

[How to Avoid the Underinsurance Crisis](#)

Many homeowners find themselves underinsured after a total loss even though they followed their agent or insurer's recommendations. If you're paying for insurance protection, take action now to make sure you're really covered:

DO:

1. Recognize that underinsurance after a total loss is a very common problem. Do a rough calculation of how much you're insured for per square foot to assess how well you're covered.
2. Establish a contact at a reputable insurance company, agent or broker's office that is qualified to advise you on fully insuring your home and possessions.
3. Be specific that you want to make sure you are properly insured and you want to buy full replacement coverage.
4. Answer all questions truthfully so the insurance company knows the size of your home, other structures, the style of construction, major improvements, unusual features and high value personal property items.
5. Follow the insurer, agent or broker's recommendations on increasing or maintaining your limits. Take and safely store notes that document when and how your insurer, agent, or broker confirms that your limits are adequate to replace your home and possessions. Very important!
6. Buy the highest percentage replacement cost endorsement you can afford. Most insurers offer 25-100% above the limits that appear on your "declarations page." Shop around for this important protection.
7. Roughly calculate the cost to replace your home's contents and adjust your policy limits accordingly. Some items such as jewelry, art items and collectibles may be better insured if they're specifically listed or "scheduled" in your policy contract.
8. Make sure your policy has adequate coverage for building code upgrades.
9. Your Additional Living Expense (ALE) limits should cover rent, etc. for at least two years after a total loss.
10. Raise your deductible to keep your premium affordable when you increase your coverage limits.
11. Photograph or videotape your home and contents and store copies of the tapes, photos or

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negatives off-premises.

DON'T:

1. Don't rely on the purchase, appraised or estimated sale price of your home to set your dwelling limits. That is not predictive of the cost to rebuild.
2. Don't be penny-wise and pound-foolish by buying the lowest priced homeowners policy. Your home is your biggest asset - make sure it's covered.
3. Don't understate the size and amenities of your home to get a lower premium quote.
4. Don't underestimate your personal possessions. You'll be surprised how much it costs to replace what you had if you suffer a major loss.
5. Don't be afraid to switch insurers to get a better policy.
6. Don't wait until after a loss to get appraisals of valuables.