



# Home Insurance Buyer's Guide

*Congratulations! If you are reading this, you are either in the process of buying a new home or looking for new options for your insurance needs. I would like to say that selecting Home Insurance is simple as point-click-buy. However, it is actually a rather complicated beast that requires a fair bit of research and education to fully understand and choose the right coverage for your family.*

*Fortunately, we've created a **Buyer's Guide** that will help you navigate the complexities of Home Insurance with ease and help you build the perfect policy to protect you and your family.*

## POLICY COVERAGE FORMS

### **What types of risks does a Home Insurance Policy protect you from?**

Home Insurance is designed to cover your home and your belongings from sudden catastrophic losses when they occur. Here is a list of common perils that are covered by most home insurance policies:

- Fire and smoke
  - Lightening strikes
  - Windstorms and hail
  - Explosion
  - Vandalism and malicious mischief
  - Damage from aircraft, car or vehicle
  - Theft
  - Falling objects
  - Weight of ice, snow or sleet
  - Water damage
  - Injury Lawsuit
- (See Coverage E Personal Liability)*

### **What types of risks are NOT covered on a Home Insurance Policy?**

While Home Insurance Policies do vary based on the coverages you choose, the following perils are usually not automatically covered:

- Earthquake
- Flood
- Landslide
- General wear and tear
- Equipment breakdown

### **Understanding your Home Insurance Quote:**

Every Insurance Company presents their insurance proposals in a slightly different format. However, almost all companies will include the following primary coverages on the first page of their quotation.

## PRIMARY COVERAGES

**Coverage A - Dwelling:** This is the coverage amount that the insurance company believes it would take to re-build your home and any attached structures if it were to burn to the ground. This number is calculated by using a Replacement Cost Calculator that takes into account many factors about your home. For this reason, if your home has any custom features, it's important to let us know so we can add them into the calculator. *Please note that this coverage limit is **not** designed to match the market value of your property.*

**Coverage B - Other Structures:** This coverage extends to any structures on your property that are not attached to your home. Companies normally give you 10% of Coverage A automatically for Other Structures, but this can be increased so please let us know if you have detached structures that may exceed the coverage provided.

**Coverage C - Personal Property (Contents):** This coverage protects all of your belongings inside the home that are not attached to the structure. The exception being things like Motorized Vehicles (Autos, ATV's, Dirt bikes, Jet Ski's, etc.) which generally require their own policy.

**Pro Tip** - All insurance companies have special policy limits for certain types of items including, Jewelry, Firearms, Artwork, Money, Items used for a Business Pursuit. Be sure to let us know if you have any items of significant value in these categories so we can make any necessary adjustments for you on your policy.

**Coverage D - Loss of Use:** If a claim occurs in which you are displaced from your home for a period of time, this coverage kicks in to pay for you to live somewhere else until you can move back in. For example, if there was a fire at your home and you couldn't live there while they restore your home, this coverage would pay for you to rent another home until you can move back in.

**Coverage E - Personal Liability:** Personal liability coverage provides for a defense if you are sued, and can pay damages to injured persons up to the limit of liability. For example, if someone falls down your stairs or your child accidentally throws a ball through a neighbor's window that breaks an expensive vase, you may be held legally responsible for the damages caused.

*Pro Tip - We always recommend that you carry the maximum limits for this coverage (\$500,000 for most carriers). We live in a society where lawsuits are becoming more and more prevalent so it makes sense to protect yourself as best you can.*

**Coverage F - Medical Payments:** Your Home Insurance Policy also can provide for the payment of necessary medical expenses for guests who are accidentally injured on your property. This is regardless of whether or not you are legally responsible. A good example would be that you are having a housewarming party and one of your guests slips and sprains their ankle. The Medical Payments portion of your policy could pay for their medical bills if necessary.

**Deductible:** Your deductible is the amount that you would owe prior to the insurance company paying out for your loss. You may choose from several deductible options but generally, the higher your deductible, the lower your premium will be. Most clients choose a \$1000 deductible but you can opt for a higher deductible if you prefer.

*Pro Tip - Whatever deductible you choose, make sure you have that amount tucked away in a savings account just in case something happens and you need to file a claim.*

## OPTIONAL COVERAGES

So, now that you've read and understood the Primary Coverages on your **Home Insurance Quotation** you are good to go, right? **Wrong!** Those are really just the tip of the iceberg in understanding what will and will not be covered on that company's policy.

The following coverages are optional additions to your policy that may or may not be listed on the quotation but can make a big difference in whether your claim is covered or not. For that reason, it is **very important** that you understand the following coverages options so you can make an informed decision.

**Extended Dwelling Coverage:** Automatically extends the dwelling coverage listed on your policy by an additional percentage (usually 25% or 50%). So, if your home burned down and you had \$300,000 in dwelling coverage listed, but the actual cost to rebuild was \$350,000, your policy would now extend to cover the additional \$50,000 in cost. This coverage is extremely important because it ensures that your home will be fully rebuilt in the case of a large loss.

**Replacement Value on Personal Property:** This endorsement ensures that your belongings will be covered for full replacement value in the event of a loss. Without this, the insurance company would only be required to pay you for the depreciated value of each item. This can be a huge difference in payout amount so we also consider this a very important coverage to have.

**Special Personal Property:** On a standard Home Insurance policy, your belongings are covered for a list of different risks like theft, fire and vandalism. But what if something happens that is not on that list? The Special Personal Property endorsement removes that coverage limitation so that all risks that are not specifically excluded (like Flood and Earthquake) will be covered. Some frequent examples of risks that would be covered by this endorsement are power surges, accidental damage, and mysterious disappearance.

**Building Ordinance & Law:** When you have damage to your house from a loss and the insurance company is repairing it, the contractor is normally required to have the work inspected by the city or county inspector prior to completion. If during this inspection they find something in the home that is not done to current code, they can make you update it at that time. Your Building, Ordinance and Law coverage would pay the additional cost for you to make the required upgrades. Many policies include some coverage for this risk but, based on the age of your home, it may be wise to increase this coverage amount.

*Pro Tip - This is an often overlooked but highly important coverage. Building codes change all the time so even if you have a newer house you may find that additional cost to upgrade the home exists. A great example is that many municipalities now require triple pane windows when just a couple of years ago they only required double pane.*

**Sewer/ Water Back up:** This endorsement extends coverage to a loss caused by water which backs up through, or overflows from, a sewer, drain, sump, sump pump, or any system on the residence premises designated to remove subsurface water from the foundation area.

The most common scenario that occurs where this coverage comes into play is a backup of an external sewer or septic line which causes sewage or water to come back up into the house.

*Pro Tip - The scenario above happens more than you might think so we always recommend at least \$5000 in coverage here. If you are buying an older home, we would highly recommend having the sewer line scoped to alert you to any potential problems.*

**Service Line Coverage:** While we are on the topic of sewers, it's important to understand that the Water/ Sewer back up endorsement only covers the cost to repair the damaged caused by a back up and does NOT pay to repair the sewer or water line that caused it. This type of repair can cost upwards of \$10,000 depending on the length and depth of your sewer line.

For that reason, some insurance carriers now offer a Service Line coverage endorsement that will pay up to \$10,000 to repair or replace a Sewer or Water line from the street to your home. If you have an older home, this endorsement may well be worth the extra cost because it can save you from having to pay thousands of dollars in repair bills should something fail in your water or sewer line.

**Equipment Breakdown:** A standard home insurance policy does not include coverage for your appliances should they suffer a mechanical breakdown. This endorsement extends coverage to repair or replace these items should they fail. A common example is a power surge in which several appliances are damaged or an appliance that has a component that fails prematurely. This coverage is similar to a home warranty in many ways but excludes general wear and tear.

**Loss Assessment:** If you live in a community with a Homeowners or Condo Owners Association pay particular attention to this coverage. Should your HOA sustain a loss to community property they can pass that cost along and spread it equally amongst HOA members. This endorsement would provide coverage to you in this scenario to pay that bill.

**Identity Recovery Coverage:** If your identity is compromised this coverage will pay out to help restore your credit and identity up to a certain limit (amount varies by carrier). This coverage also includes a limited amount of coverage for wages lost and pays for you to work with a credit monitoring company until your case is resolved.

***We hope that this guide has been helpful and gives you a better understanding of your Home Insurance options. If you have found value in this piece and would like to work with a quality insurance agent, please give us a call or Contact Us for more information and a proposal.***

To learn more, please go to our website at [www.pnwinsurancegroup.com](http://www.pnwinsurancegroup.com)

