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## Consumers should select home insurance with care

**C**ONSUMERS should choose insurance coverage for their home and personal belongings with care.

"A home and the possessions it contains are very special. Insurance for those items should be tailored to meet each individual's needs," according to Terry Buckles, president of Michigan Association of Insurance Companies.

One type of home insurance policy is the "broad form," otherwise known as HO 2. This covers damage to the dwelling and possessions from perils such as explosion, fire or lightning, windstorm or hail, riot or civil commotion, theft, vandalism, falling objects, building collapse and damage from a vehicle or aircraft.

Another, perhaps more common type of policy is the HO 3, often referred to as the "special form." This policy covers the dwelling against additional perils and, accordingly, is priced somewhat higher. There are also special policies to fit the needs of renters and condominium owners.

Most homeowners policies also cover a policyholder's legal liabilities if someone is injured on the premises, or if the insured damages someone else's property. "Personal liability insurance includes protection in the form of legal defense and payment of damages, if the insured is found to be at fault," Buckles said.

Policies usually provide a minimum of \$25,000 to \$100,000 in coverage for personal liability; however, consumers may wish to purchase higher limits for an additional premium.

REPLACEMENT COST coverage is the traditional type of home insurance. It pays for replacing, rebuilding or repairing the property to its original condition with materials of the like kind and quality.

Another option offered by many insurers is the repair cost policy. This type of policy pays to replace, repair or rebuild damaged property to a similar condition using contemporary materials.

Many Michigan homes are dangerously underinsured, the insurance official noted. Inflation has doubled and tripled their value in recent years; but property owners have neglected to increase insurance

coverage levels accordingly.

THE AMOUNT OF RECOVERY for property loss is limited to amounts specified in the policy. So, even if a home is worth \$60,000 and insured for \$40,000, the owner would receive only the latter in case of total loss.

Most property losses, of course, aren't "total." Even with partial losses, however, many homeowners could have financial difficulties if underinsured. Replacement cost policies generally require the insured to maintain coverage levels equal to at least 80 percent of replacement cost.

If the insured does not, the company won't pay the full cost of repairing, replacing or rebuilding for such partial losses.

Many companies offer a special policy endorsement or provision that increases dwelling coverage levels automatically to keep pace with inflation.

A homeowners policy will cover a family's personal belongings, such as furniture, appliances, rugs, clothing, jewelry, etc., as well as the home itself. The amount of insurance protection for personal property on the premises is usually 50 percent of the amount of coverage on the dwelling.

For example, if a policy provides \$60,000 insurance on a home, the contents would be insured for \$30,000.

Policies generally provide only limited amounts of coverage for certain types of personal property that are especially susceptible to loss, such as cash, securities, jewelry, furs, firearms, and stamp and coin collections.

Coverage for cash has a \$200 limit, while coverage for other valuables varies between \$1,000 and \$2,500. For an additional premium, the consumer can purchase a policy endorsement in which the items are described specifically and each is given a dollar value.

Buckles noted that home insurance premiums are based on the following criteria: territory (geographic location), amount and type of coverage, safety and security devices, structural defects, fire protection, construction, prior claims, use of smoking materials and availability of law enforcement.