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News Release

Homeowners Insurance- Getting the Right Coverage at the Right Price

Homeowners insurance can be a complex product because it has so many facets. This article explains the most important provisions and suggests the best way to make certain that you have adequate coverage.

Dwelling Coverage

The biggest mistake most people make with their homeowners policy is not having adequate coverage on their dwelling. If fire, flood, windstorm, or earthquake destroys your home, would your insurance policy pay to rebuild your home back to its current condition? If you are not sure of the answer to this question, then you should take steps to make certain you have 100% coverage.

Liability Coverage

Your homeowner's policy also includes liability coverage that protects you if someone gets hurt at your home. Real life examples include the back deck falling with people standing on it, your dog biting a neighbor, someone slipping on a mossy sidewalk and injuring his or her spine, or a neighbor drowning in your pool. How much coverage should you purchase? The maximum coverage, typically \$500,000, is recommended, in addition to purchasing coverage with a separate Umbrella Liability policy. There are two separate functions with an Umbrella Liability Policy. The first one is to provide excess coverage in instances where a liability loss covered under the basic policies exceeds the limit of those policies. The second function of the umbrella is to establish broader coverage than what the basic contract provides.

Personal Property

The personal property portion of your policy covers all your furnishings, jewelry, clothing, etc. Check your policy to determine if personal property items such as expensive jewelry, watches, cameras, artwork, antiques, coin collections, and silverware are fully covered under your policy. These items require separate scheduling under additional premiums.

Renters Insurance

For those of you who rent, you will need at least basic insurance coverage for your personal property and for liability. Remember, if someone were to get hurt while on your premises, you could be held liable.

With all the complexities of homeowner's insurance coverage, you may be wondering how you can make certain that you have both adequate and appropriate coverage. Consider writing your agent a letter requesting a complete review with your goal being to make certain that your coverage is adequate in all respects. This written request has the effect of shifting the responsibility to your agent.

You want to have appropriate coverage and reasonably low premiums. The best way to do this is by raising your deductible. Higher deductibles are beneficial in two ways. First, they lower your premiums and second, it means you are self-insuring the smaller claims. This makes sense because if you turn in a small claim, many companies will either raise your premiums or refuse to insure you at all.

By looking carefully and asking questions about your homeowner's policy, you will know exactly how much coverage you currently have and if you are under or over insured.

For more information on this or related topics, contact Ruth Brock, Regional Extension Agent for Consumer Science and Personal Financial Management. You can reach her at the St. Clair County office at (205) 338-9416 or email at brockru@auburn.edu.

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