

Daily Union Article

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Title: "Know Your Homeowners Policy"

Last week I heard a couple of people talking in the grocery store about the volcano disaster in Hawaii. One person commented that they couldn't believe people who live close to an active volcano didn't have insurance that would cover damage from a volcanic eruption. This caused me to think about the time we had damage from an ice storm and found that our insurance wouldn't cover the damage that resulted. We learned how important it is to review our insurance policies to make sure we know what coverage we have and what conditions could leave us exposed to expenses related to a loss.

Before you dive into your homeowners or renters insurance policy (assuming you have coverage) you might find it helpful to refresh your memory on the jargon that comes with this type of insurance.

It isn't enough to know you need homeowners/renters insurance, but you need to know what types of policies are sold in Kansas. If you own your home, you need different insurance than if you rent your home or own your own unit in a condominium.

Below you will find information drawn from the Kansas Insurance Department home insurance shoppers guide. The guide is available for download online (<http://www.ksinsurance.org/autohome/home/home-info.php>) or you can call the Kansas Insurance Department to get a copy of the book (1-800-432-2484; KS only).

Most homeowners insurance policies combine property and personal liability coverages. For insurance purposes, the term "property" refers to two separate categories:

- **Real property or physical structures** such as your home and detached garage.
- **Personal property or belongings** such as your furniture and clothing.

In order to figure out how much insurance you need, you will need to develop an inventory of these two types of property and have a value assigned to both categories of property you own.

The term *perils* is used in the insurance field. Perils are events that cause damage to property, such as fire, windstorm and theft.

Personal liability covers bodily injury and/or property damage caused to others as a result of your negligence. Property coverage also provides payment of medical expenses for injuries to anyone other than members of your household.

Whether you rent an apartment or own a house, it's still "home" to you and your family and you want to make sure your possessions and home are adequately covered. Purchasing a home is likely the single largest investment most Kansans make. When you purchase homeowners insurance, you are providing a security net for your investment. Having insurance on your home will help you pay for repairs, rebuild, or replace personal belongings when a disaster hits. Additionally, it covers personal liability to provide a level of personal financial protection should there be an accident on your property.

There are many types of property coverage including dwelling (your house and any attached structures), other structures (detached garage or storage shed, for example), contents (furniture, stand-alone appliances, clothing and other personal belongings, and living expenses) should your home be damaged to the point you cannot live there. Additional living expenses coverage will only cover the difference over and above your normal household expenses.

Most homeowners insurance contain additional coverages for *peril damages* or complete destruction of a house caused by a peril. When you meet with your homeowner's insurance agent, you should ask if your policy covers the following:

- Debris removal
- Reasonable repairs
- Damaged trees, shrubs and other plants
- Fire department service charges
- Theft or illegal use of credit or debit cards
- Collapse of building caused by perils for which you are insured
- Glass breakage

The Kansas Insurance Department's Homeowner's Guide explains that most homeowner's policies under the property coverage section **do not** provide coverage for the loss of the following:

- Animals, birds or fish
- Motor vehicles, including equipment and accessories
- Aircraft and parts
- Flood or rising water damage
- Normal wear and tear
- Water damage from sewer backup
- Damage resulting from war, terrorism, nuclear hazard, neglect, earthquakes or power failure (remember that I shared we weren't covered by our losses due to power failure during an ice storm?)

These are only examples of excluded property. Review your policy to determine exclusions under your contract.

Sometimes consumers who are shopping around for homeowners or renters insurance are looking for the least expensive policy. When you look at the cost of premiums and your sole determinant of what you are going to buy, this exposes you to significantly higher out of pocket cost when a claim needs to be filed. Your home belongings are insured against the perils that are specifically identified in your policy and nothing else. The more perils insured against, the more you will pay for the insurance policy but it also means you will have more potential perils covered.

The better your coverage the less you will have to pay out of your own pocket if a disaster strikes. Consider this: your household contents limit is commonly calculated as a percentage of your dwelling coverage limit. Generally, it will be 50% of the amount of insurance on your house, unless you buy additional coverage. In other words, if your home is insured for \$100,000, your contents limit would be \$50,000. If you feel your coverage needs are greater than the 50% level, call your insurance agent to make sure you have the coverage you need for the possessions your home contains.

Being savvy about your insurance needs and understanding your coverage limits provides peace of mind when faced with a disaster. Pick up the phone and give your insurance agent a call when things aren't a disaster. Until next time, keep living resourcefully!