



CATEGORY: HOME OWNERSHIP

CHECKLIST

## Homeowners Insurance Coverage Checkup

Find out what additional coverage could benefit you.

Homeowners insurance helps protect your home when the unexpected occurs, but there may be gaps in your coverage. More than half of homeowners are underinsured by an average of 20 percent.<sup>1</sup> According to Christopher P. Hackett, senior director of Personal Lines for Property Casualty Insurers Association of America (PCIAA), it's smart to revisit your policy at least once a year and review your deductible and coverage options.

Follow these five steps to check your homeowners policy and make sure you're fully covered.

### Step 1: Consider Changes to Your Home

Home updates – including square footage, structural materials, flooring materials, and the number of bedrooms and bathrooms could impact how much coverage you need.<sup>2</sup> Ask your insurance representative to recalculate your coverage using new, up-to-date information.<sup>3</sup>

With any big change you make to your home, Hackett says the more information and documentation you can provide, the better. "That's going to help your insurance company arrive at the most accurate replacement cost figure as possible," he says.

For instance, installing an alarm system or other risk mitigation systems could equate to a discount, while putting in a shed or swimming pool may require increased coverage.

### Step 2: Consider Value Along with Cost

A lower monthly premium is nice, but it may be less expensive because it doesn't meet your coverage needs. Review your policy and confirm you're choosing the right coverage based on value rather than cost.<sup>4</sup> Consider increasing your deductible to lower your overall monthly payment, but only do this if you're sure you can cover the deductible in the event of a loss.

### Step 3: Protect New Valuables

If you've made any expensive purchases such as jewelry, artwork or electronics, find out whether or not your current policy will cover the full replacement value of your items. If not, you may need to update your policy to include personal property replacement coverage and/or scheduled personal property coverage.

Hackett recommends you "review your valuable personal property items and discuss them with your insurance company."

### Step 4: Add the Extended Replacement Cost Coverage

Most policies have limits when it comes to dwelling replacement costs, but you may be able to add extended replacement cost coverage. Extended replacement cost coverage can help when increased construction costs push the expense of rebuilding above the policy limit. Because home values can vary based on quality and location, we recommend contacting your insurance company to provide an appropriate value and endorsement.

### Step 5: Discuss Your Need For Flood Insurance

Many people assume homeowners insurance covers flood damage; however, it's not covered by the standard homeowner policy.<sup>4</sup> Flood insurance is available through the National Flood Insurance Program, which may be obtained through your insurance company and gives you peace of mind should the unexpected occur. Most flood insurance policies have a 30-day waiting period,<sup>5</sup> so plan ahead regardless of where you live as flood damage can occur even outside designated flood zones.

<sup>1</sup> What You Don't Know About Homeowners Insurance Could Cost You, Consumer Reports, 2017.

<sup>2</sup> 7 Times to Update Your Homeowners Insurance, Wise Bread, 2017.

<sup>3</sup> Natural Disasters Are a Reminder to Get a Homeowners Insurance Checkup, Consumer Reports, 2017.

<sup>4</sup> 5 Big Home Insurance Mistakes That Could Cost You Thousands, WYFF4, 2017.

<sup>5</sup> How Do I Buy Flood Insurance?, FEMA.gov, 2018.

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