

From the Insurance Information Institute:

A standard homeowners insurance policy includes four essential types of coverage. They include:

1. Coverage for the structure of your home.
2. Coverage for your personal belongings.
3. Liability protection.
4. Additional living expenses in the event you are temporarily unable to live in your home because of a fire or other insured disaster.

1. The structure of your house

This part of your policy pays to repair or rebuild your home if it is damaged or destroyed by fire, hurricane, hail, lightning or other disaster listed in your policy. It will not pay for damage caused by a flood, earthquake or routine wear and tear. When purchasing coverage for the structure of your home, it is important to buy enough to rebuild your home. Most standard policies also cover structures that are detached from your home such as a garage, tool shed or gazebo. Generally, these structures are covered for about 10% of the amount of insurance you have on the structure of your home. If you need more coverage, talk to your insurance agent about purchasing more insurance.

2. Your personal belongings

Your furniture, clothes, sports equipment and other personal items are covered if they are stolen or destroyed by fire, hurricane or other insured disaster. Most companies provide coverage for 50% to 70% of the amount of insurance you have on the structure of your home. So if you have \$100,000 worth of insurance on the structure of your home, you would have between \$50,000 to \$70,000 worth of coverage for your belongings. The best way to determine if this is enough coverage is to conduct a home inventory.

This part of your policy includes off-premises coverage. This means that your belongings are covered anywhere in the world, unless you have decided against off-premises coverage. Some companies limit the amount to 10% of the amount of insurance you have for your possessions. You have up to \$500 of coverage for unauthorized use of your credit cards.

Expensive items like jewelry, furs and silverware are covered, but there are usually dollar limits if they are stolen. Generally, you are covered for between \$1,000 to \$2,000 for all of your jewelry and furs. To insure these items to their full value, purchase a special personal property endorsement or floater and insure the item for its appraised value. Coverage includes “accidental disappearance,” meaning coverage if you simply lose that item. And there is no deductible.

Trees, plants and shrubs are also covered under standard homeowners insurance. Generally you are covered for 5% of the insurance on the house—up to about \$500 per item. Perils covered are theft, fire, lightning, explosion, vandalism, riot and even falling aircraft. They are not covered for damage by wind or disease.

3. Liability protection

Liability covers you against lawsuits for bodily injury or property damage that you or family members cause to other people. It also pays for damage caused by your pets. So, if your son, daughter or dog accidentally ruins your neighbor’s expensive rug, you are covered. However, if they destroy your rug, you are not covered.

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. However, experts recommend that you purchase at least \$300,000 worth of protection. Some people feel more comfortable with even more coverage. You can purchase an umbrella or excess liability policy which provides broader coverage, including claims against you for libel and slander, as well as higher liability limits. Generally, umbrella policies cost between \$200 to \$350 for \$1 million of additional liability protection.

Your policy also provides no-fault medical coverage. In the event a friend or neighbor is injured in your home, he or she can simply submit medical bills to your insurance company. This way, expenses are paid without a liability claim being filed against you. You can generally get \$1,000 to \$5,000 worth of this coverage. It does not, however, pay the medical bills for your family or your pet.

4. Additional living expenses

This pays the additional costs of living away from home if you cannot live there due to damage from a fire, storm or other insured disaster. It covers hotel bills, restaurant meals and other expenses, over and above your customary living expenses, incurred while your home is being rebuilt.

Keep in mind that the ALE coverage in your homeowners policy has limits, usually a percentage of the amount of coverage you have on your home, and some policies include a time limitation. But the amount of ALE coverage is *separate* from the amount available to rebuild or repair your home. For example, suppose you have a policy that provides up to \$150,000 in rebuilding costs and up to \$15,000 (10 percent) for ALE and you use up the entire \$15,000, your insurance company will still pay what it costs to rebuild your home up to the policy limit of \$150,000.

Coverage for additional living expenses differs from company to company. Many policies provide coverage for about 20 percent of the insurance on your house. You can increase this coverage, however, for an additional premium. Some companies sell a policy that provides an unlimited amount of loss-of-use coverage, but for a limited amount of time.

If you rent out part of your house, ALE coverage also reimburses you for the rent that you would have collected from your tenant if your home had not been destroyed.