

Know Your Homeowners Policy

A homeowners insurance policy has one main purpose: securing your assets and making you whole after an insurable occurrence negatively affects your most valuable possession - your house. If you are not familiar enough with your homeowners insurance policy, you could be putting your house and assets in harm's way.

The Basics of Dwelling Coverage

The insurance you have for your home covers the actual structure including any built-in appliances, wiring and plumbing. It also protects attached garages that share a foundation with your home but does not insure unattached structures like fences and sheds (these would be encompassed under Other Structures).

Your dwelling insurance could cover either replacement costs or actual cash value. While it may appear that this disparity is negligible, coverage for replacement costs is actually very different from actual cash value because replacement costs permit the insurer to compensate you the funds you actually need to buy a like item to replace the one that was missing, damaged or stolen. That means your claim could be equal to the total needed to restore your house or purchase one that is similar and in a similar location. Actual cash value, however, gives you the assessed property value regardless of whether or not it is sufficient to help you restore what you lost.

Personal Property Coverage-Your Home's Contents

Possessions inside your house are protected under the Personal Property/Contents part of your policy. This section covers all your furniture, clothing, electronics, jewelry, free standing appliances and other interior contents. The limit of coverage for your personal property must be believable when compared to your dwelling coverage and most insurers set ratio limits that limits your personal property coverage from surpassing a proportion of your dwelling ceiling.

Just like your dwelling coverage, your personal property coverage could provide replacement value or actual value which will subtract the lost, stolen or damaged property's depreciation from the replacement value in order to determine the amount of the claim.

Liability Coverage-Covers Others Accidental Injuries

It's an unfortunate reality, but sometimes people in your home have accidents. They may fall over a loose walkway stone or trip on your deck, but if they are hurt and want to have their medical fees paid along with pain and suffering, your liability coverage is there to handle the claim.

Loss of Use Coverage-An Uninhabitable Home

If your house becomes uninhabitable, then you may not be able to reside in it until renovations are done. If the loss is an insurable accident, loss of use coverage in your policy will compensate you for any living expenses that you incur which are above your normal expenses while your home is not livable.