

Keeping Your Homeowners Coverage Up-To-Date

If you are like many people, your home is your largest asset and obtaining a **homeowners insurance** policy is the first step toward protecting that asset. While you selected an amount of coverage that appeared sufficient at the time the policy is written, that amount may change as time passes and your personal circumstances change. Therein lies the sound reasoning behind periodic reassessments of your policy coverage.

What's Covered

A homeowners policy can provide several types of coverage, including: protection for your dwelling; other structures on the premises; unscheduled personal property on and away from the premises; loss of use; the medical expenses of others injured on the property; and personal liability.

Nearly all insurance companies require a policy be issued for at least 80% of the replacement cost of the home, and failure to maintain proper coverage may result in sharing a partial loss as a penalty. Many insurers will increase your coverage to keep pace with inflation, but factors such as home improvements or sharply rising market values may increase the amount of coverage you require. It is up to *you* to make sure your coverage is up-to-date and sufficient for your needs.

Your homeowners policy also provides protection for the *contents* of your home. But, be aware that the contents portion of your policy has specific limitations on items such as money, jewelry, furs, silverware, artwork, and securities. Refer to your policy for a full description of limitations; you may want to consider buying additional coverage for these items as needed.

Your policy also provides some protection from personal legal liability, typically in amounts of \$100,000, \$200,000, or \$300,000. In view of sizable legal awards that can potentially be granted these days, you may wish to protect yourself even further with a **personal umbrella** policy that can provide liability protection substantially above these amounts.

Types of Policies

When selecting coverage, evaluate the different policy forms. You can choose between a **basic policy (HO-1)**, a **broad form policy (HO-2)**, or an **all-risk policy (HO-3)**.

In terms of property losses, the basic policy covers loss from ten common perils (e.g., fire, theft, explosion); the broad form includes those same ten perils plus seven others (e.g., falling objects, weight of snow, frozen plumbing); an all-risk policy protects you against all losses except those specifically *excluded* in the policy. The exceptions may include damage by: birds or insects; wear and tear; landslides and earthquakes; cracking from settling; flood and surface water; and damage by domestic animals or rodents.

The basic policy (HO-1) is used infrequently because of the minimal coverage it provides. Instead, you might consider a higher deductible and elect to purchase the slightly more expensive all-risk contract with the premium saved.

As you assess your coverage requirements, look for ways to trim premiums. By installing smoke detectors, fire extinguishers, deadbolt locks, or a central alarm system, you may reduce your costs by a reasonable amount.

It's Worth the Time and Effort

A periodic review of your policy to keep up with changing conditions makes good economic sense. It can help assure that your coverage is consistent with your changing needs and goals.

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