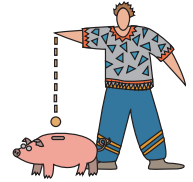


Home Insurance Basics

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What does homeowners insurance cover?

How much do I need?

Homeowners insurance, sometimes called property insurance, provides three basic types of coverage:

- The cost of rebuilding or repairing your home and the structures around it (e.g. detached garage, greenhouse)
- The cost of replacing or reimbursing the value of personal property that you own
- Injury to others or damage to their property caused by you, whether at home or away from home

There are three common types of property insurance coverage under homeowners policies (HO-1, HO-2 and HO-3), and they provide increasingly more protection, the higher the number.

HO-1 covers the insured for specific risks—fire or lightning, windstorm or hail, explosion, riot, damage caused by aircraft or other vehicles, smoke, vandalism, theft, breakage of glass, or volcanic eruption—but *does not include coverage for personal property*.

HO-2 policies cover all the risks covered by an HO-1 policy and adds coverage for specific perils—weight of ice, snow or sleet; collapse of building; leakage or overflow of water or steam from plumbing, heating or air conditioning system; cracking, burning, or bulging of a steam or hot water heating system or of appliances for heating water; freezing of plumbing, heating and air-conditioning systems and domestic appliances; sudden and accidental injury from artificially generated currents to electrical appliances, devices, fixtures and wiring—but *also does not include coverage for personal property*.

An **HO-3** policy is a comprehensive policy. Rather than listing specific perils it will cover, an HO-3 policy insures against **all** perils, *except* things that are specifically named as exclusions, such as flood, earthquake, war, nuclear accident and others which a specific policy may choose to exclude. This comprehensive policy *also does include coverage for personal property*.

Homeowners policies also provide coverage for personal liability and medical payments to others if you cause bodily injury or property loss to them through your own negligence or if their injury or loss takes place on your property. Policies also may provide coverage for “loss of use,” which pays living expenses for similar housing while your home is being rebuilt or you can find a suitable replacement home.

Special policies are provided for condominiums (HO-6, which is the same as HO-2, but it has a special provision to allow for the undivided common interest in the condominium association) and market value insurance (HO-8, which provides coverage for homes with a value less than their replacement cost—coverage is similar to HO-1).

There is a “co-insurance” feature in most property insurance policies that requires you to have 80% (usually) of the replacement cost of your home insured to get full payment of replacement cost. Some policies offer, at a greater cost, guaranteed replacement costs. Be sure you know which type you have.

For informational brochures on a variety of insurance topics, see <http://insurance.mo.gov/index.htm>

For more information on home insurance, see <http://insurance.mo.gov/consumer/home/index.htm>

Sources:

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Weagley, R. Risky Business: Family Insurance Planning, GH3420, MU Extension, University of Missouri-Columbia, October 1993.

If you'd like to learn more about this and other personal finance topics, the University of Missouri offers 'Personal & Family Finance' a correspondence course, through the Center for Distance and Independent Study (800-609-3727). Information about this course is available at <http://cdis.missouri.edu/CourseInfo/DetailCourseInfo.asp?1985>.