

Homeowners Insurance (General Discussion)

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What is homeowners insurance?

Although some may not agree, you can't predict the future. You can, however, obtain homeowners insurance to protect yourself against unexpected financial loss related to your family, home, and possessions. As its name suggests, homeowners insurance can save you from severe financial loss if your home is damaged or destroyed. In addition, it covers your family's possessions and can provide you with compensation for liability claims, medical expenses, and other amounts that result from property damage and personal injury suffered by others. By paying insurance premiums and satisfying the other requirements of your insurance company, you can take control of the future. You still won't be able to predict when lightning will strike your house, but you will sleep better knowing homeowners insurance can save you from financial ruin if the worst happens. You spend years building up a solid financial foundation for yourself and your family. All that hard work can go down the drain in a matter of minutes unless you have a homeowners insurance policy or other risk transfer vehicle to protect you against the following scenarios:

- A tornado shattering your home
- A burglar breaking into your home
- Your dog biting the neighborhood kid
- Physical therapy costs for a guest injured by a fall in your home
- A successful personal injury lawsuit brought by a neighbor

Tip: Homeowners insurance is also a way for condominium and cooperative unit owners, mobile home owners, and renters to protect their possessions from damage or theft, and to obtain liability coverage for property damage and personal injury suffered by others.

Who is covered?

Homeowners insurance protects more than just the owner of the house, condominium, or other property. Depending on your living situation, the following individuals are also covered under your homeowners policy.

Named Insured

The written contract between you and your insurance company is also referred to as your insurance policy. The policy's Declarations Page contains factual information concerning the insured persons, property, coverage amounts, and other terms of the coverage. One section of the

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Declarations Page identifies the Named Insured (meaning the individual who is primarily insured under the policy), usually the same person named on a deed or lease as the owner or tenant, respectively. You, as a Named Insured, receive the most extensive coverage under your homeowners policy, for you are covered by property insurance on your dwelling and other structures, in addition to personal property and liability insurance. Named Insured condominium owners and renters do not receive such extensive coverage because they do not, on an individual basis, own their dwelling or other structures.

Spouses

If your spouse resides in your dwelling, then he or she is covered by personal property and liability insurance, even if he/she isn't identified on the Declarations Page as a Named Insured.

Residents

Individuals who reside in your dwelling are covered by personal property and liability insurance if they are your relatives (e.g., your children) or if they are under 21 years of age and in the care of any member of your family.

Employees

Your household employees—such as housekeepers, au pairs, or gardeners—are covered by personal property insurance.

Guests and other visitors

Your guests and other invited visitors are covered by personal property insurance so long as you contact your insurance company to request coverage.

What is covered?

The property insurance section of your homeowners policy protects more than just your actual home or dwelling. In most cases, your insurance company should reimburse you for damage or theft affecting the following structures.

Your dwelling

Your policy covers your dwelling, any structures attached to the dwelling, and building materials and supplies that are stored near the dwelling and are used to construct, alter, or repair the dwelling or other structures on your property.

Other structures

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The Declarations Page of your homeowners policy will usually identify your premises by its street address. Your policy also covers structures on your premises that are not attached to the dwelling, such as a toolshed or pool house.

Personal property

Your homeowners policy also covers personal property, meaning articles you own other than land and buildings. Your personal property consists of the contents of your house, like furniture, clothing, and stereo equipment, as well as outdoor items like sporting equipment and gardening tools.

Tip: Generally, the coverage limit for other structures and personal property coverage is a set percentage of the dwelling coverage amount. Other structures coverage is usually set at 10 percent of the dwelling coverage amount, while personal property coverage is often set at 50 percent of that amount. If you wish, you can increase a preset coverage amount by endorsement.

If you own a condominium or cooperative unit, your homeowners insurance does not cover you for your entire dwelling space because you do not individually own the structure you live in. Instead, you are covered for your personal property and any portion of the unit you own under the terms of the condominium or cooperative documents. Renters are covered for personal property only. Whether you own or rent a home, your homeowners insurance company should reimburse you in most cases for costs, expenses, and other amounts that relate to loss of use, liability, and medical payments to others.

Loss of use

If your dwelling is not fit to live in because of damage covered by the policy, you should receive reimbursement for your family's or household's living expenses while you wait to permanently relocate or wait for the dwelling to be repaired. A set coverage limit is applied to loss-of-use coverage, but it can be increased by endorsement.

Liability

If you or another insured are found responsible for personal injury or property damage suffered by another person, your insurance company should pay the amount owed to that person. This is true only if carelessness or negligence, rather than intentional misconduct, caused the injury or damage. If an injured or damaged person brings a lawsuit, your insurance company should pay to defend you or any other insured named in the lawsuit.

Example(s): You may be found negligent if a meter reader was injured by falling off your tricky cellar stairs because the railing was broken (and you knew about the situation but failed to repair it). You may be found liable for intentional misconduct if you cut down a tree on your neighbor's property to improve your view.

Medical payments to others

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If a nonresident requires medical assistance as a result of an injury suffered on or near your premises, your insurance company should pay his or her medical expenses. Injuries that take place away from your premises are also covered, as long as you, another insured, a household employee, or your pet caused the injury.

What is not covered?

A wide variety of damages, conditions, and costs are not covered by homeowners insurance. Your insurance policy describes a number of situations that are specifically excepted or excluded from coverage (called exclusions). Some policies contain more exclusions than others. Your policy also describes certain conditions you must meet and duties you must perform to be covered. Terms and limitations that were originally included in your policy can be changed by a document called an endorsement. For these reasons, you should carefully read your homeowners policy to learn the limitations and exclusions that apply to your specific situation. Here are just a few examples of situations when you are not covered by a homeowners insurance policy:

- Land—Although the structures and possessions that lie upon a parcel of land are usually covered by a homeowners policy, the land itself is not. This means you're not covered by your policy if your neighbor's pool overflows and contaminates your untilled garden.
- Coverage limitations—The Declarations Page of your policy recites maximum coverage amounts that limit what the insurance company must pay. Separate limits are set for the dwelling, other structures, personal property, loss of use, personal liability, and medical payments to others. This means that even if you suffer a loss to your personal property in the amount of, say, \$50,000, the insurance company will pay you no more than the \$30,000 limitation recited on the Declarations Page.
- Flooding—Your homeowners policy will not cover you for damage that results from floods, waves, sewer overflows, or water seeping into your basement.
- Business—If you're involved in a business activity, your homeowners policy will not cover you for liability or medical payments due other persons, even if the damage or injury occurred in your home. Other structures located on your premises that are used for business purposes are also not covered by the policy. This means your policy will not reimburse you for medical care required by a client who is injured in your home office.
- Your tenants—Your homeowners policy will not cover you for damages or injuries suffered by the tenants who rent any part of your home.
- Other insurance—If an injury or damage is covered by other insurance in addition to your homeowners policy, your homeowners insurance company will only pay its proportionate share of the amount due.
- Theft by another insured—Your homeowners insurance will not cover you for a loss caused by a theft committed by another insured person under the policy. This means your policy will not cover you if your nephew (who lives with you) steals a valuable baseball card from the family room.
- One- or two-family dwellings—Structures that have more than two family-dwelling units cannot be covered by homeowners insurance.

Questions & Answers

Your brother-in-law tells you that you can buy separate policies for property and liability

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insurance to protect your property and insure you against personal injury claims. If that's the case, why might you choose to buy homeowners insurance instead?

Because buying a single homeowners policy provides you with the same property and liability insurance that you would receive from two separate policies. Plus, buying a single homeowners policy eliminates any chance of overlaps or gaps in coverage and might also be cheaper.

If you build an addition to your house or otherwise increase its value, do you need to increase the amount of coverage?

It is important that your policy continue to cover at least 80 percent of the replacement cost of your home. That way, the insurance company will pay you the full replacement cost for any damage up to the coverage limit. If you anticipate adding improvements to your home, or if you fear inflation will decrease the value of your policy, you can add an Inflation Guard endorsement to your policy. An Inflation Guard endorsement ensures that your coverage amount increases a small fixed percentage every year. If your house increases in value by 5 percent or more, you should contact your insurance agent to arrange for a new appraisal of the house. In this case, it might be worth increasing your policy's coverage amount.

Is your car covered by your homeowners policy when it's parked in your garage?

No. Cars are specifically excluded from personal property coverage. Only vehicles like motorized wheelchairs and lawn mowers, which are not usually registered with the state, are covered by personal property insurance. Your car is also not covered under the "Personal Liability and Medical Payments to Others" sections of your homeowners policy because insurance companies prefer you to insure vehicles with an automobile insurance policy.

Table of people, places, and things affected by homeowners insurance

People	Places	Things
You Relatives who reside with you Residents under 21 years Household employees Guests/other visitors Neighbors Mail carriers Utility workers Strangers	Your home Garages, sheds, outbuildings Building materials for your home Other properties you own Newly purchased properties Residences under construction Temporary residences/rented premises Burial vaults	Your home Garages, sheds, outbuildings Alterations to your condo unit Your personal property Pets Unregistered vehicles Watercrafts Trailers Credit cards Trees, shrubs, and plants Debris and broken glass Property owned by others

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Final Page - Disclaimer

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