

Cracking the Code



From time to time, state and local building codes get updated to meet current safety and energy efficiency standards. If you own an existing home, you don't need to worry about paying for upgrades to comply with those new codes unless you're making major repairs or remodeling. If you're building a new home, your plans must comply with current building codes to get permit approval. Guess who gets hurt when insurance fine print excludes coverage for code compliance? People whose homes are damaged or destroyed in disasters and are relying on insurance funds to finance repairs or rebuilding.

Yep, inside your home insurance policy is small print that makes a BIG difference if you have a major loss. The cost of code upgrades on a home can hit six figures. Your agent or insurer should warn you that **"Ordinance or Law" or Code Upgrade** coverage is essential, (especially if you have an older home), but not automatically included in a basic policy.

Take a look at your **declarations page**, and your fine print, to see if you have this coverage. Not all policies list code coverage in the same way. A common way you'll see it listed is under "Additional Coverages" and titled "Ordinance or Law." It is common for the amount of code coverage to be listed as a percent of your **coverage A limit**.

Reach out to your insurer or agent and ask (with pen in hand, taking notes on the conversation): ***Will my insurance cover the cost to upgrade electrical, plumbing and other building code upgrades if I have to make repairs or rebuild my home?*** We know that full coverage may be unaffordable or unavailable, but shopping to minimize protection gaps in your insurance safety net is time well spent.

Homeowners rebuilding or making major repairs after wildfires may need to add sprinklers, fire-resistant siding, energy efficient windows and upgrade electrical and plumbing systems. We applaud how some cities and counties are giving disaster-impacted residents [easily accessible info and flexibility](#). We offer additional resources on code upgrades in the [Samples of Common Claim Documents](#) section of our website.

Bottom Line: With changes to safety regulations and energy code rules (i.e. solar panels on certain new homes starting in 2020) make sure you have enough code upgrade coverage in your policy. Otherwise, you are at risk for coming up short on insurance funds to repair or replace your home.