

Types of Homeowners Insurance (Policy Forms)

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Insurance types for single-family homes

The most common type of housing unit in the U.S. is the detached single-family home, which can be insured under one of five different policy forms. Keep in mind that from state to state, coverages can vary even within the same form.

HO-1 policies offer the narrowest homeowners insurance coverage that is limited to a specific list of 11 named perils. The most common perils covered by an HO-1 form are 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 does not cover any unnamed perils — only those explicitly listed. Sometimes HO-1 policies do not cover personal belongings in the home. HO-1 policies are no longer available in most states.

HO-2 policies protect against everything covered by the HO-1, plus two extra perils: damage from falling objects and water damage from accidental overflow of plumbing; heating, ventilation and air conditioning (HVAC); 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.

HO-3 policies are the most common because of their broad range of coverage. Sometimes called an extended or special homeowners insurance policy form, the HO-3 covers almost any peril except those specifically excluded (such as earthquake, flood, landslide or mudslide, nuclear accident and sinkhole).

However, HO-3 policies only cover personal belongings in the home against named perils listed in the policy.

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 your possessions are destroyed by a falling object or water damage from plumbing overflow, an HO-3 policy might only cover the structure, not your belongings. It depends on the named perils listed in your policy.

Remember, water damage due to overflow of plumbing, HVAC or household appliances is not the same as flood damage. Flooding is defined differently than water damage due to overflow and requires flood insurance.

HO-5 policy forms are like HO-3 policies in that they cover almost any peril that isn't specifically called out for exclusion. But unlike the HO-3, the HO-5 is more comprehensive and covers personal property for almost every peril, unless the item is explicitly excluded. The depth of the coverage makes this policy cost more than others.

HO-8: An HO-8 policy form is designed for older homes that have a replacement cost that exceeds the actual cash value of the home. For that reason, the HO-8 policy form is frequently used to insure registered landmarks and architecturally significant structures.

In the event of a loss in this case, the payout of the actual cash value would be much smaller than that of the replacement cost. HO-8 policies are more affordable because of that smaller payout. Usually, the homes are more than 40 years old and do not qualify for an HO-3 policy. Like the HO-1, the HO-8 only covers the 11 common perils.

Types of insurance for condos and co-ops

HO-6: HO-6 policies are designed as insurance for condo owners and co-op tenants. Every condo or co-op association has different insurance policies and levels of protection. As a condo owner or co-op tenant, you have the right to review the insurance policy the association has in place. Make sure you examine the policy before purchasing insurance for your unit — you don't want to purchase too little coverage or to have coverages that overlap.

Condo owners need an HO-6 policy to cover the parts of the building that they own — namely the walls of their unit and everything within. Sometimes a condo association is only responsible for common areas of the building, landscaping and the bare walls, floor and ceiling. An HO-6 policy is especially important in that circumstance.

Insuring a co-op is a little different. Co-op tenants do not own their unit specifically — they own a share of the whole building. Even though co-op owners are considered tenants, they need an HO-6 rather than renters' insurance because of their ownership stake. Like condo associations, co-op associations may have limited coverage.

Policy forms for renters

HO-4: Commonly referred to as "renters insurance," this policy form covers personal property in a rented home or apartment. The landlord's insurance

minimally covers the rental structure in the event of the 11 perils covered by an HO-1, but it does not cover tenant belongings. For that reason, tenants need an HO-4 policy form to cover personal property, as well as any part of the apartment they might own. For example, if a policyholder installed new kitchen cabinets, the cabinets would be covered as their possessions.

The HO-4 policy form also provides coverage for additional living expenses in the event the residence becomes unlivable due to a covered peril. Unlike other policy forms, HO-4 does not always include liability protection, which you can and should add to the policy for an additional cost. Liability coverage is an important part of homeowners and renters' insurance and protects the insured from potentially catastrophic financial burdens.

Other policy forms

Homeowners association (HOA) insurance: This insurance policy form is designed to cover the common property of complexes where one or more buildings have tenants that own their unit. Since the needs of every homeowners association are different, these policies can vary greatly. All of them typically have some combination of business property insurance coverage against perils; liability coverage for accidents, mistakes and injuries on common property; and business crime insurance in the event of vandalism, robbery or board member dishonesty.

Mobile home policy (MHP): MHP forms protect mobile homes (sometimes called manufactured homes) and any structures attached to them. The policies can cover the same 11 perils as an HO-1 or as many perils as the HO-3 form detailed above. Mobile home coverage is not in effect while the home is in transit, only when it is stationary.

Mobile home insurance and RV insurance are not the same thing. Mobile home insurance is more similar in nature to other types of homeowners insurance because mobile homes are stationary. You can declare and insure an RV as your primary residence, but since you can drive and park it, RV insurance is closer in nature to auto insurance.

DF-1: If your home does not qualify for one of the homeowners insurance policy forms detailed above, you can still insure it. Some companies sell a DF-1 (sometimes called fire and extended coverage) policy form that offers very limited coverage if your home doesn't qualify for other policy forms. The DF-1 policy form usually covers fire and lightning; windstorm and hail; explosion; riot or civil commotion; aircraft; vehicles; and smoke. Check your insurer's policy, however, since only specifically named perils are covered.