

# INSURANCE

# SURVIVAL

# GUIDE

A GUIDE TO HELP YOU FIND THE RIGHT *HOME* INSURANCE



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## HOMEOWNERS INSURANCE

### What it is and why it's important

At the most basic level, homeowners insurance protects you financially should you experience a total loss of your home and possessions.

### Key considerations for the homeowners insurance shopper:

- » Make sure you get enough insurance to be able to replace your home should you experience a total loss.
- » When insuring your house and belongings, know the difference between replacement cost and actual cash value (see glossary).
- » Take an inventory of your belongings to get an idea of how much coverage you need for your possessions.
- » Remember that homeowners doesn't cover flood damage.
- » Take the time to shop around; it will save you money.
- » Consider buying auto insurance together with your homeowners insurance.
- » Do your homework. Learn about the various options and levels of coverage (see glossary).





Notes:

## QUESTIONS TO ASK YOURSELF

### How much coverage do I need for my home?

- » Your policy should cover the cost to replace your home at today's construction costs.
- » Ask a realtor or insurance agent to calculate the replacement cost of your home.

### How much coverage do I need for separate structures?

- » Your policy should cover separate structures on your property, such as barns and garages.
- » Make sure to calculate the replacement costs for additional structures.

### How much coverage do I need for my possessions?

- » Take an inventory to get a better idea of the worth of your belongings.
- » Consider "scheduling" (adding extra coverage) for valuables, such as jewelry or fine art, if necessary.

### How high a deductible can I afford?

- » The deductible is the amount you pay before your insurance kicks in.
- » If you can afford to pay a higher deductible, you will save on your premium.

### How much liability coverage do I need?

- » Consider your situation. How likely is it that a guest in your home will be injured and try to sue your knickers off?
- » In today's litigious society, liability coverage is not the place to skimp.

## USEFUL INFORMATION

### What Homeowners usually covers:

- » The structure of home
- » Personal belongings
- » Liability protection
- » Living expenses if you have to leave your home because of insured disaster

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Notes:

### Levels of coverage:

There are three basic levels of coverage for theft or destruction of property:

1. **Actual cash value** – Cost to replace it, minus a deduction for depreciation.
2. **Replacement cost** – Cost to replace it, without deduction for depreciation.
3. **Guaranteed or extended replacement cost** – Replacement cost, regardless if that cost exceeds coverage level.

### Examples of Homeowners policies:

- » **HO-1:** Bare-bones policy that covers 10 of 16 perils. Not advisable.
- » **HO-2:** Basic policy that protects against all 16 perils.
- » **HO-3:** Popular policy that covers all 16 perils, except those specifically excluded.
- » **HO-4 Renter:** Renters policy that covers all 16 perils.
- » **HO-6 Condo/time share:** Protects belongings and structural parts of the building that you own against all 16 perils.
- » **HO-8:** Policy for older homes. Covers all 16 perils.

### The perils (Courtesy of the Insurance Information Institute)

1. Fire or lighting
2. Windstorm or hail<sup>1</sup>
3. Explosion
4. Riot or civil disturbance
5. Damage by aircraft
6. Damage by vehicle
7. Smoke
8. Vandalism or malicious mischief
9. Theft
10. Volcanic eruption
11. Falling object
12. Weight of ice, snow or sleet
13. Accidental discharge (flooding) from household appliance, plumbing
14. Sudden and accidental breaking of an air conditioner, hot water heating system, sprinkler system
15. Frozen pipes or appliances
16. Sudden and accidental damage from artificial electrical current

**1. Important!** In certain coastal states windstorm coverage is not included in standard policies. If you live in a coastal area, make sure you ask your agent if this coverage is included.



Notes:

## Homeowners cost factors:

- » Size of home and surrounding structures
- » Local building costs
- » Natural disaster risk
- » Condition of heating, electrical and plumbing systems
- » Proximity to fire station/hydrant
- » Amount of crime in neighborhood
- » Home's construction, materials and architectural features

## GLOSSARY

**Actual cash value** - This kind of policy pays replacement cost, minus a deduction for depreciation. For example: to replace your stolen bike, which you bought for \$500 but is now valued at \$200 because of depreciation, your insurance company will pay you \$200.

**Actual cash value v. Replacement cost** - Replacement cost is a higher level of coverage. It means that your insurance company will pay to replace what was lost, even its current value is much less than what you paid for it.

**Deductible** - The amount you pay before your insurance company starts paying.

**Depreciation** - The loss in value of something over time.

**Earthquake insurance** - This kind of coverage often comes in the form of a scheduled item on a homeowners policy. It is not a standard homeowners peril.

**Floater, riders, endorsements, and schedules** - These terms have similar meanings. See the definitions below.

**Floater** - A floater insures movable property, such as jewelry, furs, baseball card collections, etc. It provides more coverage than a regular homeowners policy for such items.

**Rider/endorsement** - A form attached to an insurance policy that alters the policy's coverage, terms and/or conditions.

**Schedule** - A list of (scheduled) items that are covered under a policy. Schedules can list specific benefits, assets and other features that are unique to the policy, such as earthquake insurance.

**Flood insurance** - Flood insurance is offered through the National Flood Insurance Program. See <http://www.floodsmart.gov> for more information. *Remember:* homeowners insurance DOES NOT cover flood damage.

**Guaranteed or extended replacement cost** - This is the highest level of coverage. This type of policy covers replacement costs even if they exceed your policy limit.

**Liability coverage** - Protects you and members of your household from financial loss should someone claim injury on your property (and sue you).

**Peril** - Most insurance providers covers anywhere from 10-16 of the most commonly recognized perils, including lightning, vandalism, theft, hail, etc.

**Premium** - The price of a policy over a set period.

**Replacement cost** - This kind of policy pays the replacement cost, without a deduction for depreciation.

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**POLICIES & DETAILS**

**QUOTE COMPARISON SHEET**

Because Things Can Get Complicated

	Agent & Company				
	Contact Info				
<b>POLICY TYPE</b>	Replacement Cost? -or- Actual Cash Value?	<input type="checkbox"/> Replacement Cost <input type="checkbox"/> Actual Cash Value	<input type="checkbox"/> Replacement Cost <input type="checkbox"/> Actual Cash Value	<input type="checkbox"/> Replacement Cost <input type="checkbox"/> Actual Cash Value	<input type="checkbox"/> Replacement Cost <input type="checkbox"/> Actual Cash Value
<b>COVERAGES</b>	Dwelling				
	Separate Structures				
	Belongings				
	Loss of Use				
<b>LIABILITY PROTECTION</b>	Personal Liability				
	Medical Payments				
<b>MISC. COVERAGES</b>	Sewer				
	Earthquake				
	Jewelry				
	Other: _____				
	Other: _____				
<b>DISCOUNTS</b>	1)				
	2)				
	3)				
<b>EXCLUSIONS</b>	1)				
	2)				
	3)				
	<b>Quote</b> (Premium & Period)				



**Additional Space For Notes/ Doodles:**





Notes:

## THE FINAL CHECKLIST

**Will this policy cover you in the event of a total loss?**  YES  NO

- » Are you comfortable that your home and belongings are adequately insured?
- » Is your liability coverage adequate?

**Does the policy fit within your budget?**  YES  NO

- » Can you afford a higher deductible in order to reduce your premium?
- » Does it accurately reflect the value of your belongings?

**Are you familiar with what the plan covers?**  YES  NO

- » Are there specific perils that you ought to have coverage for?
- » What exceptions are there in the policy?

**Have you shopped around?**  YES  NO

- » How much variety is there among your quotes?  
(When looking at quote price, make sure you compare equal plans with equal coverage.)

**Have you looked into all available discounts?**  YES  NO

- Potential money-saving steps:
- » Adding safety or security devices
  - » Disaster-proofing your home, i.e., adding shatter-proof glass, getting an earthquake retro-fit, strengthening your roof
  - » Consolidating your auto and homeowners under one carrier
  - » Buying through a group

**Are you comfortable with the insurance company?**  YES  NO

- » Is it reputable, reliable, fair, licensed, confidence-inspiring, and service-oriented?
- » Does your state department of insurance show any complaints against the company?
- » How does it fair under these independent rating guides?

A.M. Best ([www.ambest.com](http://www.ambest.com)) \_\_\_\_\_

Moody's ([www.moody.com](http://www.moody.com)) \_\_\_\_\_

S & P's ([www.standardandpoors.com](http://www.standardandpoors.com)) \_\_\_\_\_

**Is this policy the right fit?**  YES  NO

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