

# Insurance For Your “She Shed” and Other Detached Structures on Your Property

By now your boat is probably in the water and hopefully you are following my May/June article for safe operation. The season is now in full swing and let's hope for a lot of good weather through the end of the boating season.

You and your family are probably also spending more time in your yard and possibly building or already have detached structures on your property or perhaps a pool. Do you know how your policy responds to insurance coverage for these structures in terms of physical insurance to repair or replace them or for bodily injury/property damage liability coverage that may result from their use?

You may have seen or heard about an insurance commercial where a man and woman are witnessing a shed on their property burn to the ground. They are calling this structure a “She Shed” since the woman was using it for her own use. These sheds are becoming more and more popular and sometimes resemble small houses. They can be used for personal or commercial use, which could mean making crafts that are sold or as an office. The insurance coverage on your homeowners policy is usually different for these separate structures than for the main house. Most people are unaware of these differences, and also do not know what limit of insurance would apply to the structure. Before we investigate what the coverage might be, first we need to understand what is considered an “other structure” as determined by the policy language. On a standard New York homeowners policy form “other structures” are defined as a structure “set apart from the dwelling be clear space”.

**Examples can be:**

- Garage
- Studio (“She Shed”)
- Fence
- Pool
- Satellite dish
- Child’s playhouse or jungle gym
- Cottage

The amount of insurance afforded for these separate structures is typically 10% of the limit your main home is insured for and valuation usually on an actual cash value basis, with depreciation for age taken into consideration. If this 10% limit is insufficient, you can usually endorse this limit higher in increments of thousands for an additional premium. Some companies, usually those that insure the higher valued

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homes often have a higher than a 10% automatic limit and insure these structures the same as the main house, on a replacement cost basis, with no depreciation for age. These policy contracts are usually much more expensive than the standard homeowners form, which also known as Homeowners Special Form #3 in New York.

Besides being concerned about what type of insurance and what the limit is for your other structure(s), you also need to be sure that the bodily injury/property damage liability insurance will be covered. If you are using a separate structure for any business purpose such as making crafts to sell, using as an office for you consulting business or perhaps even renting to a tenant, you need to check with your insurance company or agent about endorsing your policy to accommodate this type of situation not intended for a personal homeowners policy. Usually a special endorsement, or a separate policy might be needed to insure a business or rental exposure.

Back to the TV advertisement. The problem I have with the “She Shed” commercial is that the insurer does not address what the use of the structure was for, nor the coverage. In New York, the standard HO3 policy form insures other



structures on an actual cash value basis, with depreciation for age deducted from a claim, as well as the deductible. The older the structure, the more depreciation would be deducted from your claim. I have found some of our customers have very large structures such as 3 car garages with living space above, or photography studios that are separate buildings constructed for this purpose, which is their business. Even if your “hobby” derives a tiny income, this can be considered a business, as well as renting out any part of your home or other structure to anyone for use as a residence, storage or business. It is important to be sure these exposures are addressed and your policy changed to be sure your “other structures” have sufficient property limits as well as have the bodily injury/property damage liability included.

Are you now wondering what coverage your policy has and is it sufficient? Do you think you are paying too much? At Karas Insurance Agencies Inc., established in 1973, we have 4 licensed brokers who can prepare quotes, answer questions and help determine your needs, often with substantial savings. We represent many insurance companies and can “shop” for the best policy coverage and price for you. There is no obligation for our services or charges. What are you waiting for? We can be reached Monday – Friday 8:45 – 4:45 at 914-271-5188 or can email me at cathykaras@karasinsurance.com.

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