

Homeowners insurance basics

How is the cost of my homeowners insurance determined?

A number of factors determine the cost of your homeowners policy, including the type of policy you choose; how much insurance you carry; and the size of your deductible. The construction of your home or apartment also is a factor, as some buildings are more fire-resistant than others. Available fire protection in your community and where you live are factors too.

How can I reduce the cost of my homeowners insurance?

One way to keep insurance costs down while maintaining adequate protection for your family, property and belongings is to increase the size of your deductible. A deductible is the agreed amount that you would be responsible for in the event of a loss. For example, if you have a \$1,000 deductible on your home policy, you would be responsible for the first \$1,000 in damages and your insurance company would reimburse you for the loss up to the policy limit.

The higher your deductible, the lower your premium will be. Increasing your deductible to the level you can afford will reduce your insurance costs while still providing protection from large losses. You also may be eligible for lower premiums if you have certain protective devices installed in your home such as a burglar alarm, fire extinguisher, smoke detector, storm shutters, or impact-resistant glass and doors. Many insurance carriers also offer discounts for fire and automobile policies (if you have one with them).

How can I reduce the risk of damage to my home from named-peril policies?

Named-peril policies only insure against named perils or damages. A named-peril policy is designed to insure against every direct cause of physical loss or damage except those excluded in the policy, such as losses due to war. A named-peril policy covers losses or damages resulting from perils named in the policy contract. A peril is an event, such as a fire or vandalism that causes damage to your home or property.

What should I know about my legal duty to provide compensation when I permit contractors to perform work on my residence?

Homeowners have a legal duty to provide compensation for invited guests and even for neighbors. Neighbors certainly have a right to expect that activities on the premises will not be harmful to their person or property.

Consequently, a homeowner could be held liable for bodily injury or property damages involving a contractor's activities, either because of the homeowner's own negligence or the contingent responsibility for hiring a negligent contractor. Such protection is provided by the liability coverage of a homeowners policy. However, you will not want your policy to respond as primary coverage.

We recommend that you verify (usually by certificate of insurance) that the contractor has general liability coverage in effect before performing the work. And, since no workers' compensation coverage for a contractor is provided by your homeowners policy, it is all the more important to verify that the contractor carries the required workers' compensation coverage.

