



HOMEOWNERS INSURANCE SPOTLIGHT:

The Top

10

Unexpected Gaps

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When was the last time you read through your homeowners insurance policy?

For that matter, have you ever read it?

If you're like most people, you probably answered "never" and "no."

Homeowners insurance is one of those formalities that many people get and forget ... until they suffer a loss. When a loss occurs, homeowners insurance becomes very important — the vital key to recovery. The right insurance can mean the difference between suffering a temporary inconvenience or a devastating financial loss.

Don't wait for a loss to find out what your homeowners policy covers

The fact is, there are many things standard homeowners insurance doesn't cover, leaving some potentially costly coverage gaps. Before you're caught off guard, check out this list of 10 things most standard homeowners insurance policies don't cover:

① Your wedding ring.

Most homeowners policies will reimburse you a maximum of \$1,000 or \$1,500 for your jewelry. That's total, not per item. Obviously, that falls far short of covering the average jewelry collection, particularly when you consider that people spend an average of \$4,000 to \$5,000 just for an engagement ring. So, if you accidentally drop your prized wedding ring down the garbage disposal or it gets stolen, you may be out of luck unless you've taken some extra steps.



TO DO:

If you want to make sure your jewelry is covered, ask your agent about "scheduling" it on your homeowners insurance policy, or secure a separate jewelry insurance policy.



② Mysterious disappearance.

What if you leave your wedding band or expensive watch in a hotel room or locker room? Will your homeowners policy pay to replace it? Possibly. Mysterious disappearance can be a covered peril just like theft — but not always. Many homeowners policies have a mysterious disappearance exclusion, which excludes coverage for loss of property if the cause of the loss can't be determined. If your homeowners policy doesn't have this exclusion, it will likely cover the loss up to the stated limits.



TO DO:

If you are concerned about this risk, ask your agent about a stand-alone jewelry policy. Many include losses for mysterious disappearance.

③ Injuries caused by trampoline.

While trampolines have become popular equipment for back yard fun and exercise, insurance companies have another name for them: liabilities. The fact is, trampolines are dangerous, causing tens of thousands of accidents and emergency room visits every year. That's why most homeowners policies don't cover them, so if someone gets injured on one, the insurance company likely isn't liable for the claim. Even buying one could cause your insurance company to refuse to renew your current homeowners policy.



TO DO:

If you own a trampoline, consider getting umbrella insurance for an added layer of liability protection. Also, establish strict rules for how and when your trampoline is used.



④ Injuries caused by diving boards or pool slides.

Swimming pools can be red flags for insurance companies. If a windstorm blows a tree over into your pool and damages the lining, your homeowners policy should cover you. But if your pool has a diving board or slide, you may be in for a surprise. Since your insurance company considers these to be high-risk features, you'll be paying a much higher premium, if you can get coverage at all. And any liability claim related to a pool accident could be denied. That means if one of your friends ends up in the hospital after getting injured on your diving board, you'll probably be footing the bill alone.



TO DO:

If possible, eliminate the "high risk" features of your pool. If that's not an option, ask your agent if an umbrella policy would help protect you from liability arising out of these features.

⑤ Home-based business.

One of the most common misconceptions among people who operate a home-based business is that their homeowner's policy will cover any business loss. That's just not true. While you may have limited coverage for certain risks, standard homeowners insurance isn't designed to cover business liabilities. The personal property coverage under your homeowners policy probably won't cover your business equipment at all, and the coverage limits may not be high enough to cover your business-related items. Your business also faces other risks that likely aren't covered under your homeowners policy, such as liability. What if a client visiting your home office trips and falls over an extension cord and breaks his leg? Your homeowners policy likely won't cover that. It also won't protect you against losses such as stolen computer data, accidental copyright infringement, or injury to an employee.



TO DO:

Consider getting a separate business insurance policy. Depending on your situation, you may also need to consider professional liability, business interruption, cyber liability, and other appropriate business coverages.



⑥ Your prized artwork and other collections.

If your artwork is comprised of a couple of a few pieces from Pottery Barn, you're probably OK. On the other hand, if you are a serious collector with original and expensive artwork through your home, it's important that you talk to your agent. Homeowners insurance policies cover artwork up to a certain limit, but that limit is not designed to protect valuable collections. Even an average art collector or enthusiast needs more coverage than a standard homeowners policy can provide.



TO DO:

Talk to your agent. You may want to insure your high-value pieces by adding a schedule to your homeowners policy, or there may be other options that work better for your situation.

⑦ Broken windows.

Replacing a broken window is a relatively common repair for homeowners, but broken glass can be expensive to replace, especially if it's your big picture window in your living room. So it's also common for homeowners to file a claim with their insurance company when a broken window needs replaced. But will it be covered by your homeowners policy? That depends. Your policy provides coverage in "qualifying situations," so coverage for your broken window depends on how it got broken and your policy language. If it got broken in a hailstorm, it'll be covered. But what if you broke it accidentally by knocking over a ladder into it? If your policy is an "open-peril" policy, it'll be covered no matter what the cause. But if you have a "named-risk" policy that doesn't cover such accidents, you're on your own. You also need to consider your deductible. If you have a high-deductible policy and the cost of replacing the window is less than your deductible, you won't be able to file a claim. And don't forget regular wear and tear. If your window breaks from water seeping in through unmaintained seals and expanding as it froze, cracking the pane, your insurance company will cite wear and tear and your lack of maintenance as the cause, so you'll probably be out of luck.



TO DO:

There isn't an insurance remedy for this exposure. The best thing to do is to maintain a healthy emergency fund so you're ready for unexpected situations like broken windows.



8 Dog bites.

According to the [Insurance Information Institute](#), dog bites and other dog-related injuries accounted for more than one-third of all homeowners liability claim dollars paid out in 2016, costing in excess of \$600 million. That's why most insurance companies have a list of dog breeds they consider high risk. If your beloved family dog is on the list, your homeowners policy likely excludes it from coverage. That means if your dog bites someone, your homeowners insurance won't cover the liability claim. According to the Humane Society, the list of high risk breeds changes each year. A few years back, it was Dobermans, while these days it's pit bulls and Rottweilers.



TO DO: Check with your insurance company to find out if your family dog is on the list. Take reasonable care to protect passersby from having contact with your dog by fencing your property and keeping the dog on a leash when outside of the fence. Be especially cautious when children and other small animals are present.

9 Leaky water pipes.

Let's say the pipes under your upstairs bathtub start leaking because they are very old. Water is running into your attic and causing extensive damage but you don't discover the issue for some time. Will your homeowners policy pay to repair the damage? This is a tricky one. In many cases, the policy may cover the damage caused by your leaky water pipes, but replacing the pipes themselves will likely come out of your pocket. However, if the insurer can make the case that you've neglected maintenance, it may not pay to repair the damage either.



TO DO: Ask your agent to explain how your policy would perform in this scenario. And, be diligent about home maintenance. Keep records and receipts so you have proof of your maintenance activities if you ever need it.



10 Prolonged leakage.

How long has it been since you maintained your sprinkler system? If it springs a leak, slowly seeps under your home's foundation over a long period of time, and causes severe damage, will your homeowners insurance cover it? Again, it depends on what caused the leak and your specific policy. If the leak was caused by a faulty sprinkler system or by breakage, you're probably covered. If the leak was caused by normal wear and tear and your negligence in maintaining the system, probably not.



TO DO:

Regularly maintain your sprinkler system, inspect your crawl space for water at least a couple of times each year, and ask your agent to explain how your policy would perform in this scenario.

Keep in mind, this is just our "top 10" list of things that are often not covered. There are many other things as well. For example, you also won't find coverage in your standard policy for floods, sewer backups, termites, or mold. Any one of those exposures could cost you plenty if you don't have specific insurance coverage for them.

How do you fill these gaps?

With so many gaps in the average homeowners insurance policy, you need a way to plug these coverage gaps and protect your finances.

One common method for filling coverage gaps is to add **endorsements** for specific personal property. This is supplemental coverage you can add to your homeowners insurance, allowing you to add a dollar limit coverage and extend the cause of loss circumstances. You can purchase endorsements to cover a specific item or a group of items such as jewelry or a stamp collection. You'll need to conduct a thorough inventory of your valuable items, but it's worth the effort. You won't have a deductible, and claim settlements are much easier. If you have valuables that gain value every year, such as valuable artwork, you'll need to get an appraisal annually.

Another strategy for providing coverage for items such as electronics is to purchase **special perils coverage**. This covers accidents that cause, damage, or destroy your personal belongings, not just theft of those items.

Protect yourself

If it's been awhile since you've read your homeowners policy — or if you never have — now is a good time to dig it out of the file, dust it off, and look it over. Make sure you understand what it covers — and more importantly, what it doesn't. It'll give you peace of mind knowing exactly where you stand, and it'll help you avoid a potentially costly surprise down the road.

Want more information about what homeowners insurance does and doesn't cover? Contact the insurance professionals at RightSure today.