



# Shopping for Insurance: Homeowners

A home is usually a person's most expensive possession. Protecting it — and what's in it — is extremely important.

Whether you own your home or rent a place to live, you'll need to purchase insurance. Coverage for your home and personal belongings should be selected with care.

## **Types of policies**

The two most common types are HO-2 and HO-3.

The **Broad Form (HO-2)** covers damage to the dwelling and possessions from specific perils such as explosion, fire, lightning, windstorm, hail, riot, civil commotions, theft, vandalism, falling objects, smoke, and damage from a vehicle or aircraft. Tornadoes are considered windstorms and covered by most policies.

A **Special Form (HO-3)** covers damage to personal property from the same perils as the Broad Form. The structure is covered against all perils, **except** a specific few.

There is also a policy to meet the specific needs of condominium owners — HO-6

## **Do renters need insurance?**

Yes. Renters should not overlook the need for insurance.

If a renter's building is destroyed, the landlord or property owner's policy will cover the structure only. To recover for the loss of personal belongings, the renter must have his/her own policy.

There is a policy tailored to fit the needs of renters. The renters policy, or HO-4, covers damage to possessions which result from certain causes. It is similar to the policy purchased by the owner of a house. The primary difference is that the renters policy does not include coverage on the building.

## **What other coverages are provided?**

A homeowners or renters policy provides more than just financial protection for the property and/or contents. The policy also includes liability coverage. This coverage applies to you as well as any family members living in the household.

This portion of the policy provides coverage for certain selected legal liabilities if someone is injured on the premises. It also includes the cost of defending you in the event of a lawsuit.

Coverage is also provided for: 1) medical expenses resulting from minor injuries to others occurring on the property, and 2) damage that you or a family member might cause accidentally to another person's property.

### **Do homeowners policies provide coverage for personal property?**

A homeowners insurance policy **does** cover personal belongings as well as the home itself.

Coverage for personal property located on the premises is usually 50% of the insurance on the dwelling. For example, if a policy provides \$80,000 coverage of insurance on the house, contents would be insured for \$40,000.

However, both homeowners and renters policies usually provide limited amounts of coverage for certain types of personal property. Those items, which are more susceptible to loss include cash, securities, jewelry, firearms, and stamp and coin collections. Coverage for cash has a \$200 limit, while coverage for other valuables varies between \$1,000 and \$2,500. For an additional premium, the consumer can purchase an endorsement that describes and insures each item for a certain dollar value.

Homeowners and renters insurance policies may cover contents on an **actual cash value** basis. That means the insurance company will pay the replacement cost, less depreciation.

However, a policy can be purchased to cover contents on a **replacement cost** basis. If personal property is destroyed, the insurance company will pay if you repair or replace it — without deducting for depreciation. However, this coverage is more expensive.

### **What is the difference between a replacement cost policy and a repair cost policy?**

A **replacement cost** policy is the most common type of dwelling insurance. It pays for replacing, rebuilding or repairing the dwelling to its original condition with materials of like kind and quality.

Another option offered by some insurance companies is the **repair cost** policy. This type of policy pays to replace, repair or rebuild damaged dwellings to a similar condition, using contemporary materials.