

With all the various kinds of home coverage available, it can be difficult to narrow down what type of policy will best fit your needs. Here, we break down the different types of homeowners insurance policies

First , what is a peril?

A peril is a cause of loss, such as fire or theft. Coverage can be provided on an “all perils” basis, or a “named perils” basis. Named Perils policies list exactly what is covered by the policy, while Open Perils (or All Perils) policies will list what is excluded from coverage. Named Perils policies are generally more restrictive.

Insurance Policy Forms

Basic Form HO-1

A basic policy with limited coverage that protects the dwelling from a specific list of 11 named perils including: fire and lightning; windstorms and hail; explosion; riots and civil commotion; aircraft; vehicles; smoke; vandalism and malicious mischief; theft; glass that is part of the home; and volcanic eruptions. It will not cover any unnamed peril in the policy - only those explicitly listed.

Broad Form HO-2

A basic policy that protects against all 11 perils the HO-1 covers as well as others. Additional perils covered by an HO-2 policy include: damage from falling objects; and water damage from accidental overflow of plumbing, heating air-conditioning and household appliances. Like the HO-1, the HO-2 is a named peril policy and only the perils specifically listed are covered - no others. The HO-2 also covers personal property in the home.

Special Form HO-3

The HO-3 is the most common policy form because of its broad range of coverage. It is an extended or special homeowners insurance policy form that protects against all 16 of the most common perils and almost any other peril, except those specifically excluded (such as earthquake, flood, landslide or mudslide, nuclear accident and sinkholes). However, HO-3 policies only cover personal belongings in the home against the same perils covered by an HO-2 policy form.

For example, say a fire completely destroys your home and all your belongings inside. An HO-3 homeowners insurance policy will cover the structure and your belongings up to the limits defined in the policy. On the other hand, if your home and all of your possessions are destroyed by a falling object or water damage from plumbing overflow, an HO-3 policy will only cover the structure, not your belongings.

Comprehensive HO-5

The HO-5 policy form is identical to an HO-3, only with a twist. Like an HO-3, the HO-5 covers all 16 perils plus any peril that is not specifically listed as an exclusion. Unlike the HO-3, the HO-5 is more comprehensive and covers personal property from almost every peril, unless the item is explicitly excluded. The depth of the coverage makes this policy cost more than others.