



Homeowners Insurance

Homeowners insurance can assist in restoring and replacing possibly the largest investment in your life. It can also compensate those who may be injured at your residence. In many cases, lenders require that you obtain homeowners insurance or they will obtain one at your expense to protect their financial investment in your property. The risk is too great to go with coverage.

Below are a few items to ensure you review when selecting a homeowners policy.

1. **Look for exclusions to coverage.** For example, most insurance policies do not cover flood or earthquake damage as a standard item. These coverages must be bought separately.
2. **Look for dollar limitations on claims.** Even if you are covered for a risk, there may a limit on how much the insurer will pay. For example, many policies limit the amount paid for stolen jewelry unless items are insured separately.
3. **Understand replacement cost.** If your home is destroyed you'll receive money to replace it only to the maximum of your coverage, so be sure your insurance is sufficient. This means that if your home is insured for \$150,000 and it costs \$180,000 to replace it, you'll only receive \$150,000.
4. **Understand actual cash value.** If you choose not to replace your home when it's destroyed, you'll receive replacement cost, less depreciation. This is called actual cash value.
5. **Understand liability.** Generally your homeowners insurance covers you for accidents that happen to other people on your property, including medical care, court costs, and awards by the court. However, there is usually an upper limit to the amount of coverage provided. Be sure that it's sufficient if you have significant assets.

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