
Shelter from the Storm - Understanding the Basics of Homeowners Insurance



DWELLING ON DWELLINGS:

By **Brad Boisvert**

If you're getting a mortgage, the question is not whether you should get homeowners insurance. It's what kind and how much.

As the name suggests, homeowners insurance protects you if your home is damaged or destroyed. Your lender will require to you get homeowners insurance before your mortgage is approved. The premiums -- perhaps a few hundred dollars a year -- are usually paid through escrow and your monthly house payments.

So as you shop around for the best policy, what should you look for? Consider the following:

- In 1998, Northern New England experienced the worst ice storm in recorded history, causing many limbs and trees to fall.
- In 1991, Hurricane Bob struck Southern New England but curved off the coast before it hit New Hampshire. Yet, it caused more than \$2.5 million in damages along the Seacoast region.
- The Blizzard of 1977 saw extensive damage along the Seacoast as high winds and water destroyed roads and homes.
- Just about every minute, a house fire starts somewhere
- Every 19 seconds, a home is broken into.
- Although rare in New England, tornadoes have been reported in every state.

Homeowners insurance can cover you from these types of losses. Typically, a policy will cover you for damage caused by fire and lightening, smoke damage, weight of ice and snow, windstorms and hail, tornadoes, explosions, theft, vandalism, and damage from vehicles. Standard policies, however, DO NOT cover damages caused by normal wear and tear, pets and animals, intentional misuse, war (disturbingly enough), nuclear accidents (equally disturbing), earthquakes, and floods.

You can purchase extra coverage for earthquakes and floods. (Note: the largest earthquake recorded in the 20th century in New Hampshire occurred in December 1940; the epicenter was west of Whittier and toppled some chimneys, broke some

water pipes, and cracked some walls. So could your New Hampshire home use some earthquake insurance? It may depend on how much of a worrywart you are.)

To determine if you need flood insurance, check your disclosure statement to see if your house is in a flood plain and research the flood history in your specific area. However, flood insurance is only available where the local government has adopted adequate flood plain management regulations under the National Flood Insurance Program.

Although most policies cover and exclude the same types of damage and phenomenon, not all insurance policies are the same. Before you close on your house, do some research and shop around. Ask at least three companies for quotes. You may be able to save some money by choosing higher deductibles and ganging your auto insurance and home insurance with the same company.

And, of course, there are different degrees of coverage. When securing quotes, pay careful attention to the varying degrees of coverage and deductibles for:

- **Personal property coverage:** In addition to protecting the physical structure of a home, homeowners policies cover personal property as well, including furniture, appliances, electronics, clothing, jewelry, and keepsakes. This coverage perhaps provides the best opportunity to play with the deductible to see how it affects your payments.
- **Liability coverage:** Typical policies will also cover you for damage that may be caused by your own negligence rather than a random weather peril. For example, if a visitor slips and breaks her nose on your icy front steps because you failed to scrape, shovel, and salt, your policy will cover her medical bills and other costs.
- **Additional living expenses coverage:** Check to see if the policy covers your living expenses if you have to live elsewhere while your house is repaired. If a fire, for example, renders your house uninhabitable, such coverage would provide the means for you and your family to pay for another place to stay. It may even cover food and other increased expenses, such as longer commutes.
- **Replacement cost coverage:** Some insurance policies will cover the depreciated cost of the item damaged; some will pay the entire cost of replacing that item. The difference can be significant.

Finally, it's important to not delay. If you wait to secure insurance until the last moment before closing, you may be persuaded to sign a policy that doesn't fit your needs just right. Researching your available options, policies, and companies can save you a good chunk of money.

Call a few local companies. Surf the Internet for more

information. And ask friends and neighbors how satisfied they are with their policies.

In short, cover the basics. Then cover your property.

Brad Boisvert is a real estate professional with RE/MAX Coast to Coast Properties in Portsmouth. Call him at 431-1111 ext. 3812 or e-mail bradb@worldpath.com.