



Insurance: How much does a homeowner need?

Everybody who owns a home should get insurance on their property, and everyone who has a mortgage on their home must get an insurance policy. The lender will force you to carry a policy that covers fire and hazard insurance in order to protect their investment.

In Florida, you are required to take out windstorm insurance (i.e. protection against hurricanes). If you don't take out your own policy, the lender will take one out for you (which may be more expensive) and bill you for it. If you don't pay it, the lender can foreclose on your home.

Homeowners insurance policies are broken into two parts, property protection and liability:

1. The property portion reimburses you for damage to the home and contents. (You are not required by lenders to get contents insurance. They are only concerned with your personal items inside the house if their damage somehow devalues the home.) The amount of insurance coverage is usually based on the estimated cost of replacing the entire home.
2. The liability portion of the policy covers medical bills that occur as a result of people being injured on the property. For example, if a neighbor trips on your property and breaks his leg, or is bitten by your dog, you could be held liable. Your liability coverage will protect you against this type of expense.

When shopping for homeowners insurance you should get price quotes from at least three companies. Some insurance companies may give you a price break if you use them for both your homeowners and auto insurance policies.

Flood Insurance

One of the most important risk items excluded from most homeowners insurance policies is damage caused by flooding. In some areas that are labeled as being flood zones, the lender will require you to take out an additional flood insurance policy. In some cases you can purchase insurance from the government as part of the National Flood Insurance Program (NFIP).

Windstorm Insurance

Another exclusion in the standard insurance policy is "windstorm" damage. Pay careful attention to the "Hurricane" deductible. This may be a special deductible, different than your other deductibles in your policy.

Earthquake Insurance

Earthquakes are another risk not covered by the standard insurance policy. There have been problems with the availability of Earthquake policies. If you have trouble finding an earthquake policy, contact your state insurance commission.

Life insurance

Your family will be left with a financial burden if something happens to the primary (or secondary) wage-earner. Although we prefer not to think about this issue, it is the responsible thing to do. You should consider taking out a life insurance policy to protect survivors from this burden.

Things that can lower your premiums:

- * The higher the deductible, the lower your monthly premium will be. It doesn't make sense to have any deductible below \$500 or \$1000 because you won't want to put in claims for low-cost items, anyway.
- * Bundle auto and homeowners insurance
- * Smoke detector
- * Burglar Alarm system
- * Fire alarm: Centrally monitored, local (rings only at home).
- * Alarm System: Centrally monitored vs. rings only at home (local).
- * Distance to Fire Hydrants
- * Distance to Fire Station
- * Inside or Outside City Limits
- * Storm Shutters
- * New Home Discount (the age of your home matters)

How much insurance do you need? You should take out enough insurance to cover the cost of rebuilding your entire home if necessary. Take into consideration that construction costs have probably risen since the house was built, and cover any inflation. Although complete destruction of your home is rare, protect yourself as much as you can.

Always read the fine print of your policy. Check your policy carefully for limitations, exclusions and deductibles, such as landscaping, personal property, etc., so you cannot be taken advantage of by unscrupulous insurance companies.

Check the rating of any potential insurance company. Many second-rate insurance companies went out of business when hurricane Andrew hit South Florida, which caused delays in insurance payouts, leaving many people homeless with no way to pay for temporary living expenses. You should periodically review your policy to insure that you have the coverage you need and discounts you may be entitled to. Furthermore, take note of anything you may have added to your home, since the policy was initiated, that can reduce your premium.