

What You Need to Know Before Buying Homeowners Insurance

Presented by: East Harlem Insurance Brokerage

It's the biggest investment you'll ever make – buying a home. With that kind of commitment, you owe it to yourself to protect it.

The main reason people decide to buy homeowners insurance (HOI) is to protect your home from financial risk in the event of a loss, but it's actually considerably more complicated than that. There are coverage options, limits, exclusions and more, so, before you begin shopping for HOI, you may want some background information, as below:

The three types of HOI coverage options

There are three types of home insurance coverage available; each one differs according to types of risks and the structure of your home, so it's important to understand each type in order to select the appropriate coverage.

HO-1: This is the most basic type of homeowner's coverage, providing some protection against fire, theft, hail, lightning and more. Because most buyers want broader coverage available in other HOI types, this option is not widely available and may be difficult to find.

HO-2: This form covers the same type of damage as HO-1. It protects against damage caused by natural disasters such as wind, rain and hail. Protection for theft, riot and vandalism is included, and damage from winter related storms, such as snow and ice, which could cause property damage such as roof collapse or burst pipes, is usually covered as well.

HO-3: This coverage is normally referred to as "all-risk" or "open-peril" insurance, protecting your home against damage or loss, and covering all types of perils with the exception of flood, earthquake, and nuclear accident.

Personal property is not covered under HO-1 and HO-2, but is usually covered under HO-3 up to a maximum amount. Also, this type of policy usually covers loss of use, which pays for living expenses while your home is being repaired or rebuilt after a loss.

Ask yourself – and your agent – these questions

Once you're familiar with the three main HOI types, you'll need answers to your questions:

- First, you need to decide whether to choose replacement cost or actual cash value for your personal property.

The issue here is whether you want to be reimbursed for a loss or damage to your property based on its current cash value or by the amount it would cost now to rebuild your home exactly as it was before?

If you've lived in your home for a long time and it has appreciated considerably over the years, selecting replacement cost coverage instead of cash value may be well worth the little extra money you'll pay for it.

Note that if you haven't updated your policy recently, you may not receive enough money in an insurance claim to rebuild your home at current costs due to inflation. If you think you may be in this situation, consider discussing it with your agent sooner rather than later.

- You should also know exactly what isn't covered by your home insurance policy.

For example, ask your agent if you'll need to purchase additional flood insurance, which is not included in any HOI policy; it is obtained through the National Flood Insurance Program.

- Don't forget to ask about discounts: you may get credit for an installed alarm system or for having other policies with the same insurer.

Ready to buy?

If you're confused about what coverage is best for you, your agent will be able to answer all your questions. And remember, your situation may be completely different from your neighbor or your relatives. Your agent is a trusted professional who has helped many homeowners and will be able to find exactly the right policy for you and your family.

Unfortunately, many people wait too long to buy or upgrade their HOI, and are caught short in a catastrophe. Don't be one of those people.

This information was presented by:
East Harlem Insurance Brokerage
www.eastharleminsurance.com
www.facebook.com/easthib
646.504.6961

This article and any information contained herein is intended for informational purposes only and should not be construed as legal advice. The publisher will not be responsible for errors or omissions or any damages, howsoever caused, that result from its use. Seek competent legal counsel for advice on any legal matter.