

What Your Homeowners Insurance Does, Doesn't Cover

by Broderick Perkins

A standard homeowners insurance policy doesn't cover what you think it does -- not flood or earthquake damage, not stolen or damaged vehicles on your property, not a break in the water service or sewage line and not termites moving in nor pets stolen away.

Many homeowners are under the mistaken impression that a standard homeowners policy provides more insurance protection than it does and that could mean large unexpected out of pocket expenses -- when you can least afford them.

The National Association of Insurance Commissioners, an organization of state insurance regulators, found that 33 percent of U.S. heads of household still hold the false belief that flood damage is covered by a standard homeowners policy -- despite extensive post-Hurricane Katrina news coverage of scores of homeowners with claims turned down because they didn't have the required flood insurance from the National Flood Insurance Program.

"Many homeowners learned the hard way that their insurance policies did not provide flood protection," said Walter Bell, NAIC President and Alabama Insurance Commissioner. "As we enter the 2007 hurricane season, we strongly encourage consumers in flood-prone areas to check whether they are properly covered."

That's not all.

NAIC also found:

- Sixty-eight percent who think vehicles such as cars, boats and motorcycles stolen from or damaged on their property are covered, could get run over by unexpected costs.
- Fifty-one percent who think damages from a break in the water line on their property supplying water to their home are covered will be swamped in bills which they, not the insurance company, will have to pay.
- Thirty-seven percent who think damages due to a break in the sewer line on their property that connects to their municipal sewer system are covered are making a really foul mistake.
- About one in three who believe damages from earthquakes, mold, termites or other infestation are covered, could wind up crawling with bills.
- Twenty-two percent who think pets stolen from or injured on their property are covered, should get more dogged about the truth.
- Perhaps worse of all the NAIC survey revealed that 24 percent of respondents indicated their policies insured their homes for the actual cash value, while 64 percent said their policies covered the replacement cost. Another 12 percent said they did not know which type of coverage -- actual cash value or replacement cost -- they purchased.

Actual cash value is the amount it would take to repair or replace damage to a home and its contents after depreciation. Replacement cost coverage, the better option, will cover the amount it would take to replace or rebuild a home or repair damages with materials of similar kind and quality, without deducting for depreciation.

NAIC's InsureUOnline website offers the following tips:

- Add insurance coverage as you enhance the value of your home, and acquire expensive possessions, such as furniture, computers, stereos and televisions and other electronics. Keep in mind computers and other high-end electronics may require special coverage.
- Alert your insurance company when making any major home improvements that cost \$5,000 or more. Update your homeowners insurance policy to reflect the new enhancements and prevent being underinsured.
- Maintain your property by clearing clutter and other dangerous conditions to reduce the potential for liability suits. In many states, you could be held legally responsible for the actions of anyone who drinks in your home and then has an accident in your house or after leaving it. Your policy should protect you against lawsuits due to these types of liability issues.
- Backyard items, such as a trampoline, pool, hot tub or spa may require you to increase your liability coverage through an umbrella policy.
- As you acquire more valuables -- jewelry, family heirlooms, antiques, art -- consider purchasing an additional "floater" or "rider" to your policy to cover these special items. They're typically not covered by a basic homeowners or renters policy.
- It's a good idea to make an inventory of all of your personal property, along with a photograph or video of each room. Also, save your receipts for major items and keep them in a safe place away from your house or apartment so you'll have them if you need to file a claim and substantiate value.

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