

# 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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## 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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## What is the difference between market value and replacement cost?

Market value is the amount a buyer would pay for the home and land in its current condition. It is influenced by factors such as proximity to good schools, local crime statistics, and the availability of similar homes.

Replacement cost is the cost to replace the entire home. When you insure your home for its estimated replacement value, your insurer will reimburse you for the cost of rebuilding your home, subject to policy limitations, based on the size and structure of the home that was lost.

Replacement cost is not:

- The market value of the home
- The home's purchase price

- The cost of the land
  - The outstanding amount of any mortgage
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# What does a homeowners insurance policy cover?

Unless the cause of loss is excluded in the policy, a homeowners policy provides coverage for personal liability, medical payments to others and accidental direct physical loss to your dwelling.

In addition, the policy provides coverage for your personal property for specific perils including, but not limited to:

- Fire
- Lightning
- Windstorm
- Hail
- Theft