

Chapter 16

The Importance of Homeowner's Insurance: Acquiring the Knowledge to Purchase and Maintain a Sufficient Policy for Your Home or Investment Property

In this age of both natural and unnatural disasters, Americans have a newly found desire for security. As a result, few debate the importance of homeowner's insurance. However, many homes are either underinsured or improperly insured. To paraphrase Roosevelt's famous thought, it is in the unknown where fear should lie. Property owners need to have their insurance policies provide adequate coverage both for any damage to the property itself and for liability to other people involving the property.

Although traditional banks require a borrower to purchase homeowner's insurance, these lenders do not usually delve deeply into the limitations of a policy. In order to keep you off the list of shocked and angry underinsured homeowners, this chapter will teach you some of the basic ins and outs of homeowner's insurance policies.

The Homeowner's Insurance Policy

A homeowner's insurance policy includes two types of insurance; (i) property insurance, which insures the house itself against perils such as fire, and (ii) liability insurance, which insures the homeowner against liability to third persons, such as guests who are injured on the property. Although both of these types of insurance are contained in a "homeowner's" policy, there are various flavors of that policy.