The insuring agreement section states the coverage for

a) named perils. Coverage is provided only for losses from the perils named, or
b) "all risks." Coverage is provided for losses from all perils not specifically listed as being excluded in the policy.

The protection on the dwelling can be on one basis and the protection on the dwelling contents can be on another, for example, "all risk" coverage on dwelling and "named peril" on contents. See chart.

The condition section states the:

a) provisions relating to cancellation and renewal;
b) responsibilities of the insurer and insured, and
c) definitions of terms.

The exclusions section states all the provisions which deny coverage.

Types of Coverage

There are several types of insurance policies a person can purchase to pfotect his home and possessions. In this report, we are concerned with homeowners policies. The homeowners policy is a "package" policy providing coverage for the home, personal possessions, living expenses, theft and liability.

A renter or a condominium owner can purchase a homeowners policy. Those package policies do not include coverage for the dwelling.

The types of coverage and coverage limits referred to in this report are found in the standard homeowners policy. Increased coverage and coverage limits are available for an additional premium charge.

I. Property Coverages

Pay for losses or damages to the building, its contents, or related (appurtenant) structures from "all risks" or "named perils" (refer to the policy), up to the following limits:

Damaged Property	Coverage Limit
House	Up to the policy amount
Garage/Other Buildings	Up to 10% of the policy amount
Contents	Up to 50% of the policy amount

Refer to the chart below to determine the perils covered by the various homeowners policies.

II. Additional Living Expenses Coverage

Pays your necessary increase in living expenses (such as food or lodging) if you cannot live in your house because it was damaged by a peril covered by the policy. Coverage is usually up to 10% or 20% of the policy amount.

III. Liability Coverage

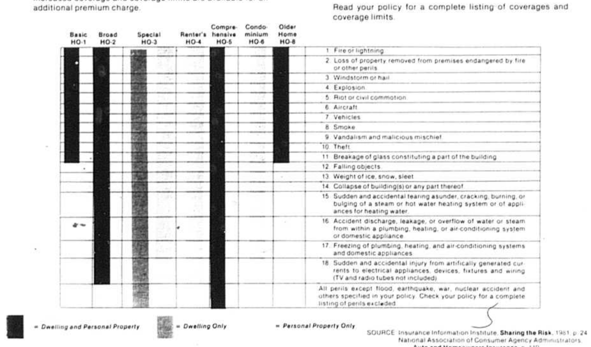
Type of Coverage	Coverage Limit
Personal Liability	Up to $25,000 per event
Medical Payments to Others	Up to $500 per event
Damage to Property of Others	Up to $250 per event

Personal liability coverage pays the costs (including legal and defense costs) associated with liability you incur because of bodily injury or property damage that you cause.

Medical payments coverage pays for injuries to other people that occur on your property or elsewhere, if the injury was caused by you, your pet, or a family member. Payment is made regardless of fault.

Coverage is provided for accidental damage to another person's property, regardless of fault.

Read your policy for a complete listing of coverages and coverage limits.



SOURCE: Insurance Information Institute, **Sharing the Risk**, 1981, p. 24
National Association of Consumer Agency Administrators, **Auto and Homeowners Insurance**, p. 119

Loss Settlement

Payments for a loss cannot exceed the limits of coverage under your policy.

A deductible on your homeowners coverage applies to the loss, not the amount of coverage as demonstrated below.

coverage	$30,000	$30,000
loss	32,000	25,000
deductible	100	100
payment	30,000	24,900

The deductible does not apply to all of the coverages under the homeowners policy. To determine which coverages the deductible applies to, refer to the declarations section of the policy.

Payment for a loss is calculated according to replacement cost, actual cash value or a percentage.

Replacement cost is the amount required to repair or replace property with materials of like kind and quality, up to policy limits. There is no deduction for depreciation. Replacement cost applies to buildings and not to contents under the standard homeowners policies.

To be paid for a loss on your dwelling or other structure on the basis of replacement cost, you must insure your home for at least 80% of its replacement value (cost to rebuild). If you do not insure your home for 80% of the replacement value, payment will be calculated in one of two possible ways. You will receive the actual cash value (replacement cost less depreciation) or a percentage of the loss, whichever is larger. The percentage is the relationship between the actual amount of coverage and 80% of the replacement value.

For example, assume a house has a replacement value of $50,000. To get a full replacement coverage, it must be insured for at least $40,000 (80%). However, if it is only insured for $30,000 and a $4,000 covered loss occurs, the insurance company will pay 3/4 ($30,000 ÷ $40,000) of the $4,000 loss ($3,000) or the actual cash value, whichever is larger.

Actual cash value is the replacement cost less depreciation. Under the standard homeowners policies, all payments for loss to contents will be made on the basis of actual cash value.

Non-Renewals and Cancellations

No insurance company is required to write a policy for any individual applicant, or to renew a policy for a current policyholder.

Generally, an insurance company can cancel a policy for any reason within the first 60 days of coverage. Check the conditions section of your policy for the specific provisions relating to cancellation and non-renewal.

Flood Insurance

Coverage for flood loss is excluded from your homeowners policy. Insurance against flood damage is provided through the National Flood Insurance Program. Through an arrangement with the federal government, insurance companies can provide national flood insurance on their own forms. However, the government has retained control over the forms, rates, eligibility and marketing of flood insurance.

UNDERSTANDING THE CHARTS

Rating Territories and Fire Protection Classification

Insurance companies divide the state into rating territories. Where you live affects the premium you are charged. For our examples, we have used seven counties to show the difference in rates in each section of the state. On every example, we have shown the protection class premium for that county's largest city (e.g., Boyd County, Ashland in Class 4) and in every case the highest class found in that county.

Each city and locality in Kentucky is given a fire protection classification ranging from 1 to 10 depending on the amount of fire protection in the area. The best fire protection rating is class 1; the worst is class 10.

Form Used

We chose Homeowners Form 3 (HO-3) and Homeowners Form 4 (HO-4), as the basis of our examples. The cost could be less if you choose Basic HO-1 or HO-2 as shown in the chart. A comprehensive HO-5 on the other hand would cost more, but would provide broader coverage. Older homes would not be eligible for the above Forms, but could be covered in HO-8.

Insurance Premium Surcharge

Insurance companies are also responsible for collecting an insurance premium surcharge of $1.50 upon each $100 of premium. The funds from the surcharge are paid to the state for programs for police officers and firefighters. This is a separately stated charge on your bill and is not included in the premium quoted in this report.

Municipal Premium Tax

Cities in Kentucky can impose a tax on insurance premiums. There is no statutory limit on the amount of tax that can be levied. The highest tax in effect on homeowners insurance is 15% of the premium. Municipal premium tax is not included in the premium quotes in this report.