

Home Insurance

Home insurance Definition (WIKI)

Home insurance, also commonly called hazard insurance or homeowners insurance (often abbreviated in the real estate industry as HOI), is the type of property insurance that covers private homes. It is an insurance policy that combines various personal insurance protections, which can include losses occurring to one's home, its contents, loss of its use (additional living expenses), or loss of other personal possessions of the homeowner, as well as liability insurance for accidents that may happen at the home.

The cost of homeowners insurance often depends on what it would cost to replace the house and which additional riders—additional items to be insured—are attached to the policy. The insurance policy itself is a lengthy contract, and names what will and what will not be paid in the case of various events. Typically, claims due to earthquakes, floods, "Acts of God", or war (whose definition typically includes a nuclear explosion from any source) are excluded. Special insurance can be purchased for these possibilities, including flood insurance and earthquake insurance. Insurance must be updated to the present and existing value at whatever inflation up or down, and an appraisal paid by the insurance company will be added on to the policy premium.

The home insurance policy is usually a term contract—a contract that is in effect for a fixed period of time. The payment the insured makes to the insurer is called the premium. The insured must pay the insurer the premium each term. Most insurers charge a lower premium if it appears less likely the home will be damaged or destroyed: for example, if the house is situated next to a fire station, or if the house is equipped with fire sprinklers and fire alarms. Perpetual insurance, which is a type of home insurance without a fixed term, can also be obtained in certain areas.

In the United States, most home buyers borrow money in the form of a mortgage loan, and the mortgage lender always requires that the buyer purchase homeowners insurance as a condition of the loan, in order to protect the bank if the home were to be destroyed. Anyone with an insurable interest in the property should be listed on the policy. In some cases the mortgagee will waive the need for the mortgagor to carry homeowner's insurance if the value of the land exceeds the amount of the mortgage balance. In a case like this even the total destruction of any buildings would not affect the ability of the lender to be able to foreclose and recover the full amount of the loan.

The insurance crisis in Florida has meant that some waterfront property owners in that state have had to make that decision due to the high cost of premiums.