Many types of insurance for your house

If you take a housing loan, home insurance is mandatory. Home insurance combines coverage of losses that might occur to your home (including damage to the house and loss of personal possessions) with liability insurance to cover accidents that might occur within the area that is covered by the policy. Home insurance is also known as property insurance. Home insurance can be expanded to cover neighboring liabilities, which covers damage done to your neighbor’s property that might result from a fire coming from your house. It is similar to third party liability automobile insurance.

Is there a fire in the house?

While the meaning of the term fire seems simple, insurance companies have their own, legalistic interpretation. Something is defined as on fire if in normal circumstances it ought not to be on fire or undergoing the application of heat. This would mean, for example, that a cake burning in the oven is not considered as fire. Flames leaping out of the sofa are a different story! Generally, when a house is mortgaged, the lender insists that it be insured, to guarantee that the payments will continue even if the house is destroyed. In cases where the apartment or building is not subject to a mortgage, the owner usually pays the insurance, at least for the house. However, if the apartment is rented, the tenant is sometimes required to bear part of the cost, which may be included indirectly in the rent. There is a clear separation between insurance for a building and coverage for the contents of that building. With regard to furniture, fixtures and fittings, and personal belongings, tenants need to arrange a separate insurance policy. While the building or apartment is a recognizable major investment, the cumulative value of personal belongings acquired over years can easily be underestimated. It is therefore worthwhile to increase contents cover from time to time to keep pace with new acquisitions. However, reality is the key here, since attempts at over-insurance are a waste of money. No insurance company will pay out, on theft for example, for expensive items that are clearly out of the range of the insured. What is applicable to tenants with regard to possessions is, of course, equally relevant to homeowners.

Damage caused by nature

The basis of property insurance is against the risk of fire and most other circumstances become add-ons to the policy. Although “natural disaster” is most often taken by people outside the insurance business to mean an earthquake, in fact the term can cover many other circumstances as well. It may provide protection against wind damage, storms, floods, landslides, torrential rain, or other non-human inspired events. However, a building that collapses after heavy rain has undermined the foundations may not be covered if there has been negligence in the construction. Coverage against natural disasters can be applied to the homes themselves, personal belongings, or the land on which the property lies, or any combination of the three. There is an extra charge for insurance against natural disasters and clearly this is higher if the property is located in an area known to be prone to earthquakes. Deductibles often apply to this kind of coverage to prevent endless claims for replacing a few tiles being hurled from the roof by a high wind. Again-as in all insurance-careful reading of what is and what is not covered is required. Although both the house and the contents may be insured on a replacement value basis, there is always an upper limit to the amount you can claim. Specific items of high value, such as jewelry, may be subject to special conditions, such as the provision of a safe. And frequently, insurance companies seek a detailed list of such items, perhaps with independent valuations and photographs.

Coverage against burglary

The theft coverage is usually restricted to items taken after a forcible entry of your home. So theft by a maid or guests may not be covered. Nor is theft during or after a fire-more properly called looting-usually covered under the theft clauses of a home insurance policy.

How much does insurance cost?

There is no fixed range for property premiums, especially since so many details are involved in their calculation. The type of property, its structure (cement, reinforced, concrete, wood), the location, the date of its construction, and the number of stories all play a role in determining the risk rate. Risk is also measured for the content, furniture, equipment, safes, as well as the electricity, heating and air cooling, water systems, stocks of gas and oil supply for domestic use, and generators. The fire protection available, such as fire extinguishers, sprinkles, fire alarms, detection systems, and fire hoses can diminish the risk rate. Other security measures are also important, such as easy access for the fire brigade and civil defense, the presence of security guards, surveillance systems, video cameras, and “no smoking signs,” etc….. The availability and frequently of maintenance is also significant and is taken into consideration. Previous losses can increase the risk rate of your property, but concealing previous claims- perhaps from a different company-will not eliminate this problem; it will merely invalidate your insurance. Which floor of a building you live on can also affect the rates for content coverage, with ground floor flats being considered at greater risk? Some companies may insist on bars covering the windows. Average rates are usually assigned to each type of risk-fire, natural disaster, theft and neighboring liabilities, depending on the type of property. Those rates are taken as a starting point and will vary after the study of each case. The rates are usually given as per thousand of the sum insured for each type of coverage.

The part that you have to pay

When natural disasters are added to the property insurance policy, one percent of the value of the content and the construction is applied as a deductible. This means that in case of an earthquake, for example, the insured will have to pay that amount of the replacement value of the property’s construction and content, and the insurance company will bear the rest. A higher deductible, ten percent of the value of the claim, is usually applied for water damage, such as from bursts or flooding and natural perils. Deductibles are imposed to reduce the premiums for property that otherwise, relative to other insurance policies, are very high, and, as noted above, to eliminate small claims.

Exclusions

Like all insurance policies, property insurance also has exclusions, which in some respects are even more critical because more details are involved in property insurance. The most common exclusions are:

- Incidents arising out of any breach of the law by the insured
- Direct or indirect consequences of hostile acts of war, strikes, riots, and/or civil disturbance;
- Premeditated or intentional damages caused by the insured himself, or as a result of a conspiracy with the insured;
- Damage caused as a result of negligence, such as leaving lit cigarettes, heaters, or cookies unattended;
- Theft of belongings during a fire;
- Terrorism;
- Vandalism during a political demonstration
- Nuclear risks

Exclusions are detailed in the policy and some can be waived, subject to the payment of an additional premium.

Insurance application

The property application form is one of the longest in terms of detail. In addition to the name of applicant (whether tenant or owner), the companies require the full address of the property, the plot number, the type of property (residential or office, retail or factory), the story to be insured, and the period of insurance. Other sections in the application concern the sum to be insured, broken down into building, contents, neighbor's recourse, and other risks. Particulars of the building, the furniture, and the machinery or equipment are also required, as well as the fire protection measures available. A detailed description of the neighborhood is also required, and there is a complete section to be filled in with regard to theft insurance, if that taken as part of the policy. This section details the particulars of the main entrance and other doors and windows, and would inquire about the security measures, such as locks and alarm system. The insurance company will usually study each case by itself and assess it accordingly. Sketches and/or photos of the property should also be provided.

Reporting damage

As a rule, you must notify the insurance company within a maximum of three days of knowing about any damage done to your property. You will usually have around two weeks to provide a written declaration of the incident, which should include a detailed description of the damaged belongings and their estimated value. When the insurance company is notified, an expert will be sent to the property to make an inspection and to estimate the value of the damage. His report to the company is very important in its decision on whether to pay and how much to pay. Your declaration should also mention whether all or some of the items for which you are claiming are also insured with other companies. Any faulty declaration or concealment of information, even if unintentional, will at best result in the insurance policy becoming void, and at worst in a criminal prosecution for attempted fraud. After the claim has been assessed and processed, you will be reimbursed depending on the sum insured for each type of loss, whether resulting from burglary, fire, or other risks, such as water damage or earthquakes.