stolen. For this reason, you may wish to purchase a renter's policy. These policies insure the property inside your residence; provide liability and loss of use coverage; and medical payments coverage.

Condominium Owner's Policies

Condominium owners face a unique insurance situation. The condominium owners' association undoubtedly has a Master Policy to cover the building's exterior walls and roof. The interior walls and the contents of the condo are the owner's responsibility. Hence, specialized policies are available for this type of home.

Your condo owner's policy covers seventeen (17) named perils, also known as causes of loss, which typically include fire, windstorm, and hail. If you want your policy to cover perils that are not specifically named, a "Special Coverage A" endorsement can be purchased.

Coverage C, Personal Property, is the primary coverage in a condo owner's policy and will be the part of the policy having the greatest impact on the premium to be charged. Once again, the condo owner's policy protects against specific named perils. A "Special Coverage C" endorsement can be purchased and coverage will be provided for losses due to *all* perils except for those that are specifically excluded.

While the Association's Master Policy provides protection to the association, such policies typically have deductibles and limits that result in the association paying for a part of a loss. If the cost of repairs exceeds the funds (reserves) that the association has set aside to pay for such costs, the association can levy a special assessment against all owners. To protect against such an assessment, the condo owner can purchase an "Extra Loss Assessment" endorsement that will pay the assessment, up to policy limits.



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Where Can I Get More Information

The Florida Department of Financial Services (www.flfds.com) offers consumer guides that provide valuable information. Their consumer guides can, typically, be printed directly from the website.

The Florida Association of Independent Agents (www.faia.com) has an excellent education library containing a wealth of information on a wide variety of insurance topics.

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