



# ***Types of Policy***

**Homeowners Education**

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# 8 Types of Homeowners Insurance Policies to Know

## Types of Homeowners Insurance

There are eight different types of “standard” homeowners insurance policies that you might encounter as you shop for insurance. They are numbered 1-8, and each offers different types and levels of protection. These are

HO-1: Basic Form  
HO-2: Broad Form  
HO-3: Special Form  
HO-4: Contents Broad Form  
HO-5: Comprehensive Form  
HO-6: Unit-owners Form  
HO-7: Mobile Home Form  
HO-8: Modified Coverage Form

The most common types of policies held by most homeowners will either be HO-3 or HO-5.

Terms to Remember:

- **Named peril:** This refers to damage or loss caused by an event named explicitly in the policy.
- **Replacement cost:** This is the amount of money it would take to replace something, such as your home or personal belongings.
- **Actual cash value:** This is the value of something when factors such as depreciation have been accounted for. It is typically lower than the replacement cost.

### 1. HO-1: Basic Form

HO-1 insurance, also known as basic form homeowners insurance, is truly the most basic form of homeowner insurance. If you have an HO-1 policy, your home will typically be covered at its actual cash value. Personal belongings can be covered by HO-1 policies, but this is not always the case.

**Coverage:** HO-1 policies typically provide coverage only for damage or loss caused by 10 specifically named perils:

- Fire or lightning
- Windstorm or hail
- Explosion
- Riot or civil commotion
- Aircraft
- Vehicles
- Smoke
- Vandalism and mischief
- Theft
- Volcanic eruptions

Damage or loss caused by events that are not explicitly listed are not covered.

**Who it's for:** Because these policies provide so little coverage and do not cover some rather common events (such as damage caused by falling objects or the weight of snow or ice on a roof) many insurance carriers no longer offer these policies. HO-1 insurance isn't recommended for most people.

## 2. HO-2: Broad Form

HO-2 insurance is also known as comprehensive form homeowners insurance because it provides coverage for a broader variety of perils compared to an HO-1 policy. HO-2 policies will typically cover your home at its replacement cost. Personal property will be covered at its actual cash value.

**Coverage:** An HO-2 policy will typically cover everything that is covered by an HO-1 policy, plus additional coverage for perils such as damage caused by:

- The weight of ice or snow on a structure
- The accidental overflow or discharge of water or steam
- Freezing
- Cracking or bulging caused by a sudden and accidental event
- Accidental discharge from an artificially generated electrical current (i.e., a power surge)
- Falling objects

Individual HO-2 policies may provide coverage against additional named perils, depending on the company.

**Who it's for:** While HO-2 policies are more common than HO-1 policies, they are still less common than HO-3 and HO-5. That's because of the limited coverage that they offer.

## 3. HO-3: Special Form

HO-3 coverage is the most common type of homeowners insurance. It is also known as special form coverage. Under HO-3 insurance, your home will typically be covered at its replacement cost, while your personal property will be covered up to its actual cash value. An endorsement can, in most cases, be added to your policy to provide replacement coverage for your personal property for an additional cost.

**Coverage:** Compared to HO-1 and HO-2 policies, HO-3 provides coverage against much broader perils. This is because while HO-1 and HO-2 policies only provide coverage against specific named perils, an HO-3 policy will provide coverage for your home against damages caused by any peril *except* for those expressly excluded in the policy.

Some perils commonly **excluded** from an HO-3 policy include

- Earthquake
- Floods
- Landslide/mudslides
- Nuclear Accidents
- Sinkhole
- Neglect
- Acts of war, or government action
- Among others,

HO-3 policies typically only cover personal property against named perils listed in the policy, which typically corresponds to the named perils found in an HO-2 policy.

**Who it's for:** This policy will be a good option for most homeowners. No wonder it is the most commonly held homeowners insurance policy!

#### 4. HO-4: Contents Broad Form

HO-4 is more commonly known as renter's insurance. As such, HO-4 policies are designed explicitly for renting or leasing an apartment, home, or condo.

**Coverage:** Renter's insurance essentially covers a renter's personal property (at its replacement cost) against the same named perils found in an HO-3 policy. Renter's insurance will also typically cover your living expenses if your rented home becomes unlivable due to damage caused by a named peril — for example, a fire — and you need to find a new place to stay.

An HO-4 policy may or may not provide liability coverage.

**Who it's for:** If you're renting an apartment, condo, or house, then this is the policy for you!

#### HO-5: Comprehensive Form

HO-5 insurance, or a comprehensive policy, is often considered to offer the highest level of coverage for single-family homes. It is similar to an HO-3 policy but with added protection and a few key differences.

**Coverage:** Under an HO-3, only your home is insured at its replacement cost, while your personal belongings will be covered at their actual cash value. An HO-5 covers both your home and personal belongings at their replacement cost (which is typically higher than cash value).

Additionally, while an HO-3 limits coverage for personal belongings to only named perils, under an HO-5, your personal belongings will be covered for all of the same perils as your home is. Finally, an HO-5 policy will typically come with higher coverage limits for certain types of personal property, such as art, jewelry, and electronics.

**Who it's for:** Because of the higher coverage limits offered by an HO-5 policy, this is a good choice if you have a lot of high-value personal property in your home or if you simply want as much coverage as possible. After HO-3, HO-5 is the second most common type of homeowners insurance policy.

#### 6. HO-6: Unit-owners Form

An HO-6, also known as condo insurance or unit-owners insurance, is a special policy designed for those who live in either a co-op or condominium.

**Coverage:** In most cases, the condo association will hold HOA insurance, typically covering the building itself and certain shared areas. While each HOA policy will vary in how much (and what) it covers, you, as the unit owner, will need to purchase coverage for anything the HOA does not insure. This will often include coverage for:

- Any renovations, upgrades, or improvements made to the unit after you purchased it
- The walls, floor, and ceiling of the unit
- Personal property

- Loss of use
- Personal liability
- and more

Because HOA policies can vary so significantly, it's crucial that you understand exactly what is covered by the master policy so that you can purchase adequate coverage for your own unit.

**Who it's for:** If you own a condo or co-op unit, you'll most likely need HO-6 coverage. If you rent one of these units, you will need renters insurance (HO-4).

## 7. HO-7: Mobile Home Form

An HO-7 is essentially designed to provide the same coverage offered by an HO-3 policy but for a mobile home. This is because mobile homes aren't covered under an HO-3 policy, which is designed for a single-family homes. These policies are also known as mobile home policies (MHP).

**Coverage:** HO-7 policies can provide coverage for a variety of structures, including

- Single- and double-wide manufactured homes
- Single- and double-wide mobile homes
- Trailers (including travel trailers and fifth-wheel trailers)
- Sectional homes
- Modular homes
- Park model homes

It is important to note that, in most cases, mobile home policies will only cover the home while it is stationary. It doesn't typically cover damages or loss caused while the home is in transit.

**Who it's for:** If your home could be classified as any of the structures listed above, this type of policy may be the right one for you. That being said, mobile home coverage may also be available as an endorsement on another policy type, such as an HO-3 or HO-5. If you are unsure if your home qualifies for HO-7, HO-3, or HO-5 coverage, an insurance agent can help you understand your options.

## 8. HO-8: Modified Coverage Form

HO-8 policies are specifically meant to provide coverage for homes that don't meet the insurer's standards for other types of coverage. In most cases, the home is at high risk of loss or damage or has a replacement cost higher than the actual cash value.

**Coverage:** HO-8 policies typically provide coverage against the same named perils as an HO-1. The coverage offered by the policy will be based on the home's actual cash value and not its replacement cost.

**Who it's for:** Very often, this type of policy is held by older homes, such as those constructed with aluminum wiring (which is prone to fire), a damaged roof, significantly outdated plumbing, or other factors that would need to be corrected or replaced to qualify for other forms of coverage. If you can't afford to undergo these updates or don't want to (as might be the case for homes that are historical landmarks, etc.), purchasing an HO-8 policy allows you to purchase coverage for your home even without undergoing these expensive updates.

Don't forget about riders and other coverage!

In addition to the policy types discussed above, you'll also want to make sure that you understand the different riders available to you and consider whether or not you should purchase them. Riders provide additional coverage for specific events, sort of like an add-on to your regular homeowner's insurance policy. [Flood insurance](#), sewer backup/pipe coverage, other structures coverage, and earthquake coverage are common riders, but many others may be available to you as well.

So, what type of policy is right for you?

At the end of the day, the type of homeowners insurance policy that will be right for you will depend on several factors, including:

- The type of structure you're covering
- The age and condition of the structure
- The types of coverage you want or need
- The requirements of your mortgage lender (if applicable)

That being said, for most homeowners, an HO-3 or HO-5 should provide adequate coverage. Most renters, meanwhile, should be well-covered by an HO-4. If you own a condo or co-op, then an HO-6 will likely make the most sense for you, while an HO-7 provides coverage for mobile homes. Older homes that do not qualify for coverage under an HO-3 or HO-5, such as historical landmarks, may need to purchase coverage under an HO-8 policy.