

Owning a Home: Insurance

What kind of insurance do I need?

A standard homeowner's policy protects against fire, lightning, wind, storms, hail, explosions, riots, aircraft wrecks, vehicle crashes, smoke, vandalism, theft, breaking glass, falling objects, weight of snow or sleet, collapsing buildings, freezing of plumbing fixtures, electrical damage and water damage from plumbing, heating or air conditioning systems, according to the Insurance Information Institute, a Washington, D.C.-based nonprofit group for the insurance industry.

Such policies are "all-risk" policies, which cover everything except earthquakes, floods, war, and nuclear accidents.

A basic policy can be expanded to include additional coverage, such as for floods and earthquakes and even workers' compensation for servants or contractors. Home-based business-coverage, an increasingly popular rider, does not cover liability associated with the business.

Insurance experts recommend that homeowners obtain insurance equal to the full replacement value of the home. On a 2,000-square-foot home, for example, if the replacement cost is \$80 per square foot, the house should be insured for at least \$160,000.

For personal items, homeowners can increase their coverage beyond the depreciated value of items such as televisions or furniture by purchasing a "replacement-cost endorsement" on personal property.

Some experts recommend an inflation rider, which increases coverage as the home increases in value.

What is guaranteed replacement cost insurance?

Guaranteed replacement insurance is a more comprehensive policy. It tends to cost more, but it promises to cover the complete costs less deductible of replacing a destroyed house. With these sorts of policies, limits on the policies are not as common, because complete coverage is more explicit.