

# Home Insurance Tips

## UNDERSTANDING THE BASICS

### Insuring Your Home

#### What is homeowners insurance?

Homeowners insurance is a policy covering your home (the structure) and its contents (personal belongings). It can save you from severe financial loss if your home is damaged or destroyed. It covers your family's possessions and can provide you with compensation for liability claims, medical expenses, and other amounts that result from property damage and personal injury suffered by others. Most lenders require homeowners insurance in order to obtain a mortgage.

For example, a homeowner's insurance policy can protect you against the following scenarios:

- A tornado or storm shattering your home's windows or scattering your roofing shingles across the neighborhood
- A burglar breaking into your home and stealing that figurine you inherited from your grandmother
- Your dog biting a neighbor or delivery person
- Physical therapy costs for a guest injured by a fall in your home
- A successful personal injury lawsuit brought by a neighbor the last time you practiced your chip shot in the backyard
- Damage from a vehicle crashing into your house

Homeowners insurance is also a way for condominium and cooperative unit owners, mobile home owners, and renters to protect their possessions from damage or theft, and to obtain liability coverage for property damage and personal injury suffered by others.

#### Who is covered?

Homeowners insurance protects more than just the owner of the house, condominium, or other property. Depending on your living situation, the following individuals are covered under your homeowner's policy:

- Named insured** - The insurance policy identifies the "Named Insured" (meaning the individual who is primarily insured under the policy), who is usually the same person named on a deed or lease as the owner or tenant, respectively. You, as the named insured, receive the most extensive coverage under your homeowner's policy, for you are covered by property insurance on your dwelling and other structures, in addition to personal property and liability insurance. Named insured condominium owners and renters do not receive such extensive coverage because they do not, on an individual basis, own their dwelling or other structures.
- Spouse** - If your spouse resides in your dwelling, then he or she is covered by personal property and liability insurance, even if he/she isn't identified on the Declarations Page as a named insured.
- Residents** - Individuals who reside in your dwelling are covered by personal property and liability insurance if they are your relatives (e.g., your children) or if they are under 21 years of age and in the care of any member of your family.
- Employees** - Housekeepers, au pairs, or gardeners, for example, are covered by personal property insurance.

•**Guests and other visitors** - Your guests and other invited visitors can typically be covered by personal property insurance so long as you contact the insurance company or your agent to request coverage.

### **What is covered?**

The property insurance section of your homeowner's policy protects more than just your actual home or dwelling. In most cases, your insurance company will reimburse you for damage or theft affecting:

- Your dwelling, any structures attached to the dwelling, and building materials and supplies that are stored near the dwelling and are used to construct, alter, or repair the dwelling or other structures on your property
- Structures on your premises that are not attached to the dwelling, such as a tool shed or detached garage
- Personal property such as the contents of your house like furniture, clothing, and stereo equipment, as well as outdoor items like sporting equipment and gardening tools

Generally, the coverage limit for other structures and personal property coverage is a set percentage of the dwelling coverage amount. If you wish, you can increase a policy's preset coverage amount by endorsement (see below).

### **Condominium or cooperative unit coverage**

If you own a condominium or cooperative unit, your homeowners insurance does not cover you for your entire dwelling space because you do not individually own the structure you live in. Instead, you are covered for your personal property and any portion of the unit you own under the terms of the condominium or cooperative documents. Renters are covered for personal property only because renters do not own any portion of the property.

Specific coverage in most cases, whether you own or rent a home, the homeowner's insurance company will reimburse you for costs, expenses, and other amounts related to:

#### **•Loss of use**

If your dwelling is not fit to live in because of damage covered by the policy, you should receive reimbursement for your family or household's living expenses while you wait to permanently relocate or wait for the dwelling to be repaired. A set coverage limit is always applied to a policy's standard loss-of-use coverage, but it can be increased by endorsement.

#### **•Liability**

If you or another insured are found responsible for personal injury or property damage suffered by another person, your insurance company will offer a settlement amount owed to that person. This is only true if carelessness or negligence, rather than intentional misconduct, caused the injury or damage. If an injured or damaged person brings a lawsuit, your insurance company should pay to defend you or any other insured named in the lawsuit. For example, you may be found negligent if a meter reader was injured by falling off your tricky cellar stairs because the railing was broken (and you knew about the situation but failed to repair it). You may be found liable for intentional misconduct if you cut down a tree on your neighbor's property to improve your view.

#### **•Medical payments to others**

If a nonresident requires medical assistance as a result of an injury suffered on or near your premises, your insurance company should pay his or her medical expenses. Injuries that take place away from your premises are also covered, as long as you, another insured, a household employee, or your pet caused the injury.

## **Open perils vs. named perils**

Your policy can also cover either open perils or named perils. A named perils policy specifies which perils are covered as well as which perils are not. Rather than covering a number of listed or named perils, an open perils policy covers you broadly against risk of direct loss to your dwelling and other structures, and also includes an extensive list of perils which are not covered.

## **What is not covered?**

There is a wide variety of damages, conditions, and costs that are not covered by homeowners insurance. Your insurance policy describes a number of situations that are specifically excepted or excluded from coverage (called exclusions). Some policies contain more exclusions than others. Your policy also describes certain conditions you must meet, and duties you must perform, in order for you to be covered. Terms and limitations that were originally included in your policy can be changed by a document called an "endorsement." For these reasons, you should carefully read your homeowners policy to learn the limitations and exclusions that apply to your specific situation. Here are just a few examples of situations when you may not be covered by a standard homeowner's insurance policy:

### **•Land**

Although the structures and possessions that lie upon a parcel of land are usually covered by a homeowner's policy, the land itself is not. This means, for example, you're not covered by your policy if your neighbor's pool overflows and contaminates your untilled garden.

### **•Coverage Limitations**

The Declarations Page of your policy recites maximum coverage amounts that limit what the insurance company must pay. Separate limits are set for the dwelling, other structures, personal property, loss of use, personal liability, and medical payments to others. This means that even if you suffer a loss to your personal property in the amount of, let's say, \$50,000, the insurance company will pay you no more than the policy's stated limitation recited on the Declarations Page. If this figure within your policy is \$100,000 then you're covered for all of it. On the other hand, if it's only \$30,000 then you'll have a \$20,000 deficit.

### **•Flooding**

Your homeowner's policy will not cover you for damage that results from floods, waves, sewer overflows, or water seeping into your basement.

### **•Business**

If you're involved in a business activity, your homeowner's policy will not cover you for liability or medical payments due other persons, even if the damage or injury occurred in your home. Other structures located on your premises that are used for business purposes are also not covered by the policy. This means your standard homeowner's policy will not reimburse you for medical care required by a client who slips and falls in your home office as he's putting his coat on the rack.

### **•Your tenants**

Your standard homeowner's policy will not cover you for damages or injuries suffered by the tenants who rent any part of your home.

### **•Other insurance**

If an injury or damage is covered by other insurance in addition to your homeowner's policy, your homeowner's insurance company will only pay its proportionate share of the amount due.

### **•Theft by another insured**

Your homeowner's insurance will not cover you for a loss caused by a theft committed by another insured person under the policy. This means your policy will not cover you if your nephew (who lives with you) steals a valuable baseball card from the family room.

### **•One or two family dwellings**

Structures that have more than two family dwelling units cannot be covered by homeowners insurance

### •Cars

Registered motor vehicles are specifically excluded from personal property coverage. Only vehicles like motorized wheelchairs and lawn mowers, which are not usually registered with the state, are covered by personal property insurance. Your car is also not covered under the "Personal Liability and Medical Payments to Others" sections of your homeowners policy because insurance companies prefer you to insure vehicles with an automobile insurance policy.

### **HOW MUCH COVERAGE IS NEEDED?**

#### **Your home can be insured for either:**

- Replacement Cost--pays you the cost of replacing damaged property, with no deduction for depreciation, but with a maximum dollar amount
- Guaranteed Replacement Cost--pays the full cost of replacing damaged property, with no deduction for depreciation and no dollar limit. This coverage is not available in all states. Some insurance companies may limit coverage to 120 percent of the cost of rebuilding your home.
- Actual Cash Value--pays you an amount equal to the replacement value of damaged property minus a depreciation allowance.

Unless a policy specifically states that property is covered for its replacement value, coverage is for actual cash value.

It is important that your policy should cover 100% of the replacement cost of your home. That way, the insurance company will pay you the full replacement cost for any damage up to the coverage limit. If you fear inflation will decrease the value of your policy, an inflation guard endorsement, which is built-in to many homeowner's policies these days, ensures that your coverage amount increases a bit every year to keep up with inflation. What this means, for example, is if your house increases in value next year by 5% your policy's replacement limit will also increase, according to some predetermined index of local home values.

#### **Additions to your home**

If you add improvements to your home, you should increase your coverage. Don't wait until the addition is completed to increase your coverage, contact your insurance agent or representative shortly before or after construction begins. Otherwise, if the new addition is damaged or destroyed before you have increased your coverage, you may be responsible for the cost of repairing or rebuilding the addition.

Also, make sure that contractors and subcontractors working on your addition have workers compensation by requesting copies of their insurance certificates. If the coverage is insufficient you may need to extend the liability limits portion of your homeowner's policy, or simply find a company whose insurance meets your requirements. The reason for this is relatively simple to understand... Workers injured while working on your addition could sue you if the contractor doesn't have the proper insurance coverage.

### **INSURING PROPERTY**

#### **Why insure your property?**

Property insurance covers risk from loss or damage to your personal property. Even the smallest residence can contain property worth thousands of dollars--for instance, an entertainment or sound system, home computer, or jewelry. If a catastrophe struck tomorrow, and you could afford to replace

everything you own, then you may not need property insurance. If that isn't the case, then it's likely you need it.

### **Homeowner policies cover personal property to some extent**

In addition to your home, a standard homeowner's policy also covers personal property, meaning articles you own other than land and buildings. Your personal property consists of the contents of your house (like furniture, clothing, and stereo equipment, as well as outdoor items like sporting equipment and gardening tools). Generally, the limit for personal property coverage is stated as a percentage of the dwelling coverage amount listed within the policy.

If you own a condominium or cooperative unit, your homeowners insurance provides coverage for your personal property and any portion of the unit you own under the terms of the condominium or cooperative documents. Similar to a homeowner, you must choose a specific amount of coverage for the building. It is crucial to determine how much responsibility you have under the condominium or cooperative documents. In these types of situations one should never guess what these amounts or percentages are. It is advisable to find out for sure and if possible receive this information in writing. Then keep it in a safe place in case you need it in the future.

### **Homeowner's policies have set limits**

Homeowner's policies set specific dollar limits for particular categories of personal property in a section entitled Special Limits of Liability. Note that for some categories, the policy specifies a limit only for theft, not for damage or destruction. The reason is that items such as jewelry, firearms, and furs are especially susceptible to theft, and insurance companies want to limit their exposure to these fairly common incidents. The damage or destruction of these items is less common, and insurance companies are willing to cover them up to their actual cash value.

Below are some examples of the standard limits for particular categories of personal property:

- \$200 for money, bank notes, bullion, gold, silver, coins, and metals
- \$1,000 for securities, accounts, deeds, letters of credit, notes other than bank notes, manuscripts, personal records, passports, tickets, and some other related items
- \$1,000 for the theft of jewelry, furs, watches, and precious and semi-precious stones
- \$2,000 for the theft of firearms
- \$2,500 for the theft of silverware, silver-plated ware, goldware, gold-plated ware, and pewterware
- \$2,500 for property at the residence used for business purposes
- \$250 for property used away from the residence for business purposes\*Of course, depending on your policy's type, limits and endorsements these figures may or may not be accurate.

### **Additional coverage**

Chances are, the value of many of your personal belongings may exceed the limits in your homeowner's policy. Only you know for certain. That's why you have the option of increasing these specific limits by purchasing either a Scheduled Personal Property endorsement or a floater. You may need an increased jewelry limit, for instance, for covering engagement or wedding rings. If you buy a personal property rider, you must be able to verify the cost and condition of the item. Photos or a video can be used to inventory your property. However, you should be sure to keep the inventory away from the premises (i.e., safe deposit box). Professional appraisals are needed for certain items, such as jewelry, antiques, or camera equipment (beyond a basic camera).

### **Renters need property insurance, too**

Many renters are under the mistaken belief that they are covered under their landlord's homeowner's insurance policy. This is not true. Your landlord's policy covers the building itself, not the personal belongings of you or other tenants. The fact that you pay rent instead of a mortgage payment doesn't make your personal possessions any less valuable. By taking out a renter's insurance policy, you can cover your personal property from loss or damage that results from broken pipes, fire, theft or any other event specified in the policy. In fact, renters may even be more likely to suffer from a loss of personal belongings because they live in close proximity to other individuals and families.

Renters insurance also protects you from liability claims against you if someone suffers an injury or property damage because of something you did or didn't do. For example, if you forget to turn your stove off, and your apartment catches fire and destroys the building, you could be held liable by the landlord. Your renter's insurance policy provides a set amount of liability protection.

In addition to protecting you from property loss or damage and liability claims, renters insurance (HO4) is very reasonably priced.

### **Protect your possessions wherever they are**

Property insurance may protect your possessions wherever they are. For example, if you are on vacation and lose a valuable item, as long as the loss is by a covered peril or event, in most cases the location doesn't matter. Your policy will specify covered perils and events.

### **How much property coverage do you need?**

To determine how much property insurance coverage you need, make an inventory of all your home's contents. Don't forget to include furniture, appliances, jewelry, artwork, and the contents of your closets, cabinets and the toy chest. When possible, list the serial number, date and cost of purchase. Include receipts if possible. An easy way to inventory your possessions is to use a video camera or take photos. When using a video camera, you can talk about the specific items, their cost, and when you bought them. Ideally, you would want enough insurance coverage to replace your possessions if they were destroyed.

Keep a copy of your inventory in a location away from your home, like a safety deposit box, or maybe at a close friend or relative's house. This way, if your home is destroyed, your inventory list will be safe at another location. When you make major purchases, remember to add them to your inventory and check with your insurer--you may need to increase your coverage levels.

### **Two methods to determine value**

Insurance companies use one of two methods to determine the value of property:

- **Replacement cost**--pays you the cost of replacing damaged property, with no deduction for depreciation, but with a maximum dollar amount.
- **Actual Cash Value**--pays you an amount equal to the replacement value of damaged property minus a depreciation allowance.

Unless a policy specifically states that property is covered for its replacement value, coverage is for the lower, actual cash value. Check your policy, or ask your insurance agent or representative if you are not sure what level of coverage you have.

### **Periodically review your existing coverage**

Review your existing homeowners or renters policy to make sure you have enough coverage for all valuable possessions. Periodically review your coverage to make sure it is keeping pace with new purchases and/or gifts you have received.

## **HOW MUCH IS ENOUGH?**

### **How Much Should It Cost?**

One question insurance customers never fail to ask is, "What's it going to cost me?" The cost of homeowners insurance is influenced by a broad range of market factors: From rising construction costs to the increasing number of liability lawsuits. But it's also affected by the customer's needs, policy choices and habits. We are dedicated in helping our clients control their insurance costs.

Homeowners insurance is one of the most important investments you'll make. You should keep in mind the difference between market value and replacement value, and make certain your home is insured "to value." In many cases, it costs more to reconstruct a house than the house would bring on the open market. Talk with us to make sure you have the right amount of coverage.

You can take steps to lower the cost of your premiums. Our companies offer special discounts and credits for such features as fire extinguishers, sprinkler systems, and burglar alarms. These are factors in loss prevention, which ultimately help control insurance costs.

You can also lower your home insurance costs can by raising your deductible. Small claims are expensive for insurance companies to handle. You can reduce your premiums by as much as 10 percent if you increase your deductible from \$250 to \$500. Increasing the deductible to \$1,000 can lower premiums by almost a third.

In addition, the price you pay is influenced by how you pay. Our companies offer different payment plans, so you can pay your premiums in a way that best fits your lifestyle.

Finally, you can save money by placing all your home and auto policies with us because we offer discounts if you have more than one policy with us.

### **Do I Have Enough Home Insurance?**

If your home is completely destroyed, you want to be able to rebuild it to its original condition. This requires having enough insurance to replace your home, which may cost more than its value on the open market. The cost of rebuilding is usually more expensive than new construction, especially if your home was destroyed along with many others in a single neighborhood or town. In the wake of a flood, for example, simple supply and demand can drive the cost of materials and labor up and cause the price of rebuilding to skyrocket.

- Our companies will work with you to determine your home's replacement cost. Normally using data from the E.H. Boeckh Company, the U.S. authority on replacement value, the insurance company will consider the construction costs of homes in your area that are of similar size and quality.
- Typically, a homeowner's policy covers possessions whose total value equals 70 or 75 percent of the homeowner's coverage. In simple terms, that translates to \$70,000 to \$75,000 worth of coverage for your personal possessions if you have \$100,000 in coverage on your home.
- If you collect art, have valuable jewelry or keep other things of special value, consider expanding your coverage to protect those items.

- When the value of the things you own exceeds the 70 to 75 percent coverage included in a typical policy, additional coverage can be critical.
- In addition, many policies have sub-limits on specific categories of valuables. If the value of those items exceeds the policy sub-limit, extra coverage is probably in order.

A standard policy will probably insure your possessions at actual cash value, which is the value of an item at the time of a loss. To make sure you can fully replace lost or stolen items, you may want to add an endorsement for replacement cost coverage, which will replace the item with one of similar make and model, regardless of the stolen or damaged item's actual cash value. In many of our company's homeowner's policies, replacement coverage is included at no extra cost. Check with us, about your policy, to be sure.

Finally, we suggest that you take the time to inventory your possessions.

- In the wake of a catastrophe such as a fire, it can be very difficult to create a list of all the things you owned.
- Now is the time to walk through your house and make an inventory of your possessions.
- One easy way to do this is to videotape the contents of your home.
- When you're done, place a copy of the tape in a safe deposit box. Or make a copy of your tape or inventoried documents, and store them at a family member's home. Then, if the worst ever does happen, you'll have a record that can help us to help you in the replacement of your possessions.

## **COVERAGE AMOUNTS**

### **Understanding the Benefits of Home Insurance**

#### **Why You Need Homeowner's Insurance**

Your home is your castle, so the saying goes. In order to protect it, people purchase homeowners insurance, one of the most popular forms of insurance today. Of course, if you have an outstanding mortgage on your home, chances are you had no choice--your lender required you to secure homeowners insurance before the loan was approved. But if the choice is up to you, remember that homeowners insurance provides important benefits. A few hundred dollars a year can buy you a hundred times that in peace of mind.

The three benefits of homeowners insurance include:

- protecting your home,
- protecting your personal property, and
- providing liability coverage

The main purpose of homeowners insurance is to protect your home (and other structures, like a shed or detached garage). This coverage is the bread and butter of any homeowner's policy. Your house is often the most important investment you'll ever make, and even a relatively small amount of damage may set you back financially if you don't have insurance, or don't have enough insurance.

Take the following scenarios:

- Lightning strikes a power line leading into your house, causing a fire.
- A delivery truck careens off the road into your house.
- Your hot water heater explodes.

A tree falls through your roof during a storm.

With the typical homeowner's policy, you are covered in each of these situations. You don't have to worry about the unpredictable. The financial problems created by random accidents and perils will not force you out of your home.

Not only will your policy cover the cost of the damage (exactly how much depends on your policy), but also it will cover (up to a limit) your living expenses in makeshift quarters while you wait for your home to be repaired.

### **Personal property**

In addition to protecting your home, the typical homeowner's policy covers your personal property as well. Your personal property consists of the contents inside your home--for example, furniture, clothing, stereo, computer equipment, jewelry, and sentimental items--as well as outdoor items like sporting equipment and lawn tools. So if a fire damages both, your kitchen walls and your appliances, your appliances will be covered.

An important aspect of homeowners insurance is that its coverage is not limited to property damaged on your premises, but applies to your personal property anywhere in the world. This is known as "off-premise protection". If you travel now or ever intend to travel, this protection can be invaluable. In sum, if you value your personal possessions, the personal property coverage of a homeowner's policy can be very important.

### **Liability coverage**

In addition to insuring your property, the typical homeowner's policy includes a specific level of liability protection that covers you for damage you cause inside or outside of your home. Unlike the random perils that govern your property (e.g., fire, explosion, theft), the trigger for this coverage is your negligence and, unfortunately, the "I'll see you in court" mentality. Included here are medical payments to third parties, and your legal costs for any lawsuits brought against you. The importance of this coverage may not be as obvious as that of property coverage. Nevertheless, it may protect you against potentially troubling personal injury lawsuits. For example: you invite your neighbor over for coffee, and she trips and breaks her leg on a pair of shoes you left in the middle of your floor. Your insurance will cover her medical bills and other costs (the ceramic vase she was carrying) if you're held responsible. Or, away from home, suppose you run over someone's foot with your golf cart on the way to the clubhouse. Your insurance will cover the injured person's medical bills if you're found liable.

### **What is covered?**

The most typical homeowner's insurance policy in the United States is referred to as the "HO-3" policy. Among other things, it commonly provides coverage for damage resulting from:

- Fire and lightning
- Windstorm and hail
- Explosion
- Theft, vandalism, or malicious mischief
- Damage from vehicles
- Sudden and accidental damage from smoke
- Objects falling from sky (meteorite, airplane etc.)
- Weight of ice, snow, and sleet
- Accidental discharge or overflow of water from your plumbing
- Freezing of plumbing
- Sudden and accidental tearing, cracking, burning, or bulging of a steam or hot water heating system

- Your personal property
- Your negligent and unintentional act, whether on or off your premises

In fact, with the HO-3, every calamity is covered except those that are specifically excluded in the policy. The standard exclusions in the HO-3 policy are:

- The land under your house
- Floods (this insurance must be purchased separately)
- Earthquakes (this insurance must be purchased separately)
- War
- Nuclear accident
- Intentional damage
- Sewer backup or overflow
- Structures used for a business (this insurance must be purchased separately) wear and tear on a home, including deterioration, insect and rodent infestation, settling, cracking, bulging, or expansion of pavement, walls, or foundations, or damage from domestic animals
- Cars, trucks, vans, motorcycles, aircraft, and boats with anything more than a small motor
- Theft from a house under construction (this insurance must be purchased separately)
- Freezing of pipes in an unoccupied, vacant, or under-construction house
- Vandalism and malicious mischief if the house has been vacant for more than 30 days
- Freezing, thawing, pressure, or weight of water or ice to a fence, pavement, patio, swimming pool, or dock
- Property belonging to tenants
- Animals, birds, and fish
- Losses resulting from the failure to protect property after a loss. Keep in mind that you can always add available additional endorsements to complement standard coverages.

## **DETERMINING COVERAGE LEVELS**

### **Insuring Your Home**

Homeowners insurance provides three basic coverages.

- First, the policy covers damage to your home--the dwelling itself.
- Second, it provides coverage for the contents of your home.
- Third, it provides a level of liability protection for claims arising from the actions of you and your family.

### **Two methods to determine value**

Insurance companies use one of two methods to determine the value of property:

- Replacement cost--pays you the cost of replacing damaged property, with no deduction for depreciation.
- Actual Cash Value--pays you an amount equal to the replacement value of damaged property minus a depreciation allowance.

Unless a policy specifically states that property is covered for its replacement value, coverage is for the lower, actual cash value. If you are not sure which type you have, first check your policy, or ask your insurance agent or representative if you are not sure what level of coverage you have.

### **Assessing your need**

Certain factors can affect the appropriate level of homeowner's coverage. If, in the event your house is destroyed, you want to rebuild your home with materials of like kind and quality, and replace the contents, you should insure your home for an amount which may be considerably larger than your mortgage balance. On the other hand, if you just want to be able to pay off your mortgage and walk away, then your level of coverage should match the balance of your mortgage. Be careful, however, because this is where some consumers slip up by thinking that "cheaper" is "better". Without sufficient insurance coverage, the insurance company may pay only a portion of the cost to replace or repair your home and its contents.

In most cases, policy holders want to insure their possessions for replacement values. But make no assumptions. The replacement value is probably different than the market value of your home and the depreciated cash value of its contents.

### **Determining your level of coverage--the building**

If you have a mortgage, your lender may require you to maintain a certain level of insurance, and the lender will be named on your policy as an insured party or copayee. While the level of coverage required by the lender may be enough to cover its exposure, that actual level may not be sufficient to fully protect you. The reason for this is easy to explain... Lenders want to know that the mortgage balance will be paid if the home is destroyed. They have no specific interest in seeing that your home is built back to its former level of glory.

To decide how much homeowner's coverage you should have, determine the cost to rebuild your home.

As a licensed independent agent we can help you calculate the current cost of construction for a house like yours, or you can hire a professional appraiser. You may or may not be surprised to discover that it could cost more today to rebuild your home than the price you initially paid for it. This is not something you want to discover after your home has been destroyed and you need to rebuild it.

Often, consumers mistake market value or taxable value for the amount at which they should be insuring their home, but this could result in being horribly underinsured. For example, assume your home is a 2,000-square-foot-home, has a taxable value of \$75,000, and would cost \$45 per square foot to rebuild. The total cost to rebuild this home would be \$90,000. If you were insured for the taxable value, you would be trying to rebuild your home while facing a \$20,000 deficit. Plus you don't want include the value of the land your home is on when calculating your coverage; land is not at risk from theft, fire, windstorm, and other perils covered in your homeowner's policy.

### **Determining your level of coverage--your home's contents**

In a standard policy, possessions are usually covered at stated percentage of the value of the structure coverage, and there are listed limits for certain items. This level may not be sufficient to cover the replacement of all your property. To determine how much property insurance coverage you need, make an inventory of all your home's contents. Don't forget to include furniture, appliances, draperies, jewelry, artwork, and the contents of your closets, cabinets and the toy chest. When possible, list the serial number, date and cost of purchase. Include receipts if possible. An easy way to inventory your possessions is to use a video camera or take photos. When using a video camera, you can talk about the specific items, their cost, and when you bought them. Ideally, you would want enough insurance coverage to replace your possessions if they were destroyed. If the value of your possessions is larger

than the stated percentage of your structural coverage, don't panic--you can buy additional coverage for your possessions.

Keep a copy of your inventory in a location away from your home--like a safety deposit box, or with a trusted friend or family member. This way, if your home is destroyed, your inventory list will be safe at another location. When you make major purchases, remember to add them to your inventory and check your policy--you may need to increase your coverage levels.

### **Determining your level of coverage--liability protection**

The standard amount of liability coverage in a homeowner's policy is \$100,000, which covers personal liability, medical payments, and property damage for damage, or personal injury caused to others. If you feel you need more coverage, talk to us about the availability of a higher level of coverage or the possibility of purchasing a separate liability umbrella policy.

### **Periodically review your existing coverage**

At least once a year, review your homeowner's coverage to make sure it is keeping pace with any major purchases or additions to your home. In addition, if you fear inflation will decrease the value of your policy, an inflation guard endorsement, which is built-in to many homeowners' policies these days, ensures that your coverage amount increases a bit every year to keep up with inflation. What this means, for example, is if your house increases in value next year by 5% your policy's replacement limit will also increase, according to some predetermined index of local home values.

### **Common Policy Exclusions**

Homeowners insurance policies not only state what perils are covered, they also can list which perils are excluded from coverage. Neither the named perils policy types (HO-1, HO-2, HO-4, HO-6, HO-8) nor the open perils policy form (HO-3) cover the following events:

- Enforcement of building codes and similar laws
- Earthquakes
- Flooding
- Power failures
- Neglect (meaning your failure to take reasonable steps to protect your property)
- War
- Nuclear hazard
- Intentional acts
- Flood insurance and earthquake insurance are only available as separate policies.

### **Additional exclusions--open peril policies**

In addition to the above-named exclusions, the following perils are excluded from coverage if you have an open perils (HO-3) policy:

- Freezing pipes and systems in vacant dwellings
- Damage to foundations or pavements from ice and water weight
- Theft from a dwelling under construction
- Vandalism to vacant dwellings
- Latent defects, corrosion, industrial smoke, pollution
- Settling, wear, and tear
- Pets, other animals, and pests
- Weather conditions that aggravate other excluded causes of loss
- Government and association actions

- Defective construction, design, and maintenance

While HO-3 does not cover you for the above exclusions, it does cover you for ensuing losses that result from excluded events (as long as the ensuing loss is not itself excluded from coverage). For example, if your fireplace is defective or was improperly installed so that smoke and flames are blown out into your living room, you're not covered for the replacement of the fireplace, but you are covered for the smoke and fire damage that your house had to endure the first time you used the fireplace.

While the list of exclusions is longer with open perils policies, you are usually covered for everything not specified on the list of exclusions. With a named perils policy, your coverage is only for the perils named within the policy. Remember also that under HO-3 policies, the open perils list applies to the dwelling and related structures. Your personal possessions are covered for the more restrictive broad named perils.

### **Apartment tenants**

Tenants in rental buildings don't own the building or the unit in which they live, so the policy coverage and exclusions apply only to personal possessions.

## **SAVINGS AND PLANNING**

### **Saving Money**

Because the cost of your homeowners insurance can vary by hundreds of dollars depending on the size of your home, where you live, the type of home you live in, construction and feature types, etc..

Because every penny counts, here are some possible steps to help you save money on your homeowners insurance:

Raising your deductible--A deductible is the amount of money you must pay up front out of pocket for a loss before the insurance company will pay for anything. The typical minimum deductible for a homeowner's policy starts at \$250. But look at the following figures:

If you increase your deductible to...You may save on your homeowner's policy...\$500 up to 12%, \$1,000 up to 24%, \$2,500 up to 30%, \$5,000 up to 37%

- Obtain home insurance and auto insurance from the same insurer--These days companies will commonly give you a discount of 5% to 15% off your total premium if you purchase two or more policies from them.
- Avoid flood areas--According to the National Flood Insurance Program's statistics, the average cost of flood insurance is slightly more than \$400 a year.
- Don't insure your land--Don't include the value of your land in deciding how much homeowners insurance to buy. The reason is the land under your house is not prone to theft, fire, or other weather extremes that are covered in your homeowner's policy.
- Improve your home security--We typically offer a discount if you have a smoke detector, burglar alarm, or dead-bolt locks. In addition, we may be able to reduce your premium if you install a sprinkler system and burglar alarm that is monitored by the police. However, these systems can be costly. Before installing them, check with us to find out what is specifically required to qualify for a discount.
- Stay with an insurer--Loyalty may have its advantages and translate into real money savings.
- Look for private insurance first--The cost of private insurance is often equal to or less than that of government-sponsored insurance, especially if you live in a high-risk area (plagued by storms, fires, or crime).

## **Cash Value & Replacement Costs**

There are several different methods by which your insurance company may calculate the amount it will pay you for a loss. Payment based on the replacement cost of damaged or stolen property is usually the most favorable figure from your point of view, because it compensates you for the actual cost of replacing property. If your camera is stolen, a replacement cost policy will reimburse you the full cost of replacing it with a new camera of like kind. The insurer will not take into consideration the fact that you ran three rolls of film through the camera every day for the last two years, causing a considerable amount of wear and tear.

In contrast, actual cash value (ACV), also known as market value, is the standard that insurance companies arguably prefer when reimbursing policyholders for their losses. Actual cash value is equal to the replacement cost minus any depreciation (ACV = replacement cost - depreciation). It represents the dollar amount you could expect to receive for the item if you sold it in the marketplace. The insurance company determines the depreciation based on a combination of objective criteria (using a formula that takes into account the category and age of the property) and subjective assessment (the insurance adjuster's visual observations of the property or a photograph of it). In the case of the stolen camera, the insurance company would deduct from its replacement cost an amount for all the wear and tear it endured prior to the time it was stolen.

### **How to get replacement cost coverage**

Personal property generally loses value over time due to ordinary wear and tear. Accordingly, you are arguably better off with a replacement cost policy. If you prefer such coverage, then read your policy and check with your insurance agent. There are certain requirements you typically need to meet before you are entitled to receive replacement cost for your house and possessions. Remembering, you will most likely need to replace the item and provide a receipt to get the "replacement" dollar amount.

### **When is actual cash value better?**

Although actual cash value is a smaller figure than replacement cost, you may prefer ACV in certain situations. If you don't intend to repair or replace the damaged or destroyed property, you may just want cash as soon as possible. You can receive ACV compensation more quickly than replacement cost compensation, and thus have the cash in hand at an earlier date.

## **FILING A CLAIM**

### **Filing General Claims**

If a covered loss does occur, the claims process is completed by:

- First filing your claim,
- and then settling your claim.

### **Filing your claim**

Filing your claim is a seven step procedure:

- Report burglaries, thefts, and other crimes to the police.
- Telephone your insurance agent and formally report the loss. You'll receive any additional information you need at this time.
- Take any steps necessary to prevent further damage. For example, repair any windows broken during a burglary. Save your receipts so that you can submit them to the insurance company for reimbursement.
- Take an accurate inventory of all lost property.

- Save receipts for living expenses if you must make temporary living arrangements while damage is being repaired.
- Obtain claims forms. Once received, complete and return them as soon as possible as this greatly helps in speeding things along.
- Make sure that an adjuster inspects any & all damage.

### **Settling your claim**

You and your insurance company must come to an agreement on the terms of settlement; that is, how much you will be compensated for your loss. Generally, the insurance company will make an offer. If it is acceptable to you, the insurance company must send the payment to you promptly. If you are unsatisfied with the offer, follow these simple steps:

- Discuss the matter directly with your insurance company or agent. Explain why you think the offer is not fair. Send copies of all supporting bills, receipts, and other documents.
- Before resorting to any formal dispute resolution procedures, you may find it worthwhile to attempt more informal negotiations. In particular, you may save valuable time and money this way if the amount in dispute is relatively small.
- If, on the other hand, the amount in dispute is considerable, or you have unsuccessfully attempted to negotiate, you can follow the more formal procedures outlined in your policy. The appraisal and arbitration clauses in your homeowner's policy govern disagreements over the compensation paid on a claim.

### **Filing a Claim after a Disaster**

If you have a homeowner's insurance policy, you should review it very carefully, and understand exactly what is covered and what is not in the event of a disaster, such as a fire or storm. This is important because if a loss should occur, you will certainly want to know whether or not you can make a successful claim. It may be a good idea to reevaluate your current coverage to make sure that you have adequate protection.

Remember, homeowners' policies don't cover flood damage, but do cover other kinds of water damage. For example, damage caused by rain that comes in through a window or roof broken during a storm is covered. You will need separate flood insurance to cover damage caused by flooding.

### **What should you do after a disaster has struck?**

Of course we're all human and therefore susceptible to the emotional toll if a disaster strikes, but keeping a clear head can help us to do certain things right away.

- Make temporary repairs. You will need to make whatever repairs are necessary in order to make your home habitable and prevent further damage. For example, you may need to put plastic coverings over windows or holes in the roof, and replace electrical appliances damaged by water. Be very careful if you are not used to this kind of work and get professional help if you need it. But, be careful not to make extensive repairs at this time. An adjuster must appraise the damage first. Save any and all receipts so that you can be reimbursed by the insurance company later.
- Call your insurance agent to report the loss. By doing so, you'll be provided with any additional information you need at this time. If the disaster is widespread, your agent may be very busy. Be patient, and keep trying.
- Save receipts for living expenses if temporary living arrangements are needed. Such expenses may include temporary housing costs, storage expenses, and furniture rentals.
- Make a list of all the damaged property. Try to include makes, models, and serial numbers. If you had previously made a complete home inventory list, then now is the time to retrieve it. Take pictures of the

damaged items, if you can. Organize old bills and receipts, if they are available, to establish value and age. Work from memory, if necessary. Remember to include clothing, personal items, kitchenware, china, sporting goods, garden equipment and tools, toys and games, outdoor furniture, towels and linens, curtains, wall hangings, and decorations. Don't throw anything away no matter how bad the damage until the adjuster has a chance to inspect and appraise it.

- Identify structural damage. Don't enter the property if "good-sense" judgment tells you it's unstable. Don't forget the garage, sheds, and pool areas. Look for cracks, and missing shingles or roof tiles. You may want to hire a licensed engineer to identify damage you can't see. Have an electrician inspect the electrical system, and a plumber inspect the plumbing system. Get bids for the repair work. Never hire the first person who comes along and tells you they can fix your property right away without first checking them out, and never sign a work contract until you are satisfied with their professional credentials and abilities.
- Have an adjuster appraise the damage. Your insurance agent or company will arrange this, and there should be no charge. Again, remember if the disaster is widespread, adjusters will be busy. Be patient. When your adjuster comes, he or she should do a complete inspection and appraisal. If not, make sure he or she comes back for a second look. Be sure to point out all damaged areas.
- Complete the "proof of loss" forms which will be sent to you by your insurance company. Return them as soon as possible. Keep copies of all forms you send back. Send copies of lists and other documents as needed to prove your losses. Make sure to keep the originals.

#### **How is the settlement amount determined?**

You and your insurance company will have to reach an agreement as to the amount of compensation you will receive. The settlement amount will depend on the type of policy you have, including all listed endorsements and exclusions.

#### **Cash value vs. replacement cost**

A cash value policy pays only the actual cash value of the property that is damaged or destroyed. Replacement cost pays the full dollar amount needed to replace the property.

#### **Extended replacement cost**

This kind of coverage replaces your entire house if it is completely destroyed. A typical policy will pay up to the limit of the policy.

#### **Guaranteed replacement cost**

Guaranteed replacement cost coverage pays whatever it costs to rebuild your home as it was before the disaster.

#### **How do you receive payment?**

You may receive as many as four separate checks. The first may be an advance, not a final payment. This is so you can pay for temporary living expenses, if needed. If you suffer both structural damage and loss of personal property, you will get a separate check for each. You may also get a separate check for temporary living expenses (minus the advance).

If you're offered a settlement right away, and you accept it, you may get just one check. If you find more damage later, you can reopen the claim, and receive a second check. You typically may have up to one year to file or reopen a claim.

#### **What if your home is mortgaged?**

If your home is mortgaged, the check you receive for structural damage may be made payable to both you and your lender. The lender gets equal rights to this payment so that it can make sure that repairs are suitably completed. The lender will probably endorse the check, and put it in an escrow account.

The lender will inspect the final repairs, and then release the funds.

Funds in excess of the mortgage, in payment for personal property, and in payment for additional living expenses should be made payable to you alone, and not to your lender.

## **CLAIMS AND PREMIUMS**

### **Will Your Insurance Go Up After a Claim?**

The answer typically is no. A single claim, no matter how large, won't raise premiums, especially if it is the result of an act of God (meaning forces of nature). That's the good news.

### **What if it is a claim for a dog bite?**

Here's the one exception. If the claim is for a dog bite, and you do nothing to improve the situation, rates are sure to increase.

Okay, you've filed two claims under your homeowner's insurance policy. Will your premiums go up now?

It depends upon the type of claim, and how much time has passed between the two claims. Say, for example, you have one claim for a slip and fall in one year, and another claim for damage due to faulty plumbing three years later. Your premium will probably increase. But, if a wild fire damages your house one year, and a storm rips through it the next year, chances are you won't have to worry about your premiums going up.

The difference is whether or not you, the homeowner, could have done something to prevent the loss. In cases of natural disasters, there is almost nothing you can do to prevent damage, and you won't be penalized. But, if it seems that you don't maintain your home properly, or it is unsafe in some way, or you make multiple similar claims, red flags go up at the insurance company, and you'll pay with increased premiums or non-renewals.

## **PLANNING CONCERNS**

### **Insuring a New Home during Construction**

You should definitely consider insuring your new home during construction. If you don't, you're exposing yourself to a great deal of risk if a fire, theft, or other event damages or destroys your partially-completed home.

### **How can you insure your new home during construction?**

One way to cover your new home during construction is to purchase a standard builders risk policy. This will cover any damage to the building as it's being built, and may also provide some coverage for the theft of building supplies. It also provides liability coverage, which may come in handy if one of your friends trips during a "tour" of your dream house, and decides to sue you. However, the policy will not cover your personal property until the building is made secure or "lockable."

Another option is to purchase a "dwelling and fire" policy. This type of policy covers damage to the physical structure, but provides no theft coverage. A dwelling and fire policy may be an appropriate choice if you are living in your old house during construction because the homeowner's policy on that house will cover the theft of items from the construction site. Dwelling and fire policies also provide liability coverage, just like a standard homeowners policy.

### **What happens once the building is complete?**

Once the building is complete, you should re-evaluate your coverage. If you opted for dwelling and fire coverage, you will need to purchase a full homeowners policy right away. If you bought standard homeowners insurance, make sure that you have purchased the right amount, especially if you have made alterations to the original building plan.

### **Insuring Your Home during Remodeling**

If you are adding an extra room or improving your home in some way, you will likely need to update your homeowner's insurance policy so that the new addition or improvements will be covered. You should do this before you start any work, because if you don't and the new addition or improvement is damaged or destroyed while being built, you may have to pay for the loss.

It's always advisable to contact your insurance agent before construction begins to increase your coverage to reflect the new changes in your home.

Make sure contractors and subcontractors carry the proper insurance coverage

When you have contractors and subcontractors on your property to do work on your house, you run the risk of one of them being injured on the job and suing you. You need to do two things to adequately protect yourself from this potential liability:

- Make sure that all contractors and subcontractors carry adequate workers' compensation coverage. Don't be bashful. Demand to see a copy of their policies before work begins.
- If the workers' compensation coverage is not adequate, you may need to extend the limits of the liability portion of your homeowners policy or find a contractor whose policy limits are acceptable.

### **Insuring Your Property during a Move**

Whether you are moving across the country or just down the street, you will likely need to insure your property. Just think of all your belongings being picked up and set down at least twice, carried up and down stairs, around sharp corners, and being tossed about in the back of a truck or van. Something is bound to be dropped, scraped, chipped, broken, damaged, or destroyed. Or, worse yet, the truck or van may be stolen with all your property still stowed onboard.

Most moving companies limit their liability. And if you're moving yourself, your moving helpers probably won't take responsibility. You will end up paying for the loss.

The answer to this problem is to insure your belongings during transit. This type of insurance is called moving insurance, and is part of an insurance line called inland marine insurance.

### **Where can you get inland marine?**

You can get inland marine insurance in several ways:

- Your own homeowner's insurance policy might cover moves. Check your policy to find out if it does, and what the limits are.

- If you are having a moving company move you, they may offer moving insurance. All commercial moving carriers must provide a basic moving insurance policy to you at no charge. This covers both local and interstate moves but generally pays only 60 cents per pound.
- If you are moving yourself, you may be able to buy a policy from a move-it-yourself company.

### **What kind of coverage is available?**

Basically, three kinds of coverage are available:

- Basic coverage (which pays 60 cents per pound) at no cost to you,
- Coverage based upon the value of the item less depreciation, and
- Coverage based upon total replacement cost.

The third choice provides you with the best coverage but it will be slightly more expensive.

### **Is there a deductible?**

That depends on the policy, too. Typically, a policy that provides total replacement cost allows you to choose a deductible (e.g., \$250 or \$500).

### **How much does moving insurance cost?**

Moving insurance is affordable. If you choose the basic moving insurance policy that the carriers must offer you, the cost is zero because it's added into their quote. If you choose a policy based upon the value of your property less depreciation, the cost will be added. Coverage based on total replacement cost depends on the value of the shipment.

### **Insuring A Home Based Business**

Generally speaking, homeowners insurance does not cover your home business. Some standard homeowner's policies cover a maximum of \$2,500 for business equipment in the home, but none cover business-related liability or other losses.

If you run a business from your home (and there are about 12 million Americans who do), it is likely that you need both property insurance to cover fire and theft and liability insurance to cover anyone who gets hurt by using your product or who gets hurt on your property.

### **What kind of losses do you need insurance protection for?**

As a business owner, you will need insurance to cover the following types of losses:

- Property and equipment damage or loss from fire or theft
- Customer or supplier injuries on your property, or caused by your product
- Advertising liability
- Inability to collect accounts receivable
- Business record damage or loss
- Lost income due to damage to your home

### **What kinds of policies are available?**

If you operate a home day-care service or if your company is "incidental" (which means it grosses less than \$5,000 per year), you may be able to simply add an endorsement to your existing homeowners policy.

Perhaps a package policy for your small home-based businesses is the key. This package usually covers loss or destruction of business property on or off the premises, loss of valuable papers, personal injury and advertising liability, and accounts receivable protection.

Typically, if you purchase a package policy, you'll also want to purchase homeowners and auto policies from the same company. This way, the package plan extends the property and liability coverage on your home and car to your business. This prevents gaps or duplication of coverage.

If the package policy is not available to you (not all states allow them), you will have to buy individual policies, such as business property, general liability, and business income insurance.

### **What other types of insurance policies might you need?**

- Car insurance - Your existing personal car insurance policy may cover some of the business tasks you use your car for. However, depending on the type of vehicle and what it's used for, you may need a separate business automobile policy.
- Health and disability insurance - You need health insurance in case you become sick and incur medical expenses and disability insurance if in case you become unable to work because of illness or injury. If you have employees, you may want to consider offering a group policy, if your business is eligible.
- Workers' compensation - You are required by law to have a workers' compensation insurance policy in place if you have employees working for you on the premises. These laws vary from state to state, so check with your insurance agent or your state's insurance department to find out exactly what you need.

## **TIPS AND SAFETY**

### **Creating a Household Inventory**

A household inventory is a complete and detailed written list of all the personal property located in your dwelling, or stored in other structures like garages and tool sheds. Your inventory should include your possessions as well as items owned by individuals who are also insured under your homeowner's policy, such as family members, other household residents, and domestic employees. You should prepare an inventory whenever you move into a new dwelling and update it periodically (say once every six months) to keep track of new and discarded items.

- Create a home inventory by downloading our Personal Organizer

### **Why do it?**

Total recall of all the contents of any one room is quite an accomplishment for any of us, even at the calmest of moments. Remembering all the contents of your house and garage after a fire, theft, or other calamity is practically impossible. Yet that's what you'll be asked to do when you submit a claim on your homeowners insurance, unless you previously prepared a written inventory of your household possessions and property. Omitting or failing to include an adequate description of an item may prevent you from receiving compensation from your insurance company. Considering that the whole point of buying homeowners insurance is to obtain compensation for financial loss, why bet the farm (or your house and its contents) on your memory, or add to the emotional loss and stress which comes from any type of loss?

You'll also find that a detailed inventory helps when filing a police report, or when trying to prove a loss to the Internal Revenue Service.

### **What should the inventory contain?**

Under the terms of your homeowners policy, your claim for damaged or stolen personal property should show the quantity, description, actual cash value (if different from the purchase price), and amount of loss associated with each item. Copies of bills, receipts, and other documents that justify the figures in your claim are also typically requested. It makes sense for your inventory to include that information, as well as the purchase price and purchase date of every item. It's a good idea to note serial numbers for appliances and electrical equipment. Listing the contents of each room and building separately helps organize the inventory and promotes completeness. Make sure you include all the contents of every room, excluding only the four walls, ceiling, and floor. Include rugs and carpets, wall hangings, curtains, blinds, and draperies. Be descriptive and refer to colors, dimensions, manufacturers, and composite materials whenever you can. Make sure you include component parts and the contents of drawers, shelves, closets, storage boxes, and built-in cabinets. For instance, describe not only the bed but the headboard, mattress, and bedding. Try to identify every item that you would have to box or carry out, if you were to move out of the house or apartment.

For clothing, make sure you give a full description of any expensive items, such as leather or wool coats, boots, suits, or formal wear. If you'd rather not describe every item of clothing, at least list quantities (e.g., six wool sweaters, two pairs of sneakers, two pairs of corduroy trousers), and the family member these items belonged to which in most cases can be associated with the room you are inventorying. Make sure to include the items stored in your attic, basement, garage, or outbuildings. Sports equipment tends to be expensive and should be described in as much detail as possible. Don't forget tools and outdoor equipment like lawn furniture and barbecue grills.

### **Just do it**

You won't be graded on your inventory for accuracy, completeness, or legibility. If you can't stand the soup-to-nuts approach, at least take the time to jot down any items valued at \$50 or more. Since a picture's worth a thousand words, consider taking a photograph or videotape of each room, with separate photos for big-ticket items. If you use a camera, make sure you label each photo with notes about the items shown. If you use a video camera, provide a running commentary describing every item (date of purchase, price, etc.) that comes into view. Hopefully, you'll never have to use your inventory, but if worst comes to worst, and you have to deal with a calamity, you'll be happy you took the time to make a permanent record of all your possessions.

### **NOW IS THE TIME TO INVENTORY.**

### **Where should you store your inventory?**

Remember the purpose of the inventory. In the case of a fire or catastrophic event, your inventory will do you no good if it got burned up in the fire, or washed away with the flood. Regardless of whether the inventory is stored on film, video cassette, computer software, a sketchpad or a the back of an envelope, keep a copy of it stored somewhere safe--like a safety deposit box at a bank or at a trusted friend or relative's house. But don't store your inventories copy at their home if they live next door or just down the street. A strong storm or fire could sweep through your area and do extensive and broad range damage.

### **HOME SAFETY TIPS**

## **Home Fire Safety**

Fire: Nothing is more terrifying. The thought of flames racing through your home is probably your worst nightmare. Unfortunately, it is an all-too-frequent occurrence in this country. Every year, 4,000 Americans die in fires. The vast majority of those deaths occur at home—each year, 100,000 homes are destroyed, 40,000 family pets are killed and uncounted irreplaceable family treasures are lost forever.

Tragically, most fires are preventable. The leading cause of fires in the home is faulty heating equipment. A couple of simple measures can ensure that your home heating system is safe. For example,

- Changing your air filter regularly will ensure that your furnace isn't overtaxed.
- Don't leave piles of newspaper or other combustibles within two feet of your furnace. While home heating systems are the No. 1 cause of fires in the home, cigarettes are the No. 1 factor in home fire fatalities.
- If you do smoke, be sensible.
- Don't smoke in bed.
- Use a large metal or glass ashtray.
- Put that cigarette out with water before you drop it in the trash.

The No. 2 cause of fire-related deaths is arson. Intentionally set fires claim the lives of more people each year than all natural disasters including floods, hurricanes, tornadoes and earthquakes combined.

- Most arson fires are fueled with combustible material found nearby.
- A little diligence around the house, along with a watchful eye for strangers, can make a world of difference.

In fact, a little diligence is the key to home safety in general. It may go without saying, but:

- Smoke detectors that work,
- fire extinguishers that are well-charged and quickly accessible,
- and a ladder for the upper floors can easily save lives.

## **Handling a Kitchen Fire:**

Many household fires start in the kitchen. Untended cooking and human error account for most of these. Not mechanical failure of stoves or ovens. Here's how to handle a kitchen fire:

- Call 911 immediately. Prepare for the worst and don't hesitate to call.
- Smother frying-pan fires by covering with a lid, then turn off heat with lid in place until the pan cools. Do not try to carry the pan outside because this could seriously burn you should the contents spill out.
- Other food fires may be extinguished with baking soda, so try to keep an extra box stored in an upper cabinet location. Never use water or flour on cooking fires.
- Turn off the heat to smother oven or broiler fires and keep the door shut.
- Well prepared homeowners keep a fire extinguisher in the kitchen and know how to use it. The National Fire Protection Association recommends extinguishers classified 2A:10B:C. Make sure the one you choose is always UL (Underwriters Laboratories) approved.

## **Theft Prevention**

Did you know that every day in this country, more than 16,000 homes and apartments are broken into and ransacked by thieves? That makes burglary a very big business. Break-ins cost Americans about \$3 billion every year.

The good news is that 9 out of 10 burglaries could be prevented with some basic precautions.

**Begin with a little common sense:**

- Make it harder for thieves to gain entrance to your home. You can start by making doors more secure.
- Standard, spring-catch locks can be opened easily by a crook with a credit card.
- A single-cylinder deadbolt lock is enough to discourage many thieves. And you might be able to lower your insurance premiums in the bargain. Burglars like unprotected windows, too.
- Key-locks on windows add an extra measure of security;
- so do steel or wooden rods in the channels of sliding-glass doors.
- A dark house is an invitation to a thief. Install timers on your home's lighting systems, indoors and out.
- And don't provide cover, camouflage or encouragement for the burglar who's casing your neighborhood. Prune the shrubbery around doors and windows, and keep ladders and tools locked up.

One of the most satisfying ways to foil burglars is to organize a neighborhood block watch. Keeping an eye on each other's homes not only prevents crime, it promotes a sense of community. Let your neighbors know when you leave town (as long as you know them personally), and ask them to do the same. Most police and sheriff's departments will gladly help you start a neighborhood watch program. And one more thing:

- Don't "hide" spare keys under doormats or flower pots or in the mailbox. And forget about ordering one of those fake rocks used for hiding keys...burglars have seen those catalogs, too!

Winter Weather

**A lot of homeowners don't know what ice dams are -- until it's too late.**

Ice dams are most common in northern climates. They occur when heavy snow buildup melts during the day and then refreezes when temperatures drop overnight.

After several days of melting-freezing cycles, it's common for the melted water and ice to work up under the shingles until water enters the attic and eventually does damage to the ceilings, wall and contents. In cases where the ice dam goes unnoticed for an extended period of time, it can do significant damage to the building and its contents.

There's no way to guarantee an ice dam won't damage your home, but you can take steps to cut the chances of an ice dam forming in the first place:

- If you haven't already, thoroughly clean all leaves, sticks and other debris from your home's gutters and down spouts. This lets melting roof snow flow into gutters and through down spouts, just as they were designed.
- Make every effort to keep snow on your roof to a minimum. Long-handled devices on the market called "roof rakes" let you stand on the ground and pull the snow off the roof. Keeping heavy snow loads off your roof reduces the chances for both ice dam formation and roof failure due to the weight.
- All winter long, keep gutters and down spouts clear of snow and icicles.
- Evaluate the insulation and ventilation in your attic. Most experts agree the R-value of attic insulation should be at least R-30 (R-38 is preferable in northern climates). In addition, good airflow from under the eaves or soffit area along the underside of the roof and out through the roof vents is essential to a cool, dry attic. Consult a reputable roofing and/or insulation contractor about these improvements.

**Prevent Frozen Pipes**

If you think turning the heat down in your home while you're away on vacation will save you a few dollars, think again. If your home's pipes should freeze and burst, it could end up costing thousands of

dollars to repair floors and replace furniture and keepsakes. The damage could be so severe that you and your family would have to relocate while repairs are made.

By taking a few simple precautions, you can save yourself a ton of aggravation.

Here are a few simple steps to protect your home or apartment:

- Insulate pipes in your home's crawl spaces and attic. Exposed pipes are most susceptible to freezing.
- Heat tape or thermostatically controlled heat cables can be used to wrap pipes. Be sure to use products approved by an independent testing organization, such as Underwriters Laboratories Inc., and only for the use intended (exterior or interior).
- Seal leaks that allow cold air inside. Look for air leaks around electrical wiring, dryer vents and pipes. Use caulk or insulation to keep the cold out and the heat in.
- Disconnect garden hoses and, if practical, use an indoor valve to shut off and drain water from pipes leading to outside faucets.
- When you're away from home, set the thermostat in your house no lower than 55 degrees. Ask a friend to stop by your house daily to make sure it's warm enough to prevent freezing, or shut off and drain the water system. Here are a few additional helpful tips from the National Association of Remodelers:
  - Make sure your furnace is in good working order for the cold spurts. Check that the furnace filter is clean and replace it if it's not. Ensure that the thermostat and pilot light are working properly and that the pipe bringing fuel to your furnace isn't leaking or loose.
  - Have your heating ducts cleaned. It's recommended that the ducts be vacuumed every five years.
  - Check the caulking around doors and windows to make sure there's no cracking or peeling. Recaulking if needed prevents cold air from entering your home. Why pay a higher heating bill if you don't have to?
  - Keep snow and ice from building up around the bottom of the garage door so it closes completely and doesn't warp.
  - Frozen water pipes can quickly crack followed by gallons of water all over your home. Prevent this by draining your pipe's hose bibs and by keeping your heat on even when you're away from home.
  - Safely drain and properly dispose of the gasoline from lawnmowers, weed wackers, and other engines that won't be used until summer.

### **Tornado Safety**

Long before you see the black clouds on the horizon, your family should designate a place in your home to go if a tornado approaches. A place away from windows is best. In case you don't have time to make it to the basement, an interior hallway is a wise place to go.

When a tornado watch is issued, the American Red Cross advises people to listen to local television and radio stations for updates on the weather. A tornado watch is issued when conditions are favorable for the formation of a tornado. The Red Cross stresses the importance of keeping aware of the changing weather situation; the more time you have to move to safety, the more likely you and your family are to survive unharmed.

A tornado warning presents an immediate threat. A tornado warning is issued when a tornado is spotted visually or on weather radar. In case of a tornado warning, the Federal Emergency Management Agency (FEMA) advises people to:

- Go at once to the basement, storm cellar, or the lowest level of the building.
- If there is no basement, go to an inner hallway or a smaller inner room without windows, such as a bathroom or closet.

- Get away from the windows.
- Go to the center of the room. Stay away from corners because they tend to attract debris.
- Get under a piece of sturdy furniture such as a workbench or heavy desk and hold on to it.
- Use your arms to protect your head and neck.
- If in a mobile home, get out and find shelter elsewhere.

FEMA stresses the last point, especially. It is very easy for a mobile home to be overturned in high winds. FEMA suggests arranging for a safe place to go well ahead of time, such as with a friend, family member, or a neighbor.

### **Myths Debunked**

There are many myths about what to do during a tornado. The American Red Cross is hoping to put to rest these fallacies.

One popular belief is that opening a building's windows allows the air pressure to equalize as a tornado passes overhead. Air pressure can equalize itself through normal openings within a building and opening windows doesn't particularly help, especially given the likelihood of glass breaking due to flying debris. The American Red Cross stresses that it is much more important to get to safety than to open windows. Another persistent myth says that the southwest corner of a building is the safest. Studies have shown that the safest place in a building is away from all of the windows regardless of what corner of the building you're in.

If you're caught outdoors during a tornado, don't try to outrun it in your car. A tornado can change directions quickly. You should seek shelter indoors. If that isn't possible, get out of your car and duck down in the lowest spot you can find, such as a ditch or gully. Because a tornado doesn't suck objects up, but rather blows them around at speeds which can easily exceed 300mph, a highway underpass is not safe since it leaves you exposed to flying debris. During these devastating storms even the smallest of item caught in its furry such as small roof shingle parts, glass fragments, wood splinters and the like are bullets in the wind causing serious or even fatal injuries. Staying low to avoid this debris is the key to survival if caught outdoors.

### **Here Comes the Sun**

Keep your radio tuned to a local station, too. It may be possible that the tornado that has passed overhead is one of many tornadoes in your area.

After the storm has blown over, carefully inspect your home for damage. The sooner you start the claims process for any damage that did occur, the quicker you can get started on repairs. When inspecting your home, be sure to avoid downed power lines. FEMA warns that just because a power line is down doesn't mean it can't give you a serious shock.

The American Red Cross mentions that flashlights, not candles, should be used for inspecting your home because of the possibility of gas leaks.

### **Disaster Planning Made Simple**

Of course to be deeply affected by a disaster you don't have to be directly hit by it. Lengthy interruptions in basic services can catch you off guard. Downed power lines, broken water and gas mains can threaten your safety even when your home was untouched and survived an ordeal. For many people, a little preparation could make a big difference in coping with the aftermath of a severe

earthquake or storm. Disaster-planning experts say people should be prepared to go without power and most other basic services for up to 72 hours. That means no electricity, water, fire fighters or police.

With a few simple additions, the average household already has many of the resources needed to deal with a disaster. Here are a few suggestions and hints on how best to use what's already on hand.

- Water. The water heater (30-40 gallons) should contain enough water to last a four-person household four days. (Turn off power before draining and be careful of sediments that can accumulate at the bottom of the tank.) Ice cubes in the freezer and liquid from canned food can be used. If you'd rather not store extra bottles of water, consider keeping purification tablets on hand. Household chlorine bleach will disinfect water, too. Use one-eighth of a teaspoon per gallon of water and let stand for 30 minutes before drinking. Do not use bleach with added soaps or fragrances.
- Food. Most houses have ample food for several days. Use food in the refrigerator first, then the freezer. Frozen food will keep up to three days in an unopened freezer. Keeping a few extra canned goods in the back of the cupboard is always smart.
- First Aid. Most homes have the necessary items to handle routine accidents. A basic first-aid kit and a book on first aid should be kept in a central location. It's a good idea to take a first-aid and CPR course from the Red Cross.
- Fire Extinguishers. Have one or more fire extinguishers and learn how to use them. Have the extinguisher serviced according to the manufacturer's instructions.
- Other essentials. Identify your home's utility shut-off valves and learn how to turn them off. Have at least one flashlight and a battery-powered radio. Make an evacuation plan so all family members know several escape routes and where to meet outside.

### **Flood Survival Tips**

Heavy rains can quickly lead to flooding. Floods have a different set of challenges to prepare for than other severe weather events.

A homeowner's policy doesn't automatically cover damage from flooding, and you can't simply purchase flood insurance as an endorsement to your policy like you might expect. Instead, you must purchase a separate flood insurance policy through an insurance company that participates in the National Flood Insurance Program. Or contact us for details.

Well in advance of flooding conditions, assess your chances of being affected by a flood. A call to the town or county clerk is a good way to find out if you live in a flood plain.

Before a flood arrives, you should have an evacuation route planned; know how long it will take to evacuate your area and build in time to account for others evacuating at the same time.

You should carefully examine your need for flood insurance according to the flood threat as determined by the Federal Emergency Management Agency (FEMA) for your area. Generally, homeowners insurance does not cover damage done by flooding. It's a mistake to believe that flood insurance isn't necessary because of federal disaster aid. Often, federal aid comes in the form of a loan that has to be paid back.

FEMA points out that \$50,000 worth of damage done to a home worth \$100,000 can be financially devastating. While paying the typical flood premium of \$324 a year may seem steep, not having the insurance after a flood is more costly. FEMA estimates that getting a loan to repair \$50,000 damage can cost you \$3,732 a year for 20 years as you repay the loan.

**Getting your house in order**

Prior to evacuation, you can prepare your home. Moving furniture and other valuables to an upper floor can help protect them from water damage.

Never cross a road flooded in water. If you live near a river or creek, be alert during any heavy rain. It is not uncommon for a flash flood to sweep down a river and catch nearby residents by surprise.

When the time comes to evacuate, it is paramount that you never cross a road covered in water. People die every year during floods because they attempt to cross washed-out roads and are swept away by the current. According to the Ohio Committee for Severe Weather Awareness, even if you drive a sport utility vehicle, you shouldn't attempt to cross because it's difficult to gauge the water depth as well as the current.