

Do All Homeowner Policies Cover the Same Things?

When we shop for insurance, whether its auto or homeowner coverage, price is the overriding factor. It's easy to compare price, and it's obviously significant. And it's hard to shop using another critical criterion—what does the policy cover?

We assume that homeowner policies are all the same; that they cover the same kinds of losses. So, if we have State Farm, and we get a quote from Nationwide that is lower, we think we should change because the Nationwide policy is the better deal.

But we all know the old adage—you can't compare apples to oranges. In our example, is the State Farm policy priced higher because it provides better coverage or better service? If it does cover more, does it cover things we care about? Does it make sense for us to pay for an extra coverage that we will never (we think) have to use? And how can we ever figure this out?

It's a daunting task, and, frankly, it's nearly impossible, even for a trained insurance professional. Especially since we never get the policy to see what is covered until *after* we pay the premium. What other product do you buy basically sight unseen? Can you imagine buying a car without sitting in it, without driving it, without even seeing it? But we do that with insurance all the time because we assume that the products of the various companies are all the same. We don't have to compare because they are all equal.

Of course, this isn't true. Let me use American Family as an example just because that is the policy that I am reviewing today. American Family has its own standard homeowner (HO) policy. Many companies use the standard HO policy written by the Insurance Services Office that is called the HO-3. Below is a quick (and admittedly incomplete) comparison of some of the differences between the HO-3 and American Family's HO policy.

Coverage Issue	Standard HO-3 2010 Edition	American Family 2015 Edition
Mistakes in the application.	Coverage still exists.	No coverage—policy void from inception.
Who is an insured?	Named insured, spouse, resident relatives, resident children under 21, children under 24 who are students. But not live-in partners.	Named insured, spouse, resident relatives, resident children under 21, and person who has entered into domestic partnership or civil union with an insured. But not live-in partners.
How to measure repair cost of a loss.	Cost to repair with type of materials that exist at time of loss.	Cost to repair with modern construction methods; i.e., cost of drywall and not cost of plaster, cost of plywood floors instead of hardwood floors, etc.
What dwelling is insured?	The dwelling where you reside—ownership not required.	The dwelling you own and reside in.
If someone is hurt due to my negligence, what injuries are covered?	Bodily injury, including mental distress.	Mental distress not covered.
What structures are covered besides my dwelling?	Detached garage, swimming pool, hot tub, greenhouse, barn.	None of these.
Is the personal property my child takes to college covered?	Yes. There is coverage for personal property owned or used by an insured anywhere in the world.	Basically the same coverage.

Do special (lower) limits apply to certain kinds of personal property?	Yes, for cash, watercraft, jewelry, firearms, business property.	Yes, for largely the same categories and amounts as the HO-3, but also including sub-limits for tools, rugs, carpets, and tapestries.
Does the policy cover ATVs or other types of specialty motor vehicles?	Yes, if the motor vehicle is not required to be registered for use on public roads and is used to service the residence (lawn mower) or assist the handicapped.	Yes, for largely the same types of motor vehicles
What perils is my dwelling covered for?	Any peril not expressly excluded in the policy.	Any peril not expressly excluded in the policy.
So, which policy has more exclusions?	Not this one.	This one.
What is the difference in the water exclusions?		No coverage for water leaks that occur over a period of one week or longer. No coverage for backup of water from septic system.
Is the freezing exclusion different?		No coverage for freezing of swimming pool, sauna, whirlpool, or hot tub.
What about damage done by animals?	No coverage for loss caused by birds, rodents, insects or animals owned by an insured.	Expands list by adding bats, spiders, rabbits, and farm animals.
How is coverage for vandalism different?	No coverage if the dwelling has been vacant for more than 60 consecutive days before the loss.	No coverage if dwelling has been uninhabited for 30 consecutive days before the loss.

How about my duties after a loss?	No specific duty to provide a recorded statement, just a general duty to cooperate.	Duty to provide a recorded statement at the location chosen by the company.
	Provide a list of lost or damaged property showing the quantity, description, actual cash value, and amount of loss.	Property list must also include when and where property acquired and original cost.
How long do I have to repair my dwelling or replace my lost personal property?	A reasonable time as long as you notify the company within 180 days of the loss of your intent to repair or replace.	12 months from the date of loss. The insurer can extend at its discretion.
Do the policies treat hail damage to siding differently?	Generally covers hail damage with no special restrictions.	Hail damage to metal siding not covered unless metal siding can no longer prevent water from entering the dwelling.
How about hail damage to my roof?	No special restrictions.	Multiple restrictions. Will not pay repair cost, only depreciated cost based on age of roof. No coverage for metal trim of flashing unless it no longer prevents water from entering the dwelling.
Can I replace undamaged property (shingles, carpet, siding, ceramic tile) to match the new material being installed to replace damaged property?	Yes.	No. Basically allows patchwork repairs.

Will my insurer defend me if I am sued for negligence?	Yes, until the policy limit is exhausted by payment of a judgment or settlement.	Yes, but only until the insurer offers to pay the policy limit, regardless of whether the lawsuit is resolved.
What types of matters are excluded from the liability coverage?	Motor vehicle liability, watercraft liability, intentional injuries, injuries arising out of a business.	Expands the breadth of the intentional act exclusion, and adds to the list injury resulting from “any aggressive activity” including bullying, serving alcohol to underage persons, negligent entrustment, parental liability for acts of minors, any violation of law.

Do any of these differences matter to you? If so, what are you willing to pay for them?

And which companies offer them?

These are challenging questions. Most people spend between 10-15% of their total income on insurance—health, auto, homeowner, life. If we are going to spend our money wisely, we have to invest some time in the project. Maybe not comparing policies, but at least comparing customer feedback and reputations.

All homeowner policies are not created equal. And neither are all homeowner insurance companies.