

Homeowners Coverage – Part 1

Generally, a homeowners insurance policy includes at least six different coverage parts. The names of the parts may vary by insurance company, but they typically are referred to as Dwelling, Other Structures, Personal Property, Loss of Use, Personal Liability and Medical Payments coverages. They are usually presented as policy sections and are often labeled Coverages A through F. This article discusses Coverage Parts A, B, and C, which protect property.

Coverage A, Dwelling

The homeowner policy's first coverage section protects your house and any attached structures, such as garages, decks or fences. The typical policy covers your home when it is damaged by many perils (also known as causes of loss) including fires or storms. However, the following causes of loss are usually excluded from coverage under the homeowners policy:

- Earthquake
- Flood
- Faulty maintenance
- Damage from insects or vermin
- Wear and tear, gradual damage or deterioration

Coverage B, Other Structures

This coverage section protects structures that are not attached to the home, such as a detached (separate) garage, storage or utility shed, playground equipment and swimming pools.

Coverage C, Personal Property

This covers your possessions, whether they are at your home or away with you on vacation. Personal property is often covered on a named peril basis. This means that only the causes of loss listed in the policy section are covered. The coverage is also subject to limitations and exclusions. Types of property having significant value, such as jewelry, fine arts, collectibles, etc., may require special protection. Talk to your agent about scheduling (adding) coverage on a floater which broadens and extends coverage for high-valued possessions.

Actual Cash Value vs. Replacement Cost

Commonly, protection under sections A and B is provided on either an actual cash value or a replacement cost basis. Actual cash value is defined as replacement cost minus depreciation. Replacement cost is the actual cost to replace the structure, regardless of depreciation. Check your policy to see which type of coverage you have. Coverage under section C is usually provided on an actual cash basis. However, your agent may be able to add replacement cost to your possessions just like that found in Coverage A.

Please be sure to read Part two, which briefly discusses other coverage.

COPYRIGHT: Insurance Publishing Plus, Inc., 1996, 2003, 2010

All rights reserved. Production or distribution, whether in whole or in part, in any form of media or language; and no matter what country, state or territory, is expressly forbidden without written consent of Insurance Publishing Plus, Inc