

## Types of home insurance coverages

Home policies combine several types of coverage into one policy. Most home policies in Texas include these six coverages:

1. **Dwelling coverage** pays if your house is damaged or destroyed by something your policy covers.
2. **Personal property coverage** pays if your furniture, clothing, and other things you own are stolen, damaged, or destroyed.
3. **Other structures coverage** pays to repair structures on your property that aren't attached to your house. This includes detached garages, storage sheds, and fences.
4. **Additional living expenses coverage** pays if you have to move while your house is being repaired to fix damages your policy covers. Additional living expenses include rent, food, and other costs you wouldn't have if you were still in your home.
5. **Personal liability coverage** pays medical bills, lost wages, and other costs for people that you're legally responsible for injuring. It also pays if you're responsible for damaging someone else's property. It also pays your court costs if you're sued because of an accident.
6. **Medical payments coverage** pays the medical bills of people hurt on your property. It also pays for some injuries that happen away from your home – if your dog bites someone at the park, for instance.

## Replacement cost vs. actual cash value coverage

Home policies provide either replacement cost coverage or actual cash value coverage. To be fully protected, make sure your policy has replacement cost coverage.

- **Replacement cost coverage** pays to repair or replace your house and personal property at current prices. For example, say you bought a new roof 10 years ago and the current price for a new roof is \$10,000. If you have to replace your entire roof after a storm, a replacement cost policy would pay for a new roof at today's prices. If you have a \$2,000 deductible, your company would pay \$8,000.
- **Actual cash value coverage** pays replacement cost minus depreciation. Depreciation is a decrease in value because of wear and age. In the same example of the 10-year-old roof, the actual cash value might be \$7,000. After your \$2,000 deductible, your company would pay \$5,000. You'd have to pay the rest of the cost of the new roof yourself. This means your total out-of-pocket costs for an actual cash value policy would be \$5,000, compared with \$2,000 for a replacement cost policy.

## KEY TAKEAWAYS

- Renters insurance is akin to homeowners insurance, but it is for people who rent or lease properties, such as houses and apartments.
- Key steps to getting and maintaining a renters insurance policy include taking inventory of your possessions and keeping an updated spreadsheet of items.
- Renters insurance tends to cover loss or damage to items in the home related to fire, theft, vandalism, plumbing, and electrical malfunctions.