

When Purchasing Homeowners Insurance Be Sure to Use This Handy Checklist

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Is the policy a Replacement Cost Policy or Actual Cash Value?

- Replacement Cost coverage will pay the amount it costs to replace your property
- Actual Cash Value (ACV) will pay you the Fair Market Value of the property, this typically means the insurer will pay you a *depreciated* amount based upon the age of the property.
- Replacement Cost coverage is preferable and is the most common.

Is the insurer offering Guaranteed Replacement Cost Coverage or Extended Replacement Cost Coverage?

- There are only a few insurance carriers that offer Guaranteed Replacement Cost Coverage and it is preferable to any other coverages. It will pay you the total amount it costs to repair or replace your property even if it costs more than the limits stated on your policy.
- Extended Replacement Cost Coverage adds a certain percentage over your stated policy limits. The policy may add 50% or 100% of additional coverage over the stated policy limits. This coverage is added by an endorsement and it will contain certain additional conditions that must be met in order to obtain this extended amount. Be careful here as the language of the Endorsement can limit your coverages.

Determining policy limits

- Base the amount of coverage on the *replacement cost* of your property.
- Contact a building contractor or real estate appraiser to see how much new construction costs are for your house.

Do not base the limits on the amount of your mortgage

- Your mortgage lender can require you to insure your property for the replacement cost of your property up to the amount of the loan. *They cannot require you to insure your property for more than the amount of the replacement cost value.*
- Your loan is typically based upon the total value of your property which includes the value of the land.
- Your homeowners policy will only insure the improvements upon your land. In addition, your policy will include other coverages, but they do not include the land itself.

Did you properly identify your property?

- Do you have the correct address?
- Do you have the correct number of square feet listed?

- Did you include the type of construction?
- Did you identify any upgrades to your property, such as to the kitchen or special flooring, windows, etc.
- Did you include all structures on your property, such as any special, custom decks, pools, guest house, extensive driveways or fencing.
- Do you have extensive landscaping or expensive plants?

Do you have any special equipment or personal property that may need increased limits?

- Do you have any collections or collectable items?
- Do you have valuable art, antiques, jewelry, furs, firearms or any other items that need to have increased limits?
- Do you have a boat that needs to be covered under this policy?

Does the policy include Ordinance or Law Coverage – also known as Code Upgrade

- If you need to rebuild your property it will need to comply with the current building code requirements.
- If you have an older house, and you do not have Code Upgrade coverage, your policy will not pay for the additional cost of construction to meet the current building code requirements.

Do you operate a business from your house?

- If you operate or run a home-business, be sure to ask if an endorsement is necessary to cover your business equipment.

Be sure you have enough liability coverage

- If you have a pool, dog or anything else that may create some additional exposures, consider increasing your liability limits.
- You may want to inquire about an Umbrella Policy. An Umbrella policy will increase your liability limits for your homeowners as well as auto policies.
- Umbrella policies are very affordable.

Do not limit your search for coverage to a direct writer agent – talk to a broker or independent agent

- A direct writer will only be able to offer coverage for one insurance company, the one they work for.
- An independent agent will search many different insurance markets to seek the best coverage options and insurance rates specific to your needs.