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Marc A. Hebert's 'Money \$ense': Understanding your homeowner's policy

Oct 3, 2020

WE ALL KNOW we should read our homeowner's insurance policy. But who really wants to? The language, exclusions, conditions and so on are enough to get one's head spinning. There are, however, some common features that most policies will have. Once you understand these keys, your policy may become more comprehensible.

On a basic level, your homeowner's insurance policy helps protect you from certain property and liability risks. It covers your home and other structures on your property, such as sheds or detached garages. Your personal possessions are also included, although some may need to be separately scheduled. If someone suffers an injury on your property and you're at fault, your homeowner's policy may also cover the expenses.

Included in your policy are some pre-printed pages. These are mostly standard documents. The liability provisions are similar on each. The real differences are the extent to which property is covered and the type of structure the home is. For example, whether the building is a house or an apartment. Check your policy for forms HO-1, HO-2, HO-3, HO-4, HO-6, and HO-8 to find these.

The second set of items to look for are a declarations page, definitions, Section I, and Section II. Section I deals with property whereas Section II deals with liability.

The declaration page will be unique to you. It will summarize your coverage. Keep in mind it is just a summary — you will need to read your policy to truly understand your coverage. Usually the declarations page includes:

- The policy number;
- The period of coverage;
- The name and address of the primary insured;
- The name and address of your insurance agent;



- Where the insured property is located;
- Information on any lender associated with the policy;
- The coverage types and limits;
- The deductible and premium;
- List of any endorsements;

The definition part of the policy is important to read and understand. As the name implies, it includes the definition of any terms and an explanation of how the coverage works.

Section I will tell you what is and isn't covered by the policy. Some details you might see here are whether damages caused by perils such as fire, theft and hail are covered by the policy. Keep in mind that coverage is provided only if you meet the policy conditions and no exclusions apply. What is excluded will be detailed here. Be sure to review your policy limits. There are certain damages a typical homeowner's policy will not cover, such as flood and earthquake. You may need to purchase separate coverage for these.

As with Section I, Section II also details coverages, exclusions and conditions. This time it is for personal liability and medical payments to others. For example, if your neighbor falls and is hurt on your property, your policy could pay for the medical expenses under this section. You will want to see the limits of liability that your policy has for this coverage.

The other important aspect of a homeowner's policy is it may pay the legal defense costs if you are sued. Make sure you understand the provisions. If you intentionally hurt someone, it won't cover the damages. It also won't cover any business-related damages.

Make sure you understand what your policy will pay if you do have a property loss. Is it replacement cost? This will pay to replace what you had up to a maximum dollar amount. Your coverage could also be for actual cash value. This will pay the depreciated value to replace your items. The insurance company will pay claims only after you have paid your deductible.

Homeowner's policies can be quite complicated. Review yours and ask your insurance agent or a certified financial planner any questions to fully understand your coverage.

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