

Insuring a Home

When you buy a home, if you have a mortgage, you may be required by the lender to purchase a homeowner's policy. Here's what to expect as you look for the right policy to cover your home.

The People

In general, a homeowner's policy will have a named insured, which is usually the owner or tenant named on the deed or lease. The named insured's spouse is covered as well, even if he or she is not named on the policy declaration. Other users and residents also may be covered to a lesser extent by the personal property and liability provisions in the policy. For instance, the insured's children or someone under 21 in the insured's care would likely be covered. Employees such as gardeners or housekeepers may also be covered against loss of personal property on the premises. And you may extend coverage to your guests if you make a request to your insurance company in advance.

The Policies

There are seven basic home insurance policies, but if you are shopping for coverage for a single-family home and you are the owner and occupant, you'll probably be choosing from among just two or three kinds of policies. Policies for renters and condominiums differ enough to discuss them separately.

Because mortgage lenders are primarily concerned with protecting their interest in your home, the level of coverage they require might differ from the level that you consider adequate. You may decide to purchase additional protection depending on other factors, including the different ways insurance companies package these policies.

HO-1 is a basic homeowner's policy. It protects the structure and your personal property against some common hazards such as fire and lightning, wind and hail, smoke, theft, and damage by glass or safety glazing material that is part of a building. This policy also protects against some pretty exciting stuff, such as volcanic eruptions, explosion, riot or civil commotion, aircraft, vehicles, vandalism or malicious mischief.

HO-2 is an expanded version of HO-1. In addition to the above 11 perils, it covers against six more: weight of ice, snow or sleet, three types of water-related damage from home utilities or appliances, falling objects, and electrical surge damage.

HO-3 goes further by covering the above 17 perils and any other perils not specifically excluded by name, such as earthquakes, floods, wars, and nuclear

accidents. Not all HO3 policies are the alike, some offer special form on the house only and HO2 coverage on the contents. The very best HO3 policy offers special form on both the dwelling and the contents of the dwelling.

The Provisions

In general, these policies will cover the costs

to rebuild or repair your home or some unattached structures if damaged by one or more of the perils listed in the policy;

related to temporary housing if you are displaced by a qualifying peril, while you wait for repairs or relocation;

of replacing personal belongings;

of medical treatment incurred by someone injured on or near your property due to your negligence;

the cost of mounting a defense or paying an award in a lawsuit if you are found responsible for personal injury or property damage suffered by another person.

In general, these policies won't cover

damage to the land on which the house is located;

losses related to activities on the premises;

losses related to floods or earthquakes;

damage from war or nuclear accidents;

theft by another person covered on the policy, such as a family member;

losses that exceed policy limits;

losses sustained by someone you rented the property to.

The Premiums

To set the amount of your premiums, the issuing company will first want to assess what kind of risk you might present. Be prepared to share plenty of information about you and your home.

The company will consider your credit rating, whether you have a criminal record, your previous addresses, and if you have history of insurance claims. An insurer will want to know what kind of work you do, what your employment history is like, your marital status, and your age.

An insurer will also want to know certain information about the construction of the home. Is it brick or wood? How many square feet is it? Are there any unattached structures on the parcel? How far is the house from a fire station? How old is it? Is it perched on a cliff above the ocean?

Deadbolt locks, smoke detectors, and other preventative measures can lower your rates. But certain kinds of pets, a pool and other potential opportunities for personal injury can raise your rates. So can running a home business.

Once the insurer has taken this kind of information into account, it will be reflected in your rate quote, and it's your choice whether to accept, renegotiate, or look elsewhere for coverage.