

Understanding endorsements and riders for home insurance policies

In the insurance world, endorsements have nothing to do with celebrities promoting products, and riders have nothing to do with cowboys. “Endorsement” and “rider” are two interchangeable — and often misunderstood — terms referring to additions to a home insurance policy that alter the policy’s coverage and terms.

An endorsement or rider on a home insurance policy can make the difference between being stuck with thousands of dollars in uninsured losses or being properly covered.

Most standard insurance policies have exclusions and limits to what they will cover. For example, many insurers will cover jewelry only up to \$1,000 or \$2,000 through a standard homeowner’s insurance policy, says Michael Barry, a spokesman for the nonprofit Insurance Information Institute. However, consumers can get additional coverage for jewelry and other valuables by purchasing endorsements and riders, which amend the original policy to cover those items.

An endorsement or rider on your home insurance policy can give you protection that’s not part of standard coverage.

But while endorsements and riders can be a great benefit, many consumers don’t know enough about them to take advantage of them, consumer advocates say.

“These terms are not familiar to the layperson,” says Amy Bach, executive director of United Policyholders, a nonprofit group that educates insurance consumers. Ideally, everything would be simple and consumers would be able to get everything they need through a single, standard policy, Bach says. “But that’s not how insurers are doing business. They have cut lots of things out of the basic policy and you have to put them back in with a rider,” she says.

Assessing your coverage

One of the keys to determining whether you need to buy endorsements or riders is conducting a home inventory, which gives you the opportunity to list your valuables and know what it would cost to replace them. When you share that list with your insurance agent, he or she can tell you whether you’re adequately covered by your standard policy.

But one mistake people make is failing to update that home inventory over time, says Sonja Larkin-Thorne, a consumer liaison for the National Association of Insurance Commissioners. For example, a homeowner who collects art might find that his collection has increased in value although his homeowner's insurance policy has remained the same. An endorsement may be needed to cover the additional artwork, Larkin-Thorne says.

Consumers also must be on the lookout for policy changes that were initiated by an insurer.

"Insurers will make changes based upon what they're seeing in their own policy losses and recent court cases that they've observed or been involved in," Larkin-Thorne says. For example, an insurer may revise its policy and exclude a certain type of loss from standard coverage. As a result, consumers may need to purchase an endorsement or rider for something that no longer is covered.

Such an instance resulted in United Policyholders recently recommending that homeowners in older homes consider buying an endorsement to cover sewage backup. "In the old days, that would have been covered under your homeowner's policy. Now, we have been recommending that people look at getting a rider that covers sewer backup because some policies have language that now excludes it," Bach says. In other cases, insurers may add endorsements or riders to a policy that can change coverage, but they typically must give consumers written notice when they do this. Problems can arise when consumers don't read policy renewal documents or updates sent by their insurance companies. "They pay the bill, send in the check ... and don't realize that there has been a change," Larkin-Thorne says.

Weighing the costs

Of course, endorsements and riders aren't free. By excluding coverage in a standard policy for certain items, insurers can offer more competitive prices for standard policies. But consumers shouldn't allow a standard policy's low cost to keep them from paying for endorsements and riders that they need.

A consumer must consider his or her situation and potential risks, then decide whether the policy will cover those risks, Bach says.

The cost of riders and endorsements varies. It's based on such factors as the type of item being covered, the dollar value of the item and where the person being insured lives. There typically are no deductibles associated with the rider or endorsement if you need to file a claim, according to the Insurance Information Institute.

On the flip side, you don't want to pay for endorsements and riders you don't need. You could be offered what seems like a great deal on a rider for your rings and bracelets, but "if you don't really have enough jewelry to make it worth buying that extra coverage, you'll have wasted your money," Bach says.

If you're unsure about whether you need certain riders or endorsements, it's important to ask your insurance agent. If you still don't understand or have further questions, your state's insurance regulator

can provide guidance, Larkin-Thorne says.

“No one can ever anticipate when they’re going to have a loss,” Larkin-Thorne says. “But when that loss does occur, you want to make sure your insurance is up to date.”