

# Insurance Protection for your Home and Possessions



**A Consumer's Guide  
prepared by the  
Indiana Department of Insurance**

311 West Washington Street  
Suite 300  
Indianapolis, Indiana 46204

Direct: (317) 232-2395  
Toll Free: (800) 622-4461  
[www.state.in.us/idoi](http://www.state.in.us/idoi)

Indiana Department of Insurance  
Public Information/Market Conduct Division  
311 West Washington Street  
Suite 300  
Indianapolis, Indiana 46204

This brochure contains information about insurance for your home, whether owned or rented, and for property within the home.

The Public Information/Market Conduct Division of the Indiana Department of Insurance prepared this brochure as a public service. Copies are free to citizens of Indiana.

Other consumer brochures, also free to Indiana residents, explain life, health, and automobile insurance coverages. These, too, are available at the Indiana Department of Insurance.

## Homeowners Insurance

It wasn't too many years ago that a person had to buy several insurance policies to protect his home from various losses, such as fire, theft, windstorm, etc. Each policy had a separate price tag or premium.

Things changed for the better when the insurance industry began to combine various loss coverages into one packaged policy and to charge one packaged price for it. This multi-coverage insurance for the home is known as the "homeowners policy."

## General Information

As the name implies, most types of homeowners insurance are for owner-occupants of traditional one- or two-family homes. However, some policies are designed for renters. Others are tailored for condominium dwellers.

Basically, a homeowners insurance policy will cover your family's personal belongings, as well as your home. The policy also will cover the contents of your home, such as furniture, appliances, rugs, clothing, etc. The amount of insurance protection on contents usually is 50% of the amount of coverage on the dwelling. For example, if your policy provides \$50,000 insurance on your home, your contents will be insured for \$25,000.

Whether you own or rent your home, you should make an inventory of all your furniture, appliances, rugs, clothing, furs, jewelry, etc. List every major item and its value. It's best to do this before you buy homeowners insurance, to help you decide how much coverage you'll need to protect your possessions.

Most insurance agents have household inventory booklets, prepared by their companies and free for the asking. Get one; it will help with your inventory.

Keep a master copy of your completed inventory in a safe place away from home. If fire should ever strike, the inventory will help you and your insurance company to determine your loss as accurately and quickly as possible.

## Renter's Insurance

If you rent an apartment or a house, the renters type of packaged insurance will cover the cost of replacing your possessions in the event of loss by fire, theft, or other insured exposure.

## Other Benefits

Personal liability protection is a part of every homeowners and renters policy. It protects you against bodily injury and property damage claims arising from accidents to others on property that you either own or lease. It also protects you for accidental damage you may cause to the person or property of others while away from your property. Medical payment insurance is also included. Protection includes the cost of defending a claim against you.

Homeowners policies provide some coverage for your personal property when it is outside your home premises. This coverage is generally 10% of the basic amount of protection on all your belongings, or \$1,000—Whichever is greater.

If your home is damaged by one of the perils covered by your homeowners policy and you are forced to move temporarily into a hotel or motel, your insurance will pay reasonable additional living expenses.

## Type of Homeowners Insurance

The types of homeowners insurance, generally available, are as follows. These are tailored to give ranges of protection.

1. **Broad Form:** Designed to give coverage for both dwelling and contents on a specified peril basis.
2. **Special Form:** Coverage applies to dwelling on all RISK basis and, as in Broad Form, to specified perils on contents.
3. **Contents Broad Form:** Coverage applies to specified perils on contents and is designed for those who rent.

4. **Condominium Form:** Basically, same as Contents Broad Form but also offers special protection peculiar to unit owners.
5. **Comprehensive Form:** Offers ALL RISK for both dwelling and contents not generally available and also the most expensive.

**NOTE:** ALL RISK is an insurance industry description that should be reviewed for exceptions.

## Farm Policies

The usual farm operation is not eligible for homeowners insurance, so the insurance industry has developed a similar protective program for farmowners. Its format is very much like the homeowners program.

## Additional Protection

You may want to add low cost "all risk" insurance to your homeowners policy to cover some specified personal belongings. This additional coverage is necessary for expensive items not adequately protected by standard provisions in homeowners policies. Such items include cameras, art objects, furs, jewelry, musical instruments, golf equipment, etc. A word of caution: boat owners should carefully check out whether any special coverages are needed.

Homeowners insurance provides very limited protection for stamp or coin collections. Additional coverage for valuable collections can be added to the homeowners policies through endorsements.

## How Much Insurance Should You Have?

Your home should be insured for at least 80% of its replacement value. With 80% coverage,

the insurance company will pay losses in full, less any deductible, up to the face amount of your policy.

If coverage on your home is less than 80% of its current replacement value, a claim is settled on actual cash value-taking depreciation.

To adequately insure your dwelling, you must know its replacement value. This may not be easy because increased building costs have caused home values to rise dramatically. If you aren't sure of your home's value, play it safe and get an appraisal.

Remember, that the amount of insurance on your home is the base on which other policy coverages are determined. Insured amounts on personal property, abutting structures (*such as garage, shed, etc.*), and additional living expenses (*in case damage makes your home temporarily unlivable*) are all set percentages of the protective amount on your home.

## Deductible Clauses

Insurance companies have deductible clause in their homeowners policies.

There's a \$250 deductible in most homeowners forms. This means that you would pay for the first \$250 of all losses. Some deductibles may be either reduced or increased at the option of the policyholder. Deductibles save the insurance companies some money, since they eliminate many small maintenance-type claims that are just as expensive as larger claims to process and settle. The savings are passed on to the consumer, who pays less for policies with deductibles.

## Keeping Your Insurance Up-to-Date

Because of the rapidly-increasing cost of home construction and reconstruction, most

insurance companies offer homeowners policies that self-adjust to cope with the inflationary spiral. Such a plan automatically increases the limits of your coverage as building cost increase.

Through such a plan, you'll be better able to keep your insurance abreast of inflated costs - and to rebuild if your home is ever destroyed. Without this provision, insurance that once was adequate may pay less than the replacement cost at the time a loss occurs.

If your insurance doesn't have an inflation provision, you should review your protection regularly, at least once a year, and adjust your insurance coverage according to building costs at the time of your review.

## A Final Note

When you buy insurance, recognize the fact that your home is probably the largest investment you will ever make. Protection against financial loss is absolutely necessary; adequate residence insurance should be budgeted for when you first consider purchase of a home.

Your Insurance Department represents the public. If you need information about insurance or have a complaint, contact:

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Please be prepared to give details of the situation, policy number, and the name of the insurance that issued the policy.