

Six Questions to Ask When Shopping for Homeowners Insurance

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NEW YORK, February 16, 2012 — Being an informed consumer means not only reading your homeowners insurance policy closely but also asking experts what constitutes the right type, and amount, of coverage you need for your home, according to the [Insurance Information Institute](#) (I.I.I.).

“Besides knowing the basics of what a standard homeowners insurance policy covers, consumers should ask a series of questions, and receive satisfactory answers to each of them, before buying a new policy, or renewing an existing one,” said Michael Barry, vice president, Media Relations, I.I.I.

A qualified insurance agent or insurance company representative can guide you in your choices. Here are six basic questions everyone should ask before buying or renewing a homeowners insurance policy:

1. How much would it cost to rebuild my home in its current location in the event of a total loss? Your homeowners insurance policy should cover the cost of building a new home from scratch. Your insurance agent or insurance company representative will have knowledge of your neighborhood, and familiarity with the construction materials used when your home was

originally built and can accurately calculate this cost. In general, homeowners policies cover partial or total damages caused by fire, hurricane, hail, lightning or any other disaster listed in your policy. Flood and earthquake-related losses must be insured separately because both perils are excluded in standard homeowners insurance policies.

2. How much is the personal property in my home worth in the event of a total loss? Your homeowners insurance policy should cover the cost of replacing all personal property (furniture, appliances, clothing) should it be stolen or destroyed by fire, hurricane or another insured disaster. Most companies provide personal property coverage equal to about 50 to 70 percent of the amount of insurance you have on the structure of your dwelling. So if you have \$100,000 worth of dwelling protection, most insurers would recommend \$50,000 to \$70,000 worth of personal property coverage. The best way to determine if this recommendation is appropriate for your specific situation is to conduct a home inventory. To make creating your inventory as easy as possible, the I.I.I. provides free Web-based home inventory software, [Know Your Stuff®](#). The software includes secure online storage so you can access your inventory anywhere, anytime. If you have an iPhone, you can also download the new Know Your Stuff® - Home Inventory app in the [iTunes App Store](#) (or search for “iii inventory”).

3. How much liability protection do I need? Liability covers you against lawsuits for bodily injury or property damage that you, or your family members, cause to other people. It also pays for damage caused by your pets. The liability portion of your policy pays for both the cost of defending you in court and any court awards—up to the limit of your policy. You are also covered not just in your home, but anywhere in the world. Liability limits generally start at about \$100,000. Most insurance agents and company representatives recommend that you purchase at least \$300,000 worth of liability protection. If you have significant assets and need more liability protection than is offered under the standard homeowners policy limits, ask your agent about [umbrella liability](#).

4. What level of additional living expense coverage do I need? The Additional Living Expenses (ALE) provision is found in standard homeowners insurance policies. It pays for the costs of living away from home if you cannot reside there due to damage from an insured disaster. ALE covers hotel bills, meals and other expenses over and above your customary living expenses. ALE coverage differs from company to company. Many policies provide coverage equal to about 20 percent of your dwelling protection. For example, if the structure of your home is insured for \$100,000, you would have \$20,000 of ALE coverage. Some companies impose a time limitation, such as 12 to 24 months.

5. Should I buy a separate flood and/or earthquake insurance policy? There were numerous flooding events and earthquakes in the U.S. in 2011 but relatively few Americans had coverage for either type of natural disaster because these perils are excluded from standard homeowners insurance policies. Check with your insurance agent or insurance company representative to see whether you might need specialized coverage beyond your standard homeowners insurance policy. Flood coverage for homeowners is available from the federal government’s [National Flood Insurance Program](#) (NFIP) and from a few private insurers.

Earthquake coverage is usually available in the form of a supplemental policy from your insurance company, or, in California, from the [California Earthquake Authority](#). Fire and water damage due to burst gas and water pipes following an earthquake is covered under standard homeowners policies in most states.

6. Do I qualify for any discounts? If you have smoke detectors, burglar alarms and/or dead-bolt locks in your home, you can often get a premium rate discount. Sophisticated sprinkler systems and alarms that ring at monitoring stations often reduce your homeowners insurance premium, too. Ask your agent or company representative about discounts available to you. If you are at least 55 years old and retired, for instance, you may qualify for a discount of up to 10 percent at some companies. If you have completely modernized your plumbing or electrical system recently, a few companies may provide a price break.

The I.I.I. also advises homeowners to take the time to review and understand their coverage choices by taking an annual homeowners [checkup](#).

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