



Insurance: How Well Are You Covered?

When you bought your home, you took out an insurance policy to cover the house and all of your family's belongings inside. But was that the last time you thought about your insurance coverage?

"Homeowners Insurance" includes insurance on the actual structure and the contents inside. The structural part of the package generally covers damage such as fire and smoke, lightning, wind and hail storms, vehicles, explosion, and aircraft or other falling objects. The package should also include coverage for theft, vandalism, riot or civil commotion, freezing or sudden water escape from the plumbing system or appliances, glass breakage and sudden tearing of heating or cooling systems.

A comprehensive homeowner's policy should cover your home, any structure attached to it like a porch or garage and any unattached buildings on your property that are not used for business or rented to others.

Damage caused by flooding, earthquakes and hurricanes are not covered by your regular homeowner's policy. Your insurance agent can provide you with information about coverage of these natural disasters.

The personal property portion of the insurance package protects things in your home like clothes and furniture. It should also provide protection for your personal property while you are away from home, the things you take with you on vacation. The amount of insurance on your personal property is equal to a percentage of the amount of insurance on your home (usually 55%). However, it is important that you know that special limits may apply to certain types of personal property. For example, money bank note and rare coins, securities, stamp collections, jewelry and furs, firearms, silver and gold, rugs, tapestries and wall hangings. Higher limits on most of these items are available through upgrades on the policy or by taking out a separate policy for the items.

Check to see that your policy is written for replacement costs and you may want to consider inflation coverage. Replacement cost coverage on your personal property means that the insurance will pay to repair or replace your personal property that is covered. For example, if you bought an item 5 years ago for \$100 and to replace it today would cost you \$200, the insurance would pay \$200. Inflation coverage automatically increases the amount of your insurance coverage on your home and personal property as inflation changes the cost of replacing your property. The changes are based on the movement of an inflation index and are reflected in the premium on each renewal.

But how do you know if you have too little or too much insurance? Start with a home inventory to help you assess your insurance needs. First you need to know how much it would cost to rebuild your house today on your existing lot. Ask your builder what the market rate is per square foot to rebuild your house. Multiply that times the square footage of your house and that's how much insurance coverage you should have. The amount of your personal property coverage is a percentage of that amount (normally 55% and can be upgraded to 75%).

For your belongings inventory, list every item in your home, attic and garage, when you bought it, its original cost and its estimated value. It also helps to have photographs or a videotape of your possessions. Have a couple of sets of the photos or videos made. Keep one copy in a fireproof safe at home or a safety deposit box. Marking your items with a personal identification number such as your social security number will make reclaiming any stolen items easier.

If you ever need to file a claim, the inventory will make it easier and ensure that you are compensated for virtually everything. If it's not on your list when you file a claim, you won't be compensated for something that you've paid for years to insure. Check with your insurance agent or company for a home inventory guide or advice on how to best organize your list if you should ever need to file a claim with them.

A homeowner's policy will also include "personal liability" coverage. That is, the insurance provides payments for bodily injury or property damage for which you or a relative who lives with you may be legally responsible. For example, if someone is accidentally injured on your premises, such as falling down stairs and breaking a leg, or if your ladder falls over on your neighbors car and damages it. Personal liability also includes medical payments to

others, meaning that if someone is accidentally injured on your property or is accidentally injured by you or a relative who lives with you, the insurance will cover medical expenses to a certain limit.

In case of a legal matter, your personal liability coverage includes the cost of defending you, whether you are liable or not, against an insured or covered law suits.

About one out of every three home owners has proper insurance coverage. Take some time today to make sure you are one of them.

Check VHBA's online membership directory (www.vhba.com) for a VHBA insurance member to assist you with your insurance needs.
