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## Home Insurance: What You Need to Know

By LESLEY ALDERMAN

Your home is probably your largest and most important investment — not to mention that it's also the roof over your head. Here's how to make sure you get the right coverage.

While plans may vary from insurer to insurer, a standard homeowner's policy generally has four components.

¶ **COVERAGE FOR THE STRUCTURE** This is the most important aspect of any policy. It covers damage to your house from fire, storms and other disasters (see exceptions below). It's wise to insure your home for 100 percent of what it would cost to rebuild it. If destruction is complete — if, for example, your home burns to the ground — you will then have adequate funds. To determine what that amount would be, hire a local builder who can give you an estimate. Or figure it out yourself by using the free calculator at [Building-Cost.net](#). A basic policy will insure your home against major disasters, except for flood, earthquake, war or nuclear accident. (For flood and other coverage, see below.) In addition, it will cover other structures on your property like a separate garage or shed. Some companies cover you at just 10 percent of the value of the structure of your home.

¶ **COVERAGE FOR CONTENTS** Most plans will also cover the cost of replacing your personal belongings if they are stolen or lost in a fire or other insured disaster. The standard coverage limit is equal to 50 percent of the value of the structure of your home. So if you have determined that it will cost \$200,000 to replace your home, then you could have about \$100,000 of insurance coverage on your personal belongings. To make sure this is adequate, make a detailed list of the contents of your home, including furniture, clothing, tools and appliances. Or use the Insurance Information Institute's free home inventory software, which you can download at [knowyourstuff.org](#). It's also smart to take pictures of all your valuables and save them in a safe deposit box or fireproof box — doing so will make filing a claim much simpler. Most companies provide off-premises coverage as well, meaning that your belongings will be covered anywhere in the world. So if your camera is stolen while you're on vacation, you can file a claim for reimbursement. Some companies limit the amount to 10 percent of the total coverage you have on your possessions. You will also probably have up to \$500 of coverage for unauthorized use of your credit cards.

¶ **LIABILITY PROTECTION** A standard policy covers you in three ways. It covers damage to other people's property. If your son accidentally throws a ball through your neighbor's window, your policy will cover the cost of the damages.

It covers personal liability. If someone sues you or the courts find that you are legally responsible for someone else's injury or property damage, your policy pays for both the cost of defending you in court and any court awards — up to the limit of your policy.

It also covers medical expenses for injuries suffered by others. If a friend or neighbor is injured in your home, he or she can simply submit medical bills to your insurance company.

Most homeowner policies provide a minimum of \$100,000 of liability protection. But some experts recommend that you purchase at least \$300,000 in protection or more, depending on your assets.

¶ **REIMBURSEMENT FOR ADDITIONAL LIVING EXPENSES** Should a fire or any other insured calamity destroy your home and force you to leave, your plan will cover your expenses. In general, this coverage includes hotel bills, restaurant meals and rental car bills. Many policies provide coverage equal to about 20 percent of the coverage on your house.

In addition to your basic coverage, you may need to buy additional riders. For instance, if you have expensive artwork or jewelry, you may want to purchase a separate policy to cover them. Coverage for jewelry, for example, is limited to about \$1,000 to \$2,000 on standard policies.

If you live in an area that's vulnerable to floods, you'll need additional insurance. Federal flood insurance is available to communities that participate in the National Flood Insurance Program. You can purchase a policy directly from your insurer. If you're not sure what your risk may be, you can assess it at the [flood insurance program's site](#).

When buying a policy, be sure to shop around, since prices can vary considerably. For starters, check in with the insurer that covers your car. Companies often give breaks to consumers with multiple policies. Check in with neighbors and ask them about the company they use and how satisfied they have been with the service they have received. Then, go to a large Web site like [InsWeb](#) or [Insure.com](#), to compare policies and prices.

When you have a few reasonable quotes, do a background check. Ask the companies what kind of ratings they have from the leading firms like [Standard & Poors](#), or [Weiss](#). And remember, it's not all about the bottom line. If a company takes months to process your claim or is in financial trouble, a price break may not be worth it.

Go for a high deductible. A policy with a \$1,000 deductible will be considerably less than one with a \$500 one, and the odds are that you will not be making many small claims. In fact, it's not worth your while to be doing that anyway. Insurers have been known to drop consumers who make more than two claims in one year. For small problems like a stolen bicycle or minor water damage, pay for it yourself.

Be sure to ask your insurer about discounts. If you have protected your home by installing smoke detectors, an alarm system or fire retardant roofing material, you may qualify for a lower premium — but you have to ask. In addition, if you are over 55 and retired, you may be able to get a price break since mature individuals are considered a lower risk.

Lastly, keep your policy up to date. If you remodel your kitchen, buy an expensive new painting, or add a new wing to your home, let your insurer know and adjust your coverage accordingly. But if your home's market value falls, don't rush to lower your coverage. The cost to rebuild, alas, will probably not change.

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