

What Does Your Home Insurance Policy Cover?

Take a moment to see if you are adequately protected.

Not all home insurance policies are alike. Coverage amounts obviously vary, and so do coverage areas. Taking ten minutes to scrutinize what your policy does (and does not) cover is a wise idea.

Homeowner policies routinely provide tornado, windstorm, & hailstorm coverage. If a tornado, windstorm, or hailstorm damages your home or yard, the insurer will commonly pay out in response to your claim, unless your residence has somehow failed to qualify for such coverage.^{1,2}

How about hurricanes & floods? Here, basic coverage may not be enough. Most homeowner policies cover hurricane damage, but a hurricane frequently results in flooding. A flood is not usually a covered peril in a standard home insurance policy.²

In areas with serious flood risks, mortgage lenders often require borrowers to obtain flood insurance. Nationally, about a fifth of flood insurance claims are filed in regions that have low or moderate flood risks. If you live by a normally calm creek, river, reservoir, bay, or beach, you must decide if flood insurance is worth purchasing. You should consider it even if a creek, river, or reservoir near you is dry most of the year — flash floods, for example, can wreak havoc in a desert community.³

How about earthquakes? If you live in quake country, you likely know that the standard homeowner policy will not cover earthquake damage. Just like those who consider an optional flood policy, you must conduct your own informal cost-benefit analysis: is the extra coverage worth the money?³

Many homeowners decide against buying hurricane, flood, and earthquake insurance. They see this supplemental coverage the same way they see long-term care insurance — a lot of money spent for something they may never need. Their decision may come to haunt them, however. One temblor, one storm, or one rising river may impact them more than they could imagine.

How about fire & lightning? The answer is yes — homeowner policies commonly provide coverage against lightning damage as well as damage from fire and smoke. Explosions from gas leaks may also be covered, at least under most circumstances.¹

What about sewer problems? Damage caused by leaking or ruptured septic tanks, sump pumps, and sewer systems is usually not covered in a home insurance policy. You can often attach a rider to a policy to gain that kind of protection.³

How about theft? Coverage against larceny — the theft of real property — is common in any homeowner policy. Limits are set on coverage of art, antiques, collectibles, and jewelry, but they can be raised. They may need to be raised because, in some instances, the payout may fall short of the full value of what was stolen. All homeowners would do well to keep a home inventory checklist of valuable items on their property, complete with some kind of visual record.¹

You may want to add some business coverage if you work at home. That coverage should be tailored according to the nature of the work you perform, and it may need to include inventory or liability coverage. An umbrella liability policy could also come in handy, especially if you have

clients coming over to your home or you provide goods and services to others as a function of your work.

What events will home insurance not protect you against? You will be hard-pressed to find any homeowner policy that offers protection against terrorist acts, acts of warfare, nuclear accidents, or movements of the earth (earthquakes, mudslides, landslides, and sinkholes). Some things are very difficult or nearly impossible to imagine, predict, or guard against.

Renters need insurance, too. If you rent rather than own, you can still face many of the risks mentioned in this article. If you lack renter's insurance, think about getting a policy — it may be cheaper than you assume.

[Contact us](#) for homeowners insurance.

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Citations.

1 - cleveland.com/insideout/index.ssf/2017/01/home_insurance_tips_kids_sewin.html [1/12/17]

2 - 360financialliteracy.org/Topics/Home-Ownership/Homeowners-Insurance/Windstorms-Hurricanes-and-Tornadoes-Are-You-Covered [1/19/17]

3 - realestate.usnews.com/real-estate/articles/do-you-need-additional-home-insurance/ [2/18/16]