

# What does homeowners insurance cover?

To put it simply, homeowners insurance is designed to repair, replace or recover the value of what you currently have (under coverage) if it's damaged due to any number of causes.

- Property Damage – This is by far the biggest claim maker, which includes damage to your house and any structures on your property due to water, fire and severe storms among others.
- Natural Disasters – Homewreckers like floods and earthquakes are usually not covered by basic plans, meaning, you'll need added coverage or a separate policy to keep your goodies protected.
- Standard Home Liability – This will cover you financially if someone is injured or their personal belongings are damaged while on your property.
- Extra Money for Living – If your house is too messed up to live in while it's being repaired or rebuilt, most policies will pay for a hotel and other living expenses, like groceries.
- Personal Property Coverage (AKA your stuff) – This will depend on the policy. Items like furniture may only be covered up to a depreciated value, but stuff like your bling might not have any coverage and will need additional insurance.

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## What does builders' risk

# insurance cover?

A builders' risk insurance policy protects a construction project and almost everything that's part of the process as soon as it's on location, including the actual structure and even building site necessities such as porta potties.

The biggest difference between policies is what they protect against, like fires, explosions and falling objects.

**Builders' risk insurance policies will fall into three different forms of coverage: basic, broad and special.**

- **Basic:** Protects against fire, lightning, wind, explosions and more.
  - **Broad:** Protects against everything included in basic, as well as several additions like falling objects, water damage and a few more.
  - **Special:** Protects against theft and everything else.
  - **Exclusions and claims not covered:** The three forms of coverage will not protect against accidents, injuries and liability risks, as well as certain natural disasters like floods and earthquakes. Also, any peril that is specifically excluded from the policy will not be covered.
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## What is a deductible?

A deductible is the amount you're responsible for in the event of a covered loss. In most covered loss cases, you are responsible for any amounts up to your deductible level and your insurance would cover anything beyond that up to your coverage

limit. For example, if you select a \$1,000 deductible and have a \$4,200 covered loss, you would receive a claim payment of \$3,200 after deducting the \$1,000.

A homeowners deductible applies to each claim. If you have more than one claim in a policy period, you will be responsible for the deductible amount for each individual claim regardless of the number of claims you have during that policy period.

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## **What is flood insurance?**

Flood insurance usually is a separate policy designed to help protect your home and belongings if they are damaged in a flood. Standard property insurance policies, such as homeowners insurance, typically do not cover flood damage.

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## **Is flood insurance required?**

In some cases, you may be required to have flood insurance. If you own a home on land that is at high risk of flooding, your mortgage lender may require you to purchase flood insurance.

Flood insurance isn't just for homes in high-risk areas, though. The Federal Emergency Management Agency (FEMA) says that all 50 states have experienced floods, and that more than 20 percent of the claims it handles come from the moderate- to low-risk regions.

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# **Where can I buy flood insurance?**

Flood insurance is generally available to people in communities that participate in the National Flood Insurance Program (NFIP). Flood insurance policies can be purchased through local insurance agents (such as Allen Insurance and Financial) by homeowners, business owners and renters who want protection for their homes, buildings and belongings. (Landlords can buy separate flood insurance policies to help protect the home.)

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# **Is homeowners insurance mandatory?**

Homeowners insurance isn't required by law, but most lenders will be sticklers and will require a policy in order to give you a loan. At a minimum, they'll want your policy to cover or exceed the amount you owe on the loan.

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# **Builders' risk insurance for homeowners**

If you're building a new home or remodeling an old home, builders' risk insurance should be provided to have proper protection for all parties involved. Most of the time your lender will require proof of builders' risk insurance. If there is not a lender, then the homeowner should be requesting this of their builder.

Having a builders' risk policy in place for your home building project will do two things. First, it will ensure that none of the claims that could arise during a build-out will fall under your responsibility. Second, the policy will also protect the builder from having to come out of pocket to pay for any claims.

You can see that this is a beneficial insurance policy for everyone. Contacting your independent insurance agent to go over details of your builders' risk project is the first thing to do.

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## **What is covered by flood insurance?**

The Federal Emergency Management Agency (FEMA) says you can purchase flood insurance coverage to help protect your home, your personal belongings, or both. Here are some of the basics for these two types of coverage:

## **Building property coverage**

- **What it helps protect:** The physical structure of your home and its foundation; plumbing and electrical systems; central air and heating systems; attached bookcases, cabinets and paneling; and a detached garage (other detached structures need their own policy).
- **How it typically pays out:** Replacement cost basis (what it would take to repair the home in today's dollars) for a primary residence and actual cash value (which factors in depreciation) for a vacation home.
- **Maximum coverage limit:** \$250,000

## **Personal contents coverage**

- **What it helps protect:** Clothing, furniture and electronics; curtains; some portable appliances; freezers and the foods within them; and certain valuables, like art (up to a specified limit).
- **How it typically pays out:** Actual cash value basis (takes depreciation into account).
- **Maximum coverage limit:** \$100,000

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# **What does a home insurance policy not cover?**

Homeowners insurance policies typically do not cover but not limited to damage resulting from the following:

- Earth movement
- Water

- Nuclear hazard
- Neglect or failure to make repairs
- Corrosion, deterioration, decay or rust
- Wear and tear
- Contamination
- Fungi
- Increased cost due to enforcement of any building ordinance or law
- Government actions
- Power failure
- Animals or pests
- War