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Am I Covered?

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Common Questions Asked by Homeowners about Insurance

If a fire, flood, earthquake, or some other natural disaster were to destroy or damage your home, would you have the right insurance coverage to rebuild your house?

This brochure, based on the questions consumers most frequently ask, explains what is covered in a standard homeowners policy and what is not. Where gaps in coverage exist, it tells you how to fill them.

To simplify explanations, we assume that you have a policy known as Homeowners-3 (HO-3), the most common homeowners policy in the United States. Find out what type of homeowners policy you have. If you have a different policy, you should review your options in question #17.

Question # 1: Am I covered for direct losses due to fire, lightning, tornadoes, wind storms, hail, explosions, smoke, vandalism and theft?

Answer: Yes. The HO-3 provides broad coverage for these and other disasters or ?perils,? as they are called in the policy, including all those listed in the question. You should check the dollar limits of insurance in your policy and make sure you are comfortable with the amount of insurance you have for specific items. Also, if you live near the Atlantic or Gulf coasts there may be some restrictions on your coverage for wind damage. Ask your agent about windstorm/hurricane deductibles. In areas prone to hailstorms, you may have a specific hail damage deductible.

Question # 2: Are my jewelry and other valuables covered?

Answer: The standard policy provides only from $1,000 to $2,000 for theft of jewelry. If your jewelry

is worth a lot more, you should purchase higher limits. You may wish to add a floater to your policy to cover specific pieces of jewelry and other expensive possessions such as paintings, electronic equipment, stamp collections or silverware, for example. The floater will provide both higher limits and protect you from additional risks, not covered in your normal policy.

Question # 3: If my house is totally destroyed in a fire and I have $150,000 worth of insurance to cover the structure, will this be enough to rebuild my home?

Answer: If the cost of rebuilding your home is equal to or less than $150,000 you would have enough coverage. The HO-3 policy pays for structural damage on a replacement cost basis. If the cost of replacing your home is, say, $120,000, then that is all the insurance you need. On the other hand if the cost of rebuilding your home is $180,000, then you will be short $30,000.

If you live in an area that is frequently hit by major storms, ask you insurance company about an extended or guaranteed replacement cost policy. This will provide a certain amount over the policy limit to rebuild your home so that if building costs go up unexpectedly, due to high demand for contractors and materials, you will have extra funds to cover the bill.

If you choose not to rebuild your home, you will receive the replacement cost of your home, less depreciation. This is called actual cash value. You should make sure that the amount of insurance you have will cover the cost of rebuilding your house. You can find out what this cost is by talking to your real estate agent or builders in your area.

Do not use the price of your house as the basis for the amount of insurance you purchase. The market price of your house includes the value of the land on which the house is situated. In almost all cases, the land will still be there after a disaster, so you do not need to insure it. You only need to insure the structure.

Question # 4: Am I covered for flood damage?

Answer: No. So, if you live in a flood-prone area it may be wise to purchase flood insurance. Flood insurance is provided by the federal government, under a program run by the Federal Insurance Administration. In some parts of the country, homes can be damaged or destroyed by mudslides. This risk is also covered under flood policies. Contact your agent or company representative to get this insurance or call the Federal Emergency Management Agency at 1-800-427-4661 or visit its Web site at www.fema.gov [2].

Question # 5: A pipe bursts and water flows all over my floors. Am I covered?

Answer: Yes. The HO-3 covers you for accidental discharge of water from a plumbing system. You should check your plumbing and heating systems once a year. While you are covered for damage, who needs the mess and hassle?

Question # 6: What if water seeps into my basement from the ground, am I covered?

Answer: No. Water seepage is excluded under the HO-3. And if the water seepage is not due to a flood you will not be covered under a flood policy. Seepage is viewed as a maintenance issue and is not covered by insurance. You should see a contractor about waterproofing your basement.

Question # 7: Am I covered for earthquake damage?

Answer: No. Earthquake coverage is sold as additional coverage to the homeowners policy. To find out whether you should buy this insurance, talk to your agent or company representative. The cost of this coverage can vary significantly from one area to another, depending on the likelihood of a major earthquake.

Question # 8: A neighbor slips on my sidewalk or falls down my porch steps and threatens to take me to court for damages. Does my policy protect me?

Answer: Yes. The policy will pay for damages, if a fall or other accident on your property is the result of your negligence. It will also pay for the legal costs of defending you against a claim. Also, the medical payments part of your homeowners policy will cover medical expenses, if a neighbor or guest is injured on your property. You should check to see how much liability protection you have. The standard amount is $100,000. If you feel you need more, consider purchasing higher limits.

Question # 9: A tree falls and damages my roof during a storm. Am I covered?

Answer: Yes. You are covered for the damage to your roof. You are also covered for the removal of the tree, generally up to a $500 limit. You should cut down dead or dying trees close to your house and prune branches that are near your house. It's true that your insurance covers damage, but falling trees and branches can also injure your family.

Question # 10: During a storm, a tree falls but does no damage to my property. Am I covered for the cost of removing the tree?

Answer: Your trees and shrubs are covered for losses due to risks like vandalism, theft and fire, but not wind damage. However, if a fallen tree blocks access to your home you may be covered for its removal. Decide if you need extra insurance for the trees, plants and shrubs on your property. You may be able to purchase extra insurance, which will not only cover the cost of removing fallen trees, but will also cover the cost of replacing trees, and other plants.

Question # 11: If a storm causes a power outage and all the food in my refrigerator or freezer is spoiled and must be thrown out, can I make a claim?

Answer: The general answer is no. However, there are a number of exceptions. In some states, food spoilage is covered under the homeowners policy. In addition, if the power loss is due to a break in a power line on or close to your property, you may be covered. You should check with your agent to find out whether you are covered for food spoilage in your state. If not, you can add food spoilage coverage to your policy for an additional premium.

Question # 12: I have children away at college. Are they covered by my homeowners insurance?

Answer: If they?re full-time college students and part of your household, your insurance generally provides some coverage in a dorm, typically 10 percent of the contents limit. If they live off campus, some companies may not provide this limited coverage if the apartment is rented in the student?s name.

Question # 13: My golf clubs are stolen from the trunk of my car. Does my homeowners policy cover the loss?

Answer: Yes. The HO-3 covers your personal property while it is anywhere in the world. However, if

your golf clubs are old, you will only get their current value, which may not be enough to purchase a new set. Consider buying a replacement cost endorsement for your personal property. This way you will get what it costs to replace the golf clubs, less the applicable deductible.

Question # 14: I have a small power boat. If it is stolen, am I covered? What if there is a boating accident and I get sued? Am I covered for that?

Answer: Whether or not you are covered for either theft or liability depends on the size of the boat, the horsepower of the engine and your insurance company. Coverage for small boats under homeowners policies varies significantly. Ask your insurance representative whether you need a Boatowners policy.

Question # 15: My house is close to the ocean. I?ve heard that if it is destroyed by the wind, the town's new building code requires me to rebuild the house on stilts. This will add $30,000 to the cost of rebuilding my house. Am I covered for this extra cost?

Answer: No. The HO-3 excludes costs caused by ordinances or laws that regulate the construction of buildings. You can purchase an Ordinance or Law endorsement. This will cover the extra costs involved in meeting new building codes.

Question # 16: Am I covered for ?Acts of God??

Answer: Sometimes. The term ?Acts of God? is not specifically mentioned in homeowners insurance policies. It usually refers to natural disasters like hurricanes and tornadoes, as opposed to man-made acts, like theft and auto accidents. Some natural disasters, such as damage from windstorms, hail, lightning and volcanic eruptions, are covered under homeowners insurance. Damage from floods and earthquakes is not.

Question # 17: What should I do if my policy provides less coverage than the HO-3?

Answer: Review your coverage with your agent. Some older policies provide less coverage than the HO-3. They may not provide coverage for water damage, theft, or liability. They may also provide coverage for the house on an actual cash value basis, rather than a replacement cost basis.

Actual Cash Value means replacement cost less depreciation. For example, if your roof is destroyed in a storm, the insurance will only pay for the cost of a new roof less the amount of depreciation of the old roof. If your roof was in great shape, this deduction will not be large. However, if the roof was old and worn out, the deduction for depreciation may be significant. You should try to get an HO-3.

For more information, contact your agent or company representative. You can also visit our Web site at www.iii.org [3].

This brochure was reviewed by the Cooperative State Research, Education, and Extension Service, USDA. For additional assistance with homeownership questions, contact your County Extension office listed under County Government in your local telephone directory.

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