

## Good News about Your Homeowner's Insurance Policy



Many people are surprised about the extent of protection their homeowner's insurance policy offers. Although your policy may not cover flood damage to your home, it does offer some

protection from loss due to natural disasters, such as hurricanes. Other perils covered include theft, fire, lightning, explosion, vandalism, riot and even falling aircraft.

### Tips

The following items are usually covered by the policy but may vary according to the policy's provisions and up to the dollar amounts that you purchased:

- Your house, including rental units that are part of the building and any attachments to the building, like a garage.
- Any structures on your grounds that are not attached to your house such as a garage, tool shed, pool cabana or gazebo.
- The lawn, trees and shrubs on your property.
- Vacant land you own or rent, with the exception of farmland.
- Cemetery plots or burial vaults you own.
- Personal possessions you or members of your household own or use anywhere in the world. This includes the contents of your home and any structures on your grounds. It also covers any possessions that guests bring to your home, but it does not include the possessions of any tenants you may have living in your home.
- Expensive items like jewelry, furs and silverware are covered, but usually with dollar limits if they are stolen.
- Any items friends have loaned to you that you're keeping on your property.

- Your living expenses, if your house is unlivable because of damage.
- Rental payments, if you normally rent part of your house but it is unlivable because of damage.
- Legal responsibility for unauthorized use of your credit cards, checks forged under your name or counterfeit currency accepted in good faith.
- Settlements, medical expenses, defense and court costs involved in claims brought against you for bodily injury to others or damage to the property of others.
- The liability portion of your policy pays for both the cost of defending you in court and any court awards – up to the limits of the policy.

### Factors that determine the amount of settlement you get:

#### Type of Policy

- Replacement cost policies provide you with the dollar amount needed to replace a damaged item with one of similar kind and quality without deducting for depreciation.
- Actual cash value policies pay you the amount needed to replace the item minus depreciation.
- Extended replacement cost policies pay a certain percentage over the limit to rebuild your home so that if building costs increase unexpectedly, you will have extra funds to cover the bill.
- Guaranteed replacement cost policies pay whatever it costs to rebuild your home as it was before the loss. Neither type of policy will pay for the use of more expensive materials than those that were used in the structure that was destroyed.
- If you own a mobile home, you may have a stated amount policy. With this policy, the maximum amount you will receive if your home is destroyed



is the sum you agreed to when the policy was issued. The depreciation in the value of the home is not considered in the settlement. If you opt for the stated amount, update your policy annually to make sure that the stated amount will cover the cost of replacing your mobile home.

### **Policy Limits**

Most insurance policies include an inflation-guard clause to keep up with increases in local building costs. If you have replacement cost coverage, your insurance company will pay the full cost of repairing or replacing the damaged structure with a building of "like kind and quality."

### **Compliance with Current Building Codes**

Building codes require structures to be built to certain minimum standards. In areas likely to be hit by hurricanes, for example, homes must be constructed to withstand high winds. If your home was damaged and was not in compliance with current building codes, you will likely have to rebuild the damaged sections in accordance with current codes.

In some cases, complying with building codes may require a change in design or building materials and may be more costly. Generally, homeowner's insurance policies do not pay for these extra costs, but some insurance companies offer an endorsement that pays a specified amount toward such change.

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