



Alaska REAL ESTATE

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HOMEOWNER'S INSURANCE

What is Homeowner's Insurance all about? What is covered? How expensive is it? These are all good questions.

A few years ago I boarded an airplane at Seatac airport and inadvertently left a \$900 leather jacket in the gate area. The crew on board called the desk and the jacket had disappeared. For 2 weeks I called Lost and Found at Seatac to no avail. I cursed my own stupidity, even though I was tired at the time, and decided to accept the loss.

One day, while picking up a parcel at Fedex in Anchorage, I was conversing with the desk clerk about my jacket. She asked me, "Did you claim it on insurance?" - - I had never given it a thought! However, I subsequently called Allstate and, after a 10 minute phone call, they agreed to send me a \$700 check.

It occurred to me that many events happen in our lives that we never bother to consider as insurance claims. Here is a run-down on your average Homeowner's Insurance. Whilst the information shown is derived from Allstate, it is fairly typical.

YOUR HOMEOWNER'S INSURANCE IS DIVIDED INTO 5 SEGMENTS.

- (1) Main Home Structure.
- (2) Other Structures on the property.
- (3) Personal Property (all you own inside the house).
- (4) Personal Liability.
- (5) Guest Medical.

PREMIUMS: are directly related to your "Insurance Score" which can range from 1 through 16. Most of this score is about your credit rating but other factors, such as previous claim history and age of structure etc. also factor in. Rates look something like this:-

| <u>REPLACEMENT VALUE</u> | <u>SCORE 3</u> | <u>SCORE 8</u> | <u>SCORE 12</u> |
|--------------------------|----------------|----------------|-----------------|
| \$300,000 | \$ 840.00 | \$ 980.00 | \$1100.00 |
| \$400,000 | \$1045.00 | \$1225.00 | \$1380.00 |
| \$500,000 | \$1260.00 | \$1480.00 | \$1670.00 |
| \$600,000 | \$1430.00 | \$1700.00 | \$1910.00 |
| \$700,000 | \$1600.00 | \$1900.00 | \$2150.00 |

If you also carry Auto Insurance with the same Company you will receive a 10% discount. By the way, when your Lender for your home asks for 'Hazard' Insurance, this is the same as Homeowner's Insurance.

Earthquake Insurance is not mandatory for your Lender but, if you want it, you can obtain it with a 10%, 15% or 20% deductible. Rates vary and you must shop around. State Farm and USAA offer it, but not with a 10% deductible. Allstate does not offer it, but

can provide it through Broker quotes.

Since 30th November 2018 this has become a hot topic. Whereas before 11/30/18 around 25% of Anchorage homeowners had EQ Insurance, this has now risen to 35%. It is your personal choice. If you own a Condominium, your Association can obtain it, but most don't bother.

The Structure portion of the policy covers 'sudden' and 'accidental' damage to your home: - e.g. fire, plumbing acci-

dents, weight of snow, and sudden damage from broken hot water heater. If you are on vacation and a broken pipe damages anything, you're covered. 'Sudden' and 'Accidental' are the key words - e.g. branch of tree falls on your roof. Not covered are ground water and flood damage. It should be noted that your Structure is valued, for insurance purposes, at Replacement Cost, not what you paid for it, nor the appraised or market value.

Flood Insurance can be obtained for about \$300 per annum if the property is not in a flood zone. If you are in a flood zone per the F.E.M.A. map, the Lender will insist on flood insurance which is very pricy - moral of the story, do NOT purchase a home in a flood zone.

Other Structures in your Homeowner's Policy include your mailbox, shed, fences and detached garage. The amount covered is 10% of the replacement value insured on the home but can be varied on request. That is, if your home is insured for \$400,000, you have \$40,000 coverage on other structures. So, if the wife (or husband) backs into the fence with the family car, don't forget to call your insurance agent, unless the damage is equal to, or less than, your deductible (mine is \$1,000).

Personal Property insurance causes the most confusion and problems because people (including me) often don't know what they are covered for.

First, you should be sure your coverage is sufficient. Most folks are astounded at the actual value

of their personal property. Insurers automatically provide minimum coverage calculated at 75% of the amount insured on the structure. For a \$400,000 home, that's \$300,000, but even this may not be enough.

You should do a periodic inventory of your personal property and even take photographs or video so that you can prove your case in the event of, say, a burglary or theft. Burglary is a person breaking into your home. Theft is what happened to my leather jacket.

When you have a claim for loss of personal property the Insurance Company will pay up to the policy limit but, unless you specify otherwise upfront, your policy has limits on individual items. Obtain that list from your insurer. You may be surprised:- cash limit usually \$200, jewelry limit \$5,000, firearms \$2,000, computer equipment \$5,000. Be sure to include tools as they are often of significant value. These coverages can be increased, for a price. Boats and other recreational vehicles should be separately insured (not covered in your regular Homeowner's Policy).

Burglary and Theft, or other 'sudden' and 'accidental' damage, are included in the Personal Property coverage. Here are some examples of incidents that may occur in your home and are covered.

1. Power surge fries all your appliances.
2. Broken pipe ruins books in your basement.
3. Luggage in your rental car in Hawaii is stolen.

4. Leather jacket, apparently stolen at airport after you board plane.
5. Newspaper boy steals stereo off your front porch, but you can't prove it.

Personal Liability and Guest Medical covers expenses which you could be responsible for even if it's not your fault. You're on vacation; you're relaxing by the pool while your husband plays a round of golf. You hear glass breaking, the squeal of brakes, and a collision. It's your husband's penchant for slicing the ball. He's hit a car in the driveway of the hotel and the young lady is most upset. Don't worry, your Homeowner's Insurance applies.

Your dog bites the neighbor's ankle. These legal liabilities are covered. However, be sure to tell your agent if you have one of the known aggressive breeds (such as a Pitbull or Rottweiler) because these may be excluded on some policies.

If your neighbor's kids play in your yard constantly without your permission, put up a 'Private Property' or 'No Trespassing' sign. This will help protect you against a claim if they get hurt in your yard.

If you have a visitor staying with you and she foolishly slices her hand in the kitchen, your guest medical will probably cover her costs.

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