



# HOMEOWNER'S INSURANCE

*Prioritize these essential coverages*

## DWELLING

Covers repair or rebuilding costs for your home's structure (including attached features like garages) if damaged by perils such as fire, windstorms, or vandalism. Verify that the coverage amount reflects your home's current rebuilding cost, not its market value.

## PERSONAL PROPERTY

Protects belongings (furniture, electronics, clothing) against theft or damage from covered events. Policies typically cover 50–70% of your dwelling coverage limit. Conduct a home inventory to assess adequacy, and consider riders for high-value items like jewelry or art.

## LIABILITY PROTECTION

Shields you from legal/financial responsibility for injuries or property damage caused by you, family members, or pets. This includes legal defense costs and settlements up to policy limit.

## ADDITIONAL LIVING EXPENSES

Covers temporary housing, meals, and other costs if your home becomes uninhabitable due to a covered event. Check for time or monetary limits in the policy.

## OTHER STRUCTURES

Applies to detached structures (sheds, fences, gazebos), typically up to 10% of your dwelling coverage.

## MEDICAL PAYMENTS

Pays for minor medical expenses (e.g., guest injuries on your property) regardless of fault, avoiding liability claims.

## EXCLUSIONS TO ADDRESS

Standard policies exclude floods, earthquakes, and maintenance-related damage. Purchase separate flood insurance (via NFIP) or earthquake endorsements if needed.



## HOW TO DETERMINE THE RIGHT AMOUNT OF DWELLING COVERAGE

*Focus on the replacement cost of your home, which differs from its market value or purchase price. By prioritizing these steps, you'll ensure adequate coverage to rebuild your home after a total loss without unexpected out-of-pocket expenses.*

- 1. CALCULATE REPLACEMENT COST:** Multiply your home's square footage by local construction costs per square foot, then adjust for features like custom cabinetry, roofing materials, or built-in appliances. For example, a 2,000 sq. ft. home in an area with \$150/sq. ft. rebuild costs would require \$300,000 in coverage.
- 2. ACCOUNT FOR UNIQUE FACTORS:** Consider architectural style, age, number of stories, and recent renovations. Custom-built homes or specialty materials (e.g., slate roofs) may increase replacement costs.
- 3. ADD INFLATION PROTECTION:** Opt for Extended Replacement Cost Coverage (adds 20–50% to your limit) or Guaranteed Replacement Cost Coverage (covers full rebuild costs regardless of limits) to address rising labor/material prices.
- 4. VERIFY WITH TOOLS OR PROFESSIONALS:** Use insurer-provided replacement cost estimators or consult an agent for accuracy. Many insurers conduct on-site inspections post-purchase to validate coverage amounts.
- 5. AVOID COMMON PITFALLS:** Market value  $\neq$  replacement cost. Land value and market trends don't affect rebuild expenses. Depreciation: choose replacement cost value (no depreciation) over actual cash value (depreciated payouts).
- 6. REVIEW ANNUALLY:** Update coverage limits to reflect inflation, local construction cost changes, or home improvements. Over half of homeowners fail to review policies yearly, risking underinsurance.