

Home Insurance 101

Buying a home is one of the single largest investments that most people ever make. If you need to protect that investment, your main line of defense is homeowners insurance.

Just the basics

Most standard homeowners insurance policies will provide coverage for damage to your home (and many of the items in your home) caused by:

- Theft
- Fire and lightning
- Smoke
- Frozen pipes
- Ice and snow

Homeowners insurance also provides coverage for liability claims, medical payments to third parties, and legal costs if a lawsuit is brought against you. The most common amount of liability coverage included in a homeowners policy is \$100,000, but you may need much more, depending on your circumstances.

What's not covered?

Read your homeowners insurance policy to find out exactly what is and is not covered. Do this before you suffer a loss, so you won't be surprised. Most insurers exclude damages caused by an act of war, nuclear accident, flood, earthquake, and terrorism, although you may be able to purchase special policies or endorsements that will cover these events.

A diamond is forever. Or is it?

Most homeowners insurance policies limit coverage for certain high-priced or hard-to-replace items. Additional endorsements or floaters will be necessary to protect items like engagement rings, watches, furs, antiques, and other valuables. You'll need to have each item appraised.

How much is enough?

Mortgage lenders require that borrowers purchase a minimum amount of homeowners insurance (typically equal to the appraised value or the purchase price of the home). But this is often not the amount of coverage you truly need. Instead, find out how much it would cost to rebuild your home, and consider insuring it for that amount.

You get what you pay for

Are you willing to pay more to have damaged personal property replaced? If so, consider purchasing replacement cost coverage with your homeowners insurance. When it comes to valuing property, insurers generally use one of two methods. The first, actual cash value, pays you an amount equal to the replacement value of the property, minus depreciation for the years you owned the item. The second, replacement cost, is more expensive, but it pays you the full value of the item today, so that you can replace the old item with a new one.

How deep are your pockets?

To save money, consider choosing a deductible of \$250, \$500, or even \$1,000. In the event of a loss (e.g., water damage from a leaky roof), you'll be required to pay this amount out of your own pocket before your homeowners insurance takes over, but in the meantime, you'll save on premium charges.

Sound the alarm

Don't forget to tell your insurer if you have a home security system (e.g., fire, burglar, emergency). Most insurers offer discounts for such safety features. You may also qualify for a lower insurance premium if you live near a fire department or hydrant, own a newer home, own a home built out of fire-resistant materials, or get your auto insurance from the same company.

NOTE: Please remember, the lowest price does not always equal the best deal. Compare the coverage each policy offers, and check with your state's department of insurance to make sure that each company you're evaluating has a good reputation in the industry.

Please note that this description/explanation is intended only as a guideline.

Contact us:

**222 S. Main St.
Suite #2
Columbia, IL 62236**

**Local Phone: 618-281-1700
Metro IL Phone: 618-236-1500
Fax: 618-281-1701
Email: info@NowakInsurance.com**