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Personal Touch

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Homeowners insurance

Over 3,000 years ago, a written code of laws, inscribed on a stone monument in the center of an ancient city, included what may be the first recorded mention of insurance. Under such laws, the neighbors of a resident who fell victim to a robbery would pay restitution for stolen goods if the perpetrator was not found and tried.

For hundreds of centuries, people have realized the importance of being compensated in the event of a loss, particularly with respect to a home and its contents. Today, it is not uncommon to find insurance for most aspects of life; you can insure your car, your life, and even your income. However, for many people, a home is their largest asset, and obtaining a **homeowners insurance policy** is the first step toward protecting it.

Knowing the Basics

Homeowners insurance policies typically cover the home and its contents, as well as liability for injuries to others or property damage. Poli-

cies are generally structured in two parts—Part I pertains to the dwelling and personal property coverage, while Part II addresses liability coverage. Following are the three standard types of coverage on Part I of a typical homeowners policy:

The **basic form (HO-1)** covers the house, its contents, shrubs, trees, and other outside structures such as a tool shed or garage; it insures the same against ten major hazards, such as fire and theft. It has been withdrawn from use in some states because it offers such limited coverage.

The **broad form (HO-2)** adds seven more hazards common enough to consider: hot water system leaks; plumbing, heating, or air conditioning problems; freezing pipes; faulty electric wiring; falling objects; weight of ice, snow, or sleet; and collapse of the building.

The **special form (HO-3)** is the most common type of coverage, and it provides extensive protection to

the house, excluding only specific disasters such as floods.

Personal Property Coverage

In general, homeowners policies cover contents in your home for their **actual cash value (ACV)**, the cost to replace an item less a deduction representing its physical depreciation (wear and tear). **Replacement cost coverage** provides for the cost of replacing an item without subtracting depreciation. Documenting your personal property with photos, receipts, and video footage can help ensure you have an accurate inventory of your personal property should you need to file a claim. Be aware that the contents portion of all homeowners policies generally has specific limitations on items such as money, computers, jewelry, furs, silverware, artwork, and securities.

Major purchases or renovations may affect your homeowners insurance. Over time, it is important to regularly review your policy to help ensure you have sufficient coverage.

Did You Know?

Operating a business from home— what's covered?

The typical risks of a home-based business may seem less significant to a larger company, but they can have an extreme impact on the financial situation of a home-based business owner. Consider what might happen to your company if your computer were stolen while you're away for the weekend, important business files were destroyed when water flooded your basement during a heavy downpour, or a courier fell in your driveway while delivering a package. At the very least, these incidents may cause some financial strain, but at the worst, they could drive you out of business—unless, of course, you have adequate insurance coverage.



Many home-based business owners tend to overlook additional coverage because they believe their **homeowners** or **renters policies** will come to their aid in the event of a disaster or liability claim. In most cases, if the required coverage is not in place, owners might be in for a rude shock. Homeowners policies provide limited coverage (typically around \$2,500) for business

equipment, which may be inadequate for most high-end personal computers and printers. In addition, if someone is injured on your property during business hours, you may lack sufficient **liability coverage**. Also, income losses due to business interruption do not come under the purview of a homeowners policy.

To adequately protect a home-based business, an owner has three choices: 1) obtain **endorsements**, or added coverage, to an existing homeowners or renters policy; 2) buy a policy that specializes in business conducted from home; or 3) buy a policy tailored for small businesses. A consultation with your insurance professional can help you assess what option is best for *your* particular situation.

"Beefing Up" Your Homeowners Policy

Depending on the type of business you run, you may be able to increase your homeowners policy limits for business equipment and general liability for a small, additional premium. Bear in mind, however, that most homeowners policies exclude flood and earthquake coverage, so if you are at risk, you still may need to get a separate policy.

An In-Home Business Policy

In-home business policies, on the other hand, provide more comprehensive coverage. For instance, you can choose higher limits for business property, as well as business interruption coverage that will provide for lost income and ongoing expenses if you are unable to operate your business because of damage to your home. This

Lower Speeds for Higher Fuel Efficiency

The Department of Energy (DOE) estimates that every 5 miles per hour driven above 60 mph costs an extra 20 cents per gallon, for a fuel-efficiency loss of 7% to 23%, depending on the type of car and gas used. Higher speeds tend to increase fuel consumption because they cause greater aerodynamic drag on a car, which, in turn, requires more horsepower to overcome.

Motorcycle Helmet Use on the Rise

According to the National Occupant Protection Use Survey conducted by the National Highway Traffic Safety Administration (NHTSA), the rate of helmet use among motorcyclists was up in 2006 (65%), compared to that of 2005 (57%). The study also reported that use rates were much lower in states that do not require helmets (50%), as compared to those states where helmets are required by law for all motorcyclists (83%).

Lead—Still a Concern?

Lead-based paint was banned in the U.S. in 1978; however, according to the National Safety Council (NSC), approximately 38 million homes contain some lead paint, which accounts for about 40% of all housing in the U.S. In addition, many older cities still use old lead pipes as a part of their sewage systems, which continue to introduce lead into drinking water. Contact the NSC for resources designed to help families prevent lead poisoning.

For Your Information

Child Safety Seat Ratings

The National Highway Traffic Safety Administration (NHTSA) encourages manufacturers of child restraint systems to make their products more effective and easier to use through the Ease of Use Ratings program. Their ratings system is a tool for parents and other caregivers to learn about the safety features of a particular child safety seat and to choose the appropriate system according to their needs. For more information, visit www.nhtsa.dot.gov.

Finding an Appraiser

Whether you are donating an item to charity, planning your estate, or evaluating your insurance coverage, an appraisal can help you determine the value of your possessions, especially those of significant value. The American Society of Appraisers can help you find an accredited appraiser according to discipline and location through their toll-free number at (800) ASA-VALU or online at www.appraisers.org/findappraiser.

Online Buyer Beware

The Internet has expanded our opportunities not only to access information, but also to sell and purchase goods and services. The Federal Trade Commission (FTC) offers resources to help consumers shop both safely and wisely online. Buyers can find materials on online payment services, Internet auctions, common scams, and complaint resolution. Internet sellers can also learn about the FTC's rules for online advertising, timely deliveries, and other business-related matters. Visit www.ftc.gov/onlineshopping for more information.

Let's talk about fire prevention

According to the National Fire Prevention Association (NFPA, 2006), 388,500 U.S. home fires resulted in 13,650 injuries and 3,145 deaths in 2003. Children under the age of five were twice as likely to experience death in a home fire during that year; they accounted for 14% of home fire deaths, but only 7% of the U.S. population.

Preparing for Emergencies

Fire can strike quickly and without warning. Although firefighters may respond immediately to a fire—and local officials and relief workers may also appear on the scene—a family's best defense against fire is to *be prepared*.

Here are a few measures to consider when teaching your family about fire safety:

- **Learn about potential fire disasters.** Finding out about potential risks can help you prepare for a fire disaster that may occur in your community. In addition, your local emergency management office or American Red Cross chapter can provide you with information concerning public warning systems, helping the elderly, and learning about fire disaster plans at your workplace and your children's schools. You also may want to consult information from the NFPA through their website at www.nfpa.org.
- **Create a plan.** Educating yourself and your family about the risks of potential fire disasters may help you develop an effective plan for an emergency. Meet with your family to determine a checklist of "to do" items, and discuss what preparations may be necessary, such as designing evacuation and communication plans, choosing meeting places, and planning care for your pets.

- **Complete your checklist.** Once you have a fire disaster plan in place, follow the steps outlined in your checklist. Post emergency telephone numbers in accessible places, and teach family members how and when to turn off the main valves and switches that control your home's water, gas, and electricity. It may also be wise to install smoke alarms on each floor of your home, stock emergency supplies, receive training for administering first aid and operating fire extinguishers, practice escape routes, and review your insurance program to ensure you have adequate coverage.

- **Maintain your fire disaster plan.** Keeping your plan *current*, and practicing the steps outlined in it, may help you respond more effectively during an actual emergency. You may want to consider reviewing your plan periodically and quizzing your children to help them remember meeting places, phone numbers, and safety rules. It may also be smart to conduct fire drills with your family at least twice a year and to replace stored food and supplies every six months, or as needed.

Awareness May Be the Best Defense

Educating your family on what to do in the event of a fire may be the key for ensuring the best protection. Representatives at your local fire department can provide you with expertise and guidance as you learn about potential hazards and emergencies. Also, one of our qualified insurance professionals can help you evaluate your risks and structure the best risk management plan for your family's needs. Give us a call.

Operating a business from home—what's covered?

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is in addition to several other business-related coverages that are typically unavailable through a homeowners policy.

A Business Owner's Policy

Lastly, for owners with more involved operations, including manu-

facturing, off-site business, and commercial vehicles, a **business owner's policy (BOP)** may provide a better fit. The BOP is a comprehensive package designed for most small businesses.

Regardless of the size and scope of your home-based business, you need to put in place appropriate insur-

ance coverage that provides adequate protection for all your business needs. Therefore, it's always a good idea to discuss details with your insurance professional. We can help you assess your particular situation and make an informed decision about coverage for your home-based business.

Should your homeowners policy insure your land?

Several important issues are involved in a home-buying decision: location, taxes, schools, recreational facilities, shopping conveniences, size, quality of construction, your commute. . .the list goes on.

Insurance concerns typically come much later—perhaps after you have decided on a particular house and are looking to close the deal.

One issue that often remains unclear is *how much* of a property's total market value do you really need to insure? Suppose you paid \$350,000 for your house, \$100,000 of which

is attributed to the value of the land. The land is included automatically in your buying price, but seldom do homebuyers discount the price of land from coverage when contemplating the purchase of an insurance policy.

Replacement Costs: Points to Consider

Most banks and institutions providing home loans require that a **homeowners insurance** policy guarantees 100% of the home's replacement cost. But, what does this replacement cost cover? Is it the dwelling and other

structures that are on your property? Does it also include the land?

As it stands, a piece of land generally does not need to be replaced. Even if your entire house were to burn down or be destroyed in another way, your land would still remain. Thus, it stands to reason that the value attached to the land itself may safely be excluded from coverage. What you really need to insure are the "replaceable" components: the dwelling and other structures around it. It is generally best if coverage is 100% of replacement cost—in other words, the actual cost, under prevailing market conditions, to replace everything from the ground up, so to speak.

If you have questions concerning the scope and coverage of your homeowners insurance policy, or if you are in the process of determining insurance needs for a new home you may decide to purchase, give us a call. Our insurance professionals can help you decide the coverage that is right for your particular situation.

