



John Rice

Real Estate Advisor

Berkshire Hathaway HomeServices | John Rice Real Estate Team

Understanding Your Homeowner's Insurance ...before it may be too late.

For nearly all consumers, owning a home represents a large investment. But suppose your home is vandalized or damaged by a storm? Having insurance can protect you from such unpredictable losses.

When purchasing insurance, it is important to READ YOUR POLICY. Your policy is the contract between you (the insured) and your insurance company. The time to learn about your coverage and conditions is not after you have suffered a loss but before, while you have the opportunity to discuss the policy with your agent. If you do not understand the policy or want to modify it, contact the insurance agent or company for additional information. Also important is the written application for insurance that usually becomes part of the policy. Carefully examine the application before signing it to make sure the information is accurate and complete.

CHOOSING A POLICY

When insurance policies are sold, they are issued on either a monoline basis or as a package policy. A monoline policy contains only one type of coverage, such as liability insurance, while a package policy includes several different types of coverage, such as property insurance and liability insurance. A package policy is generally less expensive than insurance coverage's purchased separately. Homeowners policies are package policies that include property, liability, theft and medical payments coverage's.

Standard types of insurance coverage's on your home offer protection against the financial loss you might suffer if any of the following events occur: Fire, windstorm, hail, tornados, vandalism, smoke damage and other physical damage to your home or belongings; theft of your personal property;



injury to someone on your property due to your negligence or that of a member of your family; or somebody else's property is damaged as a result of your negligence.

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Most Common Types of Homeowner's Insurance

Homeowners - 1 (HO-1) policy or Basic Policy, insures your home and contents against listed perils. Most insurers sell more comprehensive policies, such as the Homeowners-3, which includes these and other perils: Fire, Lightning and Smoke Damage, Windstorm and Hail, Glass Breakage, Vehicle or Aircraft Damage, Bodily Injury Liability, Damage to Property of Others, Personal Property (at Home), Personal Property (away), Burglary and Theft, Riot and Civil Commotion, Cost of Legal Defense, Explosion, Vandalism and Malicious Mischief, Medical Payments, Additional Living Expenses (If forced to live away from home temporarily).

Homeowners - 2 (HO-2) policy or Broad Form Policy, insures your home and contents against the perils in the HO-1 policy, plus other additional listed perils: Falling Objects, Water From Plumbing Systems, Electrical Damage to Appliances, Weight of Ice or Snow, Freezing of Plumbing Systems, Rupture of Water Heaters and Heating Systems.

Homeowners - 3 (HO-3) or Special Form Policy is the most widely used policy by homeowners. This policy covers your home for all risks of physical loss, except those that are specifically excluded, such as flood, earthquake, war, nuclear accident, etc. Check your policy for a complete listing of perils excluded. Coverage for loss of your home's contents is also covered for many of the same perils for which your home is covered.



John Rice Real Estate Team
Berkshire Hathaway HomeServices
1679 68th St Ste B | Caledonia, MI 49316
P: 616-951-4663 | john@johnricerealtor.com
W: johnricerealtor.com

John Rice
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BERKSHIRE HATHAWAY
HomeServices
Michigan Real Estate



It is important to be aware of the different perils that you are insured against. It is up to you to determine whether you need the most extensive type

of coverage or whether your insurance needs can be met with a basic policy. Some of the coverages excluded under a policy, such as earthquake damage and power interruption, can be "bought back" for an additional premium. Correspondingly, some coverages listed under a policy can be excluded, such as off-premises theft, resulting in a reduction in premium. However, some coverages, such as flood insurance, are always excluded and the only way to obtain them is through Federal insurance programs.

For more detailed information, be sure to contact a reputable insurance agent or sales representative.

THE Trivia Block

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• *The average U.S. farm has 467 acres; the average Japanese farm has 3 acres.* •

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Tips on Evaluating Your Home and Personal Property

The first step in determining how much insurance you will need is to make an analysis of the value of your home and your personal property within it. In determining the value of your home, you must calculate how much it will cost to replace it if your home were totally destroyed. You can enlist the help of your insurance agent in determining this figure. In fact, most insurance companies make a physical inspection of your home when they first insure it. Using formulas that take into account whether your home is of brick or wood frame construction, total area, number of floors, number of rooms, etc., the company will be able to give you an accurate replacement cost value.

Determining the value of your personal property will require an extensive analysis on your part. You should go through each room of your house and list every piece of furniture and fixture within it. As you compile your inventory, you should supplement it with receipts indicating the purchase price and date of purchase and photographs of major items. Your inventory should be updated on an annual basis or, at the very least, whenever you purchase a large appliance or piece of furniture.



Some people periodically videotape all their possessions. If you videotape, make sure all the drawers and/or doors of your furniture are open so you have a record of what is stored. When complete, you should store your inventory or videotape in a safe place away from your home, such as your safe deposit box. You might also store this information in the home of a friend or relative.



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 1679 68th St SE, Ste B
 Caledonia, MI 49316
 Direct: 616-951-4663
 john@johnricerealtor.com
 www.johnricerealtor.com



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 Michigan Real Estate



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