

5 big home insurance mistakes that could cost you thousands

WEBVTT

Seeing Hurricane Harvey's devastation in Texas has left some people wondering if they have adequate home insurance. Unfortunately, for a lot of people, the answer is no, and that can end up costing thousands of out-of-pocket dollars if disaster strikes.

Mistake No. 1: Considering only cost, not value

Many people are more concerned about the amount of the premium they will pay rather than the amount of coverage they are buying. If you are shopping for home insurance, don't make your decision based only on the lowest premiums. Make sure cheap policies aren't less expensive because important coverage has been removed or because the company has inadequate reinsurance.

Mistake No. 2: Under-insuring your home

Experts say one of the most common home insurance mistakes is the failure to have enough insurance to replace your home if it is destroyed.

Officials with the consumer advocacy group United Policyholders say that nationwide, more than two-thirds of homeowners are underinsured, according to a survey by insurance services firm MSB, by an average of 18 percent. That means someone whose house cost \$200,000 to replace would be short by \$36,000.

Where homes and rebuilding costs are higher, the problem can be even more acute, UP reports. A UP survey found 75 percent of California homeowners affected by the 2007 wildfires in San Bernardino and Riverside counties were underinsured by an average of \$240,000.

Many homeowners buy only enough insurance to cover the amount of their mortgage. But a mortgage is typically, at most, 80 or 90 percent of the value of the house, depending on the original down payment, and it's even less if the home has gone up in value.

Some policyholders insure an amount equal to the current value of their homes. But the current value of a home may be far less than the cost to rebuild it. Especially in the case of widespread disaster, such as a hurricane, the costs of labor and materials skyrocket when demand is high and supply is limited.

Experts recommend that homeowners calculate how much it will cost to rebuild your home and insure to that amount.

Mistake No. 3: Assuming you have flood insurance

Flood damage coverage is not a part of standard homeowners' insurance. Even if you aren't required to carry flood insurance to get a mortgage in your area, you should be aware that you may still be susceptible to flooding. Hurricanes Sandy and Irene caused inland flooding in New England, even in Vermont when rivers overflowed their banks.

Flood insurance is available through a federal program that accepts anyone who wants coverage. The price will vary depending on the level of flooding risk where you live and the amount of coverage you want. Go to: Federal Emergency Management Agency site

The National Flood Insurance Program's site FloodSmart.gov will help you determine your risk level.

Flood insurance requires a 30-day waiting period after purchase, so homeowners cannot wait until there is an impending weather event to buy insurance.

Note: Most policies also exclude damage from earthquakes. Parts of South Carolina are susceptible to tremors, so you may want to discuss it with your insurer.

Mistake No. 4: Undervaluing your personal property

Experts recommend that homeowners conduct a personal inventory of possessions and value items based on replacement value. Most homeowner's insurance policies have limitations on jewelry, guns and collectibles. If any items are valued at more than \$1,500, discuss them with your insurer.

Many policies severely restrict how much money you'll get to replace your possession, and limit or even exclude some common household items from your policy. If you have a policy that pays out cash value on your home's contents, you'd get a check for what your possessions were worth when they were destroyed, not what they will cost to replace.

Mistake No. 5: Expecting coverage for mold damage or sewage backups

Many homeowner policies don't cover mold damage or remediation, or sewage backup, or that have limits on claims. Sewage backup insurance is generally a low-cost add-on. Mold insurance can be expensive, but the cost of dealing with mold can be exorbitant. Determine if your home is at risk based on its age, location and moisture levels. Experts say that the newer the home, the less likely mold protection is needed.

Also note:

Homeowners should also note there are different policies for those who own and live in their home as opposed to a home that you own but rent, or a home that you own that is unoccupied. In some instances, your claim won't be covered if you have the wrong policy based on the occupancy of your home. If the

occupancy of your home changes, make sure to update your policy accordingly.

If you are renting out your home and the occupants experience a loss to their personal property, your policy will not cover the loss. Tenants need to have renters' insurance to cover their personal property and liability.