

What are the Coverage Characteristics of Home Insurance?

Home insurance is a unique type of insurance because its coverage extends beyond what most types of insurance would normally cover. For example, auto insurance only covers damage and liability situations relating to automobiles. Everything else is not included. Home insurance, on the other hand, insures much more than just the physical dwelling you reside in. Most policies come with the following six sections of coverage:

- Coverage A: Dwelling
- Coverage B: Other Structures
- Coverage C: Personal Property
- Coverage D: Loss of Use
- Coverage E: Liability
- Coverage F: Medical Payments to Others

The six most common coverage characteristics of home insurance are typically broken down into two sub-sections; coverage that relates to physical damage of property, and coverage that relates to liability situations.

Home Insurance Coverage Characteristics That Pertain to Damage

Six standard coverage sections apply to over 95% of all home insurance policies in the United States. Of those six sections, four deal with damage to the dwelling or the personal property of the insured, while the other two deal with liability issues that can arise in or around the home. The four sections that pertain to damage are dwelling, other structures, personal property, and loss of use.

Home Insurance Dwelling Coverage

Dwelling coverage is the first of the six standard sections of coverage. When most people think of home insurance, this is the coverage they think about. Dwelling coverage insures the actual house (the building), plumbing, heating, air conditioning, and any other attached structures to the house.

About 4 years ago I bought my first house. I insured that house for \$125,000. That \$125,000 went exclusively to dwelling insurance coverage, and not anything else. This will be the same for almost everybody who has a home insurance policy.

It is also important to note that land is never insured with a home insurance policy. Your dwelling coverage is strictly and exclusively for your home.

Other Structures Coverage

Other structures coverage is much like dwelling insurance coverage, except that instead of insuring the house, it insures any structure on the property that is not attached to the house. My first home had a small shed in the back, a wooden fence, and a mailbox out front. These structures were covered under the other structures portion of my insurance.

The most common structures that this coverage insures are detached garages, fences, mailboxes, sheds, retaining walls, driveways, and pools. Any structure that is on the property but not directly attached to the home should get coverage under this portion of the home insurance package.

Personal Property Insurance Coverage

Personal property insurance refers to coverage for all the stuff you have in your home. Basically, anything in the home that is not attached to the home is typically referred to as personal property. Your couch, beds, appliances, clothes, jewelry, and everything else you own falls into the category of personal property coverage.

In a standard insurance policy, your personal property insurance coverage amount ranges from 40 - 60% of your dwelling insurance coverage. My first home was insured for \$125,000, and included in that was \$62,500 in personal property coverage. My policy happened to insure my personal property at 50% of my dwelling coverage ($125,000 \times 50\% = 62,500$), which falls in the standard range.

Loss of Use Coverage

Loss of use coverage is the final of the first four standard insurance coverage sections that come with most home policies. Loss of use insurance is included in your policy to ensure that you never go without a place to stay. If your home is damaged by a covered peril to the point where you can't live there, loss of use coverage kicks in.

Loss of use insurance reimburses you, the homeowner, for additional living expenses you may incur while your home is being repaired. The most common uses of this coverage are for additional rent, food, and travel expenses. For example, if my home was unlivable and I needed a new place to stay while it was being repaired, I could reasonably expect my loss of use coverage to pay for:

- \$1,200 a month to pay for my extended stay apartment/hotel
- \$200 a month to pay for additional food expenses for not being able to cook at home
- \$50 a month for extra gas money due to longer travel distance to and from work

These are the types of items that you might see on a typical loss of use claim. Keep your receipts!

Home Insurance Coverage Characteristics That Pertain to Liability

The final two sections of coverage included in the standard home insurance policy are for liability purposes. The first is referred to as liability, the second as medical payments to others. These two

coverage sections don't deal with property of any kind, but rather liability situations that may arise at or around the home.

Home Liability Insurance Coverage

When you purchase home insurance, it almost always comes with home liability insurance. This liability insurance protects you from nearly any liability situation that you may be involved in. It covers home insurance liability situations as well as liability situations that happen away from the home!

One of the greatest things about home insurance liability coverage is that it will protect you from liability issues in many situations. For example, I love to play softball. In softball, there are a lot of potential lawsuit situations. Many times I foul balls that fly over the backstop and come very close to hitting cars. If one day I do hit a car and the owner sues me for negligence, my home insurance liability will cover the lawsuit for me!

Above is just one of the many examples of liability insurance that is covered through your home policy. There are also liability situations that nearly all home insurance companies will not cover, however. Liability situations arising from slander, libel, car, boat, and aircraft confrontations are typically all excluded from home insurance liability.

Medical Payments Coverage

The final coverage included in the standard home insurance package is medical payments to others. Medical payments insurance is meant to cover the bill for minor injuries that may happen to people visiting your home and/or property (and thus don't live in your home). The following are a few examples of when medical payments insurance may apply:

- A distant relative trips on your stairs and breaks his ankle.
- A neighbor slips on ice in your driveway, injuring her back.
- A friend's child breaks his arm jumping on your trampoline.

One important thing to note about medical payments insurance is that it's not meant to cover serious injuries; most policies have only about \$5,000 of coverage. Medical payments coverage is included to prevent large lawsuits arising from situations where small medical expenses could be covered rather easily.