

What Is Homeowners Insurance?

Homeowners insurance protects you financially from losses related to the home you own or are purchasing. (If you rent your home, you would need insurance for renters.)

If your home is damaged or destroyed by a fire, homeowners insurance can cover the repair or rebuilding of your home. If thieves rob your home or vandals damage it or your personal property, homeowners insurance can cover the repair, replacement or recovery of that property. If you are sued by someone who is injured in your home, you can turn to your homeowners insurance for help. If you find yourself liable for damage to someone else's home or property, your homeowners insurance can protect you from financial destruction.

These are all examples of what insurers call a "covered event" — that is, a risk or a loss that the insurance company will compensate you for if something happens to your home or its contents — or if you become responsible for a loss related to someone else's home and property. Specific covered events vary depending on the insurance company and the policies it offers.

A standard homeowners insurance policy generally includes four types of coverage: structure, personal property, personal liability, and added living arrangements. Depending on the policy you choose, there may be limits on the types of covered events and the amounts that will be paid if you suffer a loss resulting from a covered event.

Your Trusted Choice Independent Insurance Agent® can help you determine which option is best for your home and your specific situation.

Is Homeowners Insurance Required?

If you own your home outright, there is no law requiring you to have homeowners insurance. But without it, you risk losing your entire investment. Also, you are financially vulnerable to lawsuits if someone is injured on your property. And you don't have the financial protection offered by a homeowners policy should you cause damage to someone else's home or personal property.

Lenders understand the risks of home ownership. If you need a home equity loan or a mortgage on your house, the bank or mortgage company will require you to purchase homeowners insurance in order to protect their own investment in your home. As well, if you want to buy a new home and need a mortgage loan, you will be required to purchase and show proof of homeowners coverage before settlement.

Why Is Homeowners Insurance Important?

Even though homeowners insurance isn't legally required, it is essential for your financial protection. Homeowners insurance can help cover the significant costs of repairing the damage to your home after an accident or disaster and can rebuild your home if it is destroyed.

In addition, through its liability coverage, homeowners insurance can cover the potentially high costs involved if someone is injured on your property or if you are sued for negligence or property damage.

Liability coverage will cover the medical bills of the injured party and can cover legal fees as well as financial damages.

What Exactly Does Homeowners Insurance Cover?

Standard homeowners policies typically include these four critical coverages:

1. **Dwelling or structure.** This coverage will help you repair or rebuild your home if it is damaged or destroyed. Exterior and interior elements of your home are covered — for example, the foundation, walls, roof, and the electrical and plumbing systems.
2. **Personal property or belongings.** This coverage would include theft of personal property and damage caused by covered circumstances, up to the financial limits specified by the policy. Some examples of belongings include clothing, furniture, appliances, or electronics. However, if you own valuables, such as jewelry, musical instruments, antiques, collectibles or fine art, you will likely need additional coverage — often called endorsements — for those items. Standard coverage may not be sufficient to cover a major loss.
3. **Personal liability.** This coverage protects you financially if someone is injured on your property, or if you or a family member accidentally damage someone else's property or belongings. Personal liability can cover medical care and repair or replacement of damaged property. It also can protect your finances in case you are sued. Your Trusted Choice Independent Insurance Agent can explain the details of your own personal liability coverage.
4. **Added or additional living costs.** If your house should become uninhabitable because of a disaster, your homeowners insurance can pay for alternative living arrangements while your home is being repaired or rebuilt. Depending upon your insurance company and the specifics of your policy, this may be included or may be an optional coverage. Your policy will specify daily and total overall dollar limits for this coverage.

In general, the amount of compensation for each covered risk or loss depends on several factors, including the type of policy and specific coverage limits. Specified losses will be covered up to stated dollar limits, and each policy will include a list of exclusions. Hazards that are covered by the standard homeowners policy include fire, wind, hurricanes, lightning strikes, or vandalism. However, earthquakes and floods are excluded from standard coverage.

Because every insurance company sells policies with different coverages, limits and exclusions, it's important to work with your Trusted Choice independent agent to find the right policy for your unique needs.

Depending on your circumstances, you may choose to add extended coverages to your policy. For example, you may consider additional liability protection such as an umbrella liability policy, and depending on where you live, you may need flood insurance. Your Trusted Choice agent can review your policy with you in detail to make sure you understand your exact coverages, exclusions, and policy limits. Your agent can also help you determine whether you need additional coverage.

How Does Homeowners Insurance Work?

Home insurance acts as a financial safety net for your home. If your home or property is damaged, or if your belongings are damaged, destroyed, or stolen, you would call your Trusted Choice agent to begin the insurance claims process. After your claim is filed, an adjuster will assess the damage and determine the compensation your policy allows.

The financial compensation you will receive depends upon several factors including:

- The limits set on your policy, both for your structural property and your belongings.
- Whether the damage is caused by a covered event, or hazard.
- The deductible amount you must pay out of pocket.
- Whether you have chosen actual cash value (depreciated value) or the replacement value of your home and belongings.

How Much Does Homeowners Insurance Cost?

A number of factors affect your homeowners insurance premium, or the annual cost of your insurance. These include such things as the value of your home, the age of your home, where your home is located, the policy limits you select, the specific type of coverage, and the deductible amount you choose to pay.

Average home and building costs can vary from state to state. As a result, annual insurance premiums can range anywhere from several hundred to several thousand dollars annually, depending on your home and the policy you choose. If you pay a higher premium to obtain additional coverage or higher limits, you will have better financial protection in the event of a loss.

There are many considerations to keep in mind when buying homeowners insurance. But there is help available! Your Trusted Choice agent is a trained professional who can analyze your needs and comparison shop among many insurance companies for the homeowners policy that is most appropriate for you and your budget.

How Are Homeowners Insurance Premiums Paid?

If you have a mortgage on your home, your lender will probably require you to pay the amount of your annual insurance premium into an escrow account. An escrow payment is typically included in the total monthly mortgage payment. When you pay into an escrow account, your lender is assured that there are enough funds set aside to pay your homeowners insurance — and often your property taxes as well. Then, when your homeowners insurance premium is due, your lender pays it from the escrow funds on your behalf.

If you change homeowners insurance companies, be sure to inform your mortgage lender. You will likely have to provide your lender with your new policy information so that your policy will be paid with no issues or delays.

Some home loans also require mortgage insurance, particularly if your loan exceeds 80% of the value of your home. Be aware that mortgage insurance does not cover your home or property. It protects the bank if you should default on your mortgage loan.

If you do not have a mortgage on your home, you can pay your premiums directly to your insurance company. Most homeowners insurance companies offer various payment options.

Is Homeowners Insurance Tax Deductible?

Your insurance premiums are typically not tax deductible except under special circumstances. If you're a landlord or a homeowner who uses part of your home for business purposes, you may be able to deduct a portion of your homeowners insurance. A tax adviser is your best resource in determining what you can and cannot deduct on your taxes.

Can Your Homeowners Insurance Be Cancelled?

It is important to understand the difference between a homeowners insurance non-renewal and a policy cancellation.

If your insurance company informs you that your homeowners policy is not being renewed at its expiration date, you must find another homeowners insurance provider. Your insurance company must give you adequate time to shop for new coverage.

If you fail to pay your premium, your homeowners insurance company can cancel your policy. The company also can cancel your policy due to fraud or misrepresentation on your part. The company must notify you that your policy is being cancelled. As well, the company must notify you in advance in writing if your policy is being cancelled for non-payment of premium.

How Much Homeowners Insurance Do I Need?

Your homeowners insurance should be sufficient to cover the costs of rebuilding the structure of your home, replacing its contents and your personal belongings, as well as reimbursing you for the additional living expenses you'll incur if your home becomes uninhabitable. It should also cover your personal legal liability.

Here are some general guidelines for each type of coverage:

Structure. Be sure to insure your home for its replacement value. The amount your home could be sold for is not a good indicator of its replacement value. Also, a mortgage lender may only require insurance that covers the amount of your mortgage, but your insurance should cover the cost of completely rebuilding your home. You will need to have an accurate estimate of your home's value in order to determine the amount of coverage you need. Many factors affect the cost of rebuilding your home, from the construction costs in your area to the type of construction materials used in your home. Your Trusted Choice agent can work with you to help you determine the true replacement value of your home.

Remember that if you renovate, upgrade, or add an addition to your home, you have changed its replacement value. You should inform your insurance agent, who can tell you if your policy and coverage need to be modified.

Personal belongings. Most policies cover your personal belongings at 50% to 70% of your home's value. It's wise to conduct a documented inventory of your personal belongings to find out how much coverage you need to insure them at replacement cost. If you own very valuable items, such as jewelry or antiques, you may need to purchase a personal articles policy or additional "rider" that can provide more complete coverage.

Liability. Some advisers suggest purchasing as much liability coverage as you can afford. A basic policy might include \$100,000 to \$300,000 of liability coverage. Considering the cost of personal injury lawsuits, you may want to purchase liability insurance with higher limits, such \$300,000 to \$500,000. For even more financial protection, you may want to consider an additional umbrella policy, which can add another \$1 million or more in liability coverage. An umbrella policy is particularly suggested for anyone with specific liability concerns or who has assets to protect that are more valuable than average.

Where Can I Get Homeowners Insurance?

If you're buying your first home, you should begin considering homeowners insurance when you start searching for your house. You will also want to assess your personal needs and circumstances in order to determine the right type and amount of coverage.

Choosing an insurance policy based on price alone can be risky — as you will probably not get adequate coverage or the right type of coverage. Remind yourself that purchasing appropriate homeowners insurance is an excellent way to protect your investment in your home.

Your Trusted Choice agent is a professional who is trained to assess your needs and evaluate the options that will best fit your home and personal circumstances. Your Trusted Choice agent will help you compare quotes and policy types from a number of top insurance carriers. Your agent will do all the legwork for you to find the best value for your situation and will continue to help you as your needs change over time.

Contact your local Trusted Choice Independent Insurance Agent today for personalized homeowners insurance quotes. It's easy. Just click "Find an Agent" at [TrustedChoice.com](https://www.TrustedChoice.com).