

The "A Shopping Tool for Homeowners Insurance" guide, published by the National Association of Insurance Commissioners (NAIC), serves as a valuable resource for consumers seeking homeowners insurance, emphasizing the need to understand the diverse coverage options and premiums available from different insurers. It encourages potential policyholders to gather essential information, including personal details and specifics about their homes, to obtain accurate premium quotes, recommending that consumers obtain at least three quotes to ensure competitive pricing and adequate coverage. Key information required includes the insured's personal details, current insurance status, and comprehensive details about the home, such as its age, size, and any special features or systems.

The guide outlines various types of homeowners insurance policies, including Basic (HO-1), Broad (HO-2), Special (HO-3), Comprehensive (HO-5), and Modified Coverage (HO-8), each with distinct coverage scopes and exclusions. It clarifies critical insurance terms such as Actual Cash Value (ACV), Replacement Cost Value (RCV), deductibles, and exclusions, which are vital for understanding policy details. Common exclusions include damages from floods, earthquakes, and mold. The guide also highlights the importance of personal liability protection and optional coverages like equipment breakdown and ordinance or law coverage. Consumers are advised to compare policies carefully, considering coverage limits and deductibles, to select a policy that effectively meets their needs and protects their financial interests.

The insurance policy document elaborates on the differences between ACV and RCV coverage, noting that ACV compensates for repair or replacement costs minus depreciation, which may result in insufficient funds to fully restore the property. Functional RCV coverage allows for repairs with similar materials at a lower premium, while standard RCV coverage pays for repairs or replacements with like kind and quality materials, typically after repairs are initiated. Extended RCV coverage offers additional compensation without depreciation deductions, and Guaranteed RCV coverage pays the full cost of repairs even if it exceeds policy limits, though it is rarely offered.

Personal property coverage is also detailed, generally including specific limits for high-value items like jewelry and art. ACV for personal property pays the fair market value at the time of loss, while RCV pays for replacement without depreciation deductions, often contingent on actual repairs being made. Policyholders are encouraged to inquire about coverage specifics, including limits, exclusions (such as water damage from sewer backups, mold, or earthquakes), and claims processing. Important questions include whether coverage limits adjust for inflation, the nature of deductibles, and how personal property is covered when stored away from home or when children are at college.

The document stresses the importance of understanding liability coverage, additional living expenses during home repairs, and potential discounts. It also highlights the significance of the declarations page in confirming coverage details. For further assistance, policyholders can consult their insurance agents, visit company websites, or contact state insurance departments for consumer resources. Notably, standard homeowners insurance typically does not cover flood damage, necessitating a separate flood insurance policy.