

A Consumer's Guide To



Homeowners and Renters Insurance

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NYSUT Member Benefits Trust wants members to be the best-informed consumers in the state. This Consumer's Guide is one of our contributions to achieving that goal. We hope you will find it helpful and informative.

Your home is your castle – solid and secure. It's a place where intruders won't enter, fires won't ignite and visitors will never get hurt.

But the truth is that your house can catch on fire, your belongings could get stolen, and visitors can be injured. Could you afford to repair your home, replace your belongings, or pay legal fees and medical expenses? And if you couldn't live in your home, could you afford to live elsewhere? With homeowners or renters insurance, you're protected if an accident happens.

This brochure is designed to provide you with some basic information about:

- how homeowners and renters insurance protects you
- the types of insurance available
- how much insurance to buy
- where to buy homeowners insurance

Why do I need homeowners insurance?

Homeowners insurance protects you against a financial loss in five ways:

Damage to your home - Your house, condominium or co-operative apartment is probably your single biggest investment. An unpredictable event such as frozen plumbing could damage your home; a fire might even destroy it. Under circumstances like these, homeowners insurance will pay for the repair or replacement of your home, garage and other structures on your property.

If a fire or similar event damages your home, you may have other expenses. Generally, insurance will also pay for:

- the removal of debris
- temporary repairs needed to protect your property from further damage
- trees, shrubs and other plants, up to certain limits
- fire department service charges

Belongings rescued from your house are usually insured against direct loss from any cause for up to 30 days. If your credit cards are stolen and you must pay for purchases resulting from this theft, you will be reimbursed by the insurance company. Read your insurance policy carefully because it may limit the amount it pays for these expenses.

Damage to your personal property - Picture the inside of your home completely barren – no furniture, no clothes, no TV. How much money would it take to replace these items? For most people, the cost to replace them would be overwhelming. If perils like smoke or vandalism destroy your personal belongings, homeowners and renters insurance will cover the cost to replace most of them.

Additional living expenses - If the damage to your home was extensive, you might be forced to live in a hotel and eat in restaurants. The bills would pile up quickly. Homeowners and renters insurance pays for additional expenses you'll incur to maintain your normal standard of living.

Personal liability and damage to property of others - We live in a very litigious society. It's possible that someday you may be involved in a lawsuit. If you or a family member living in your home injures another person or damages someone else's property, homeowners insurance will provide protection against a claim or lawsuit. If the accident happened away from your home, you would also be covered. Insurance will cover the cost of an attorney and any damages for which you are held liable, up to the limit of the policy.

For example, suppose a visitor trips over a bicycle in your yard and becomes injured. The visitor wins a judgment against you for \$50,000. You would be covered for attorney's fees and the amount you must pay, up to the limit of the policy.

Or suppose you chop down a tree in your yard and it damages your neighbor's house. If you are liable or if your neighbor wins a judgment against you in court, insurance would pay for your legal costs and the cost to repair the house, up to the liability limit of the policy.

Medical payments to others - If an accident happens on your property, it could be costly to determine who is at fault. To avoid the expense of establishing legal liability, homeowners insurance policies include a medical payments provision. Under this provision, an injured person's medical expenses will be covered up to the amount stated in the policy. It does not apply if you or your family members are injured.

What should I look for in a homeowners policy?

Standard homeowners policies are used widely throughout the insurance industry. This means you can buy essentially the same policy from any insurance company, but variations among policies do exist and you should read each policy carefully.

Basically, four standard policies are available for people who live in private homes. There is one policy for owners of condominiums, and one for owners of co-operatives and renters. Each standard policy has a name and a code. For example, the least complicated policy is called "basic;" its code is HO-1, meaning Homeowners 1.

Basic (HO-1), Broad (HO-2) - The **basic** policy insures your home against 10 perils such as fire, lightning, explosion, smoke, vandalism or theft. The **broad** policy will protect you if your home is damaged from six additional perils such as falling objects or the weight of ice, snow or sleet. The chart at the end of this booklet shows the perils from which you are protected.

Special (HO-3) - The **special** policy provides the broadest coverage for your house, garage and other structures on your property, but **not** your belongings.

For example, water, snow or ice may damage your ceilings or walls if you live in an area with frequent storms. This damage would be covered under a special policy but not a basic or broad policy. The chart at the end of this booklet shows how the special policy differs from the basic and broad policies.

Comprehensive (HO-5) - As its name implies, the comprehensive policy provides the broadest coverage for your house, garage and other structures **and** your belongings. The perils against which you are insured are shown in the coverage chart.

Condominium Owners (HO-6) - A condominium association buys insurance to protect the building and the structure of each unit up to studs in the wall. That insurance usually does not cover the interior dwelling or any additions or alterations you might have made to your unit. If you buy your own condominium owners policy, you will have some protection for these items. The condominium policy also insures your belongings against the perils in the broad policy and protects you if you have additional living expenses.

Renters and Co-Operative Owners (HO-4) - If you rent an apartment or house, you can protect your belongings by purchasing a renters policy. This policy insures your belongings against all the perils included in the broad form. Additional living expenses will also be covered.

If you're a co-op owner, you can buy additional coverage that will protect your additions and alterations. With this extra coverage, there is essentially no difference between this policy and a condominium policy.

How much homeowners or renters insurance should I buy?

There are two types of insurance policies: "actual cash value" and "replacement cost." **Actual cash value** policies cover your property for the original cost minus depreciation. **Replacement cost** policies cover your property for the cost of replacing these items without considering depreciation.

Let's say a fire in your bedroom caused extensive damage and the cost of replacing damaged clothes and furniture came to \$10,000. With a replacement cost policy, your insurance company would pay the \$10,000 replacement cost minus the deductible.

Replacement cost policies are more expensive than

actual cash value policies; however, many insurance experts recommend buying enough insurance to cover the cost of **replacing** your house or belongings. To ascertain the replacement cost of your home, you should consider using the services of a professional appraiser.

Where should I buy my homeowners or renters policy?

When buying an insurance policy, you should take into consideration:

- which policy best meets your needs
- the cost of the policy and the terms for payment
- the quality of service the company provides

Regardless of where you purchase your homeowners or renters insurance, basically you'll choose from one of the generic "HO" policies.

What else should I know?

There are a few commonly asked questions that you should consider before selecting a homeowners or renters policy:

- *Do homeowners and renters insurance policies have a deductible?*

Homeowners and renters policies usually require you to meet a deductible each time you file a claim. For example, your deductible is \$500. In August you file a claim because your house caught on fire, and in December you file another claim because you were robbed. You must meet a separate \$500 deductible in both August and in December.

- *When am I not covered?*

Usually your property will not be covered for wear and tear, war, nuclear hazard,

earthquake, flood, drain backups, intentional damage, and windstorm damage to trees and shrubs.

You won't be covered if you injure another person or damage his or her property because of:

- an intentional act on your part
- your giving or refusing to give professional advice
- your business
- your use or ownership of an automobile
- racing, stunt driving or similar activity
- *What if I live in an area prone to flooding or earthquakes?*

Homeowners and renters insurance policies do not cover damage caused by flood or earthquake. For an extra premium, you can purchase earthquake coverage as optional coverage. Flood insurance can be purchased from the Federal Insurance Administration.

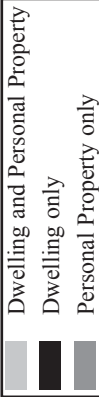
Want more information?

If you would like more information about the homeowners/renters insurance endorsed by NYSUT Member Benefits Trust, please contact:

NYSUT Member Benefits Trust
(800) 626-8101
e-mail: benefits@nysutmail.org
Web site: www.memberbenefits.nysut.org

For information about contractual expense reimbursement/endorsement arrangements with providers of endorsed programs, please contact NYSUT Member Benefits Trust or refer to your NYSUT Member Benefits Trust Summary Plan Description.

Perils against which properties are insured under the various homeowners policies*

| | | | | | |  | | |
|------------|------------|--------------|--------------|--------------------|------------------|---|--------|--|
| Basic HO-1 | Broad HO-2 | Special HO-3 | Renters HO-4 | Comprehensive HO-5 | Unit Owners HO-6 | Older Home HO-8 | Perils | |
| | | | | | | | | 1. Fire or lightning |
| | | | | | | | | 2. Windstorm or hail |
| | | | | | | | | 3. Explosion |
| | | | | | | | | 4. Riot or civil commotion |
| | | | | | | | | 5. Aircraft |
| | | | | | | | | 6. Vehicles |
| | | | | | | | | 7. Smoke |
| | | | | | | | | 8. Vandalism and malicious mischief |
| | | | | | | | | 9. Theft |
| | | | | | | | | 10. Volcanic eruption |
| | | | | | | | | 11. Falling objects |
| | | | | | | | | 12. Weight of ice, snow, sleet |
| | | | | | | | | 13. Sudden and accidental tearing asunder, cracking, burning, or bulging of a steam or hot water heating system or of appliances for heating water |
| | | | | | | | | 14. Accidental discharge, leakage or overflow of water or steam from within a plumbing, heating or air-conditioning system or domestic appliance |
| | | | | | | | | 15. Freezing of plumbing, heating and air-conditioning systems and domestic appliances |
| | | | | | | | | 16. Sudden and accidental injury from artificially generated currents to electrical appliances, devices, fixtures and wiring (TV and radio tubes not included) |
| | | | | | | | | All perils except flood, earthquake, war, nuclear accident and others specified in your policy. Check your policy for a complete listing of perils excluded. |

* From *Sharing The Risk, 2nd edition, Insurance Information Institute*

**NYSUT Member Benefits Trust
offers Consumer's Guides
on these additional topics:**

- **Automobile Insurance**
- **Disability Insurance**
- **Legal Services**
- **Life Insurance**
- **Long-Term Care Insurance**