

## Basic Homeowners Insurance Coverages

- **Dwelling Coverage** – Pays for the structure of your home. Coverage needs to be accurate by having a recent appraisal completed or have a reconstruction cost worksheet completed.
- **Other Structures Coverage** - Pays for physical damage to your detached buildings on your property such as garages and tool sheds.
- **Personal Property Replacement Cost Coverage** - Pays to replace your personal belongings such as furniture, appliances, clothes, jewelry, and bicycles with materials of like kind and quality, without subtracting for depreciation. You are reimbursed for your personal belongings based on the amount it would cost you to buy a new one at today's cost, not the depreciated actual cash value.
- **Loss of Use or Additional Living Expenses Coverage** - costs incurred above your normal living expenses when a covered loss forces you to move from your home temporarily. For example, it may pay a portion of your motel and restaurant expenses if a fire destroys your house or apartment
- **Personal Liability Coverage** - Pays for bodily injury to another person or property damage for which you or members of your household are legally responsible. It may also pay for a lawyer to defend you if you need one.
- **Medical Payments Coverage** - Pays for injury to another person who is accidentally injured on your property, or injured by you or members of your family. It pays up to the limit of medical payments coverage you purchased. This coverage pays no matter who is at fault. It does not apply to your own injuries or your family members living with you.

## Determining How Much Coverage You Need

**On the building (DWELLING):** Your home is probably your largest single investment, so it is important to insure it for the amount you would want to receive if it were damaged or destroyed completely. Listed below are three ways companies use to settle your insurance claim. The loss settlement method you choose (and pay for) will determine how much money you receive for your loss.

- **Actual cash value (ACV)** - Pays replacement cost minus depreciation. Depreciation is the decrease in your home or property's value due to age or wear and tear. The company will pay you what your property was actually worth immediately before the loss, not what it would cost you to buy that same property new today.
- **Replacement cost** - Pays what it costs to rebuild or replace your property today with materials of like kind and quality. This settlement method pays you more than ACV because it does not deduct for depreciation.
- **Guaranteed replacement cost (also called extended replacement cost)** - Pays to replace your home even if it costs more than the policy limit. A company may limit this to a certain percentage above your policy's limit, either 25% or 50%.

## Factors That May Affect The Premium

Hundreds of companies sell homeowners insurance and prices can vary greatly. Some factors companies use to set the cost include:

- **Type of construction (brick, wood, masonry, block)** - Wood homes cost more to insure because they're more likely to be damaged by fire.
- **Fire protection** - Premiums may be affected by the distance between your home and fire department, the quality of the department's fire fighting equipment, level of training, and response history (ISO Rating)
- **Location** - Rates can be higher in areas where crime, fires, or natural disasters are common.
- **Deductible** - Taking a high deductible lowers your premium, but you'll pay more out of pocket every time there's a loss.
- **Age of dwelling** - Older homes with outdated electrical and heating systems could cost more to insure.
- **Claim history** - Some companies charge higher rates if you've had losses.
- **Credit history** - Companies may consider your financial stability and charge higher premiums based on your financial status (i.e., credit card history, amount of credit, bill payments, etc.).

Some companies offer discounts that can lower your premium. Examples include:

- **Protective devices** - for having fire extinguishers, smoke alarms, deadbolt locks on all outside doors, a sprinkler system, or security alarm system hooked up to the police station.
- **Non-smoker** - for a non-smoking household.
- **Multiple policies** - for consumers who have more than one policy with the same insurance company, such as home and car insurance.
- **New home** - for a brand new home, or even a home less than five (5) years old.

## Additional Coverages You Can Buy (4 most common)

For an added cost, you can add optional endorsements that change the policy to meet your specific needs. Some common endorsements include:

- **Scheduled Personal Property (also called a "floater")** - Pays for damage to special belongings like jewelry, furs, coins, computers, antiques, artwork, silverware, and covers them for more perils. Payment for these items is usually limited under a homeowners policy.
- **Sewer Backup and Sump Pump Overflow Endorsement** - Pays for damage to your finished basement caused by sewer backup or sump pump overflow. Even if your basement isn't finished, some contents may still be covered
- **Mold Endorsement** - insurance policies are limiting what property owners can recover for damage from the mold that sprouts after flooding or other water damage in warm climates. A growing number simply exclude mold damage altogether, leaving policyholders to pay for remediation costs themselves
- **Flood Insurance Coverage** - Pays for damage caused by flooding. Flood insurance is available from a variety of insurance companies, as well as the National Flood Insurance Program. You must live in a community that participates in this federal program. Lenders require flood insurance if you live in certain flood hazard areas.