

## [Do you have enough homeowner insurance?](#) [Here's how to find out](#)

South Florida Sun Sentinel

Three of every five homes in America are underinsured by an average of 20 percent less than full value, according to analytics firm CoreLogic.

Is yours one of them? Could you easily put your hands on \$50,000 to help rebuild a house with a \$250,000 replacement value?

These are important questions to ask yourself, because if your home is completely destroyed in a fire, tornado, hurricane or other covered peril — and it is underinsured — you would be on the hook for the shortfall. Experts advise you to undertake a serious review of how much insurance you should carry on your home and possessions.

While a review might show that you don't have enough coverage, it might also reveal you're overpaying for too much coverage. Many higher-value homes near South Florida's coast are overinsured because consumers assume the insured value should be equal to their purchase price — and insurers are happy to let them, said Jay Neal, president and CEO of the watchdog group, Florida Association for Insurance Reform.

But land values make up much of the total market value of those properties, and many homeowners waste money by not limiting their coverage to the rebuild value of their dwelling, Neal said.

Obviously, the best time to start thinking about modifying your coverage is a couple months before your existing term expires. That's because while you can modify some elements midterm, insurers won't let you change others, such as the amount of your hurricane deductible and personal property coverage limits.

However, if you are determined to make those changes before your term expires, there's no reason you can't start a new policy with a different company and cancel your current policy, said Ryan Papy, president and co-founder of Miami-based Tom Gallagher Insurance.

While storm preparation advocates always urge us to review our coverage prior to the June 1 start of hurricane season, insurers will typically make allowable changes and sell new policies throughout

hurricane season as long as a named storm isn't targeting the state, Papy said. But as soon as the state enters the forecast cone, most insurers suspend writing new policies until several weeks after the storm has passed, he said.

Find out how much it would cost to rebuild your home and replace its contents.

Start with a call to your agent, said Chris Hackett, senior director of personal lines policy for the trade group Property Casualty Insurers Association of America. "Make sure the details your agent have are accurate: the square footage, number of bedrooms and bathrooms, the type of flooring. Is the bath outfitted with standard materials or upgraded materials such as marble?"

Also, "tell your agent about any major renovations you've had."

If you don't trust your insurer's estimate, you should seek another opinion. Consumer advocacy group United Policyholders said in a recent report that insurance companies typically don't know the true replacement cost of the homes they insure.

Amy Bach, executive director of United Policyholders, recommends spending a few dollars on a web tool that will generate more accurate replacement cost estimates. One is AccuCoverage, a service by Marshall & Swift/Boeckh, a Milwaukee-based supplier of building cost information and valuation technology. AccuCoverage costs \$7.95 and walks the homeowner through a questionnaire that takes about 30 minutes to complete. Another is HMFacts, which charges \$7 for a tool that will evaluate whether a home is properly insured and also enable homeowners to estimate what they should pay professionals for repairs and upgrades.

Lynne McChristian, Florida representative for the Insurance Information Institute, recommends hiring an independent appraiser to perform a detailed analysis, or at the very least, speaking with a local builder to find out the approximate rebuilding cost per square foot in your area, then multiplying that by the size of your home.

If the house is an older one, homeowners should expect an accurate estimate to reflect the cost of rebuilding the structure to conform to current codes. That ensures you'll be covered for the strongest roof connections, hurricane-resistant garage and exterior doors and impact glass all around. One way to protect yourself is to make sure your policy carries an "ordinance or law" endorsement. Most policies will pay 25 percent over the coverage limit for upgrades required by current codes, and policyholders can opt to pay for even more protection.

If the revised rebuilding estimates exceed or come in below your coverage limits, you should call your agent and adjust your coverage, the experts said.

Bach, with United Policyholders, is even more blunt: "If your insurer can't explain the discrepancies to your satisfaction, start shopping for another insurer," she said.

Homeowners should make sure they have what's called Enhanced Replacement Coverage and Inflation Guard Coverage, several experts noted.

Enhanced Replacement Coverage, also known as extended replacement or guaranteed replacement, will pay up to a specified percentage — typically 120 percent to 125 percent — of the stated coverage limit if rebuilding costs are higher than expected. This can happen after a major hurricane, when the number of homes needing repairs exceeds the number of available contractors and prices of building materials increase as well.

Inflation guard coverage is usually part of your standard coverage but sometimes it's optional. It automatically increases your coverage limit each year to account for normal price increases.

Decide how much coverage you want for the contents of your home.

Most policies peg contents coverage to a percentage of the overall policy limit. Papy said most of his agency's clients insure their contents at a value equivalent to 50 percent of their dwelling, but can reduce it to 25 percent or increase it to 75 percent.

Neal, of the Florida Association for Insurance Reform, suggests analyzing whether your home's contents are worth half of the structure's value. "If your home is insured for \$360,000, you don't need \$180,000 in contents coverage," he said.

You'll need to decide whether to insure your contents for actual cash value or replacement value. You can save money by insuring for actual cash value, but that means you might only get \$200 for a sofa you bought for \$2,000 a decade ago.

Insurers will allow you to cover your structure for actual cash value, too, but Neal said few homeowners select that option, knowing it could lead to financial ruin.

Buy flood insurance.

Yes, new FEMA flood maps in Broward and Palm Beach counties eliminated zones where flood insurance used to be mandatory for homeowners with federally guaranteed mortgages such as Fannie Mae and Freddie Mac and replaced them with lower-risk zones where flood insurance is optional. Flood insurance purchase requirements went away for thousands of homes in the two counties. New maps for Miami-Dade County are in the works, with drafts expected to be released in 2019, according to FEMA.

But you're not safe. Remember that last year, at least 80 percent of homeowners in the eight Texas counties hit hardest by flooding from Hurricane Harvey had no flood insurance because many weren't required to buy it.

Experts recommend not dropping your flood insurance. Homeowner insurance does not cover damage from water intrusion that enters the home, whether from backed-up storm sewers, days of driving rain,

overflowing canals, rivers and lakes, or tidal surge during hurricanes. Many policyholders still don't know this, and that's why the state Legislature this year enacted a law requiring homeowner insurance purchasers to initial a disclaimer stating they understand their policy does not insure for flood. Most properties in South Florida are in low-risk zones classified on The National Flood Insurance Program maps as "X" zones. Premiums for these policies typically cost \$500 or less per year and cover residential structures up to \$250,000 and contents up to \$500,000. There's no reason not to be covered, proponents say.

Figure out how large of a hurricane deductible you can handle.

All insurers offer hurricane deductibles on the windstorm portions of their policies of \$500, or a percentage of the policy's structure limit. Homeowners can choose 2 percent, 5 percent or 10 percent. Policy premiums can be reduced by taking larger deductibles, but experts say you should have a plan for how you can pay a high deductible if you choose one.

If your structure is insured for \$250,000 and you take a 10 percent deductible, your policy won't kick in after a hurricane unless you sustain more than \$25,000 in damage, and you will be responsible for that first \$25,000. If your deductible is 5 percent, you're on the hook for the first \$12,500. Do you have that much cash on hand?

Homeowners who discover they are overinsured will see their deductible automatically lowered if they reduce their coverage, Neal said. For example, homeowners who reduce their coverage limit from \$500,000 to \$350,000 will also reduce their 5 percent deductible from \$25,000 to \$17,500 — and that could be the difference between getting paid or getting nothing for a hurricane damage claim.

They will also pay a lower premium so they can use the savings to get better protected, he said.

In addition to flood insurance, Neal is urging homeowners to consider a supplemental policy, often called parametric insurance, that can cover their deductible, plus other assets that traditional policies don't cover, such as pool enclosures, fences and outbuildings. Some policies also cover evacuation costs including gas, food and lodging. Companies offering such policies include Vertus Insurance Partners, based in Jacksonville, and StormPeace, based in Pleasanton, Calif.

Ormond Beach-based Security First Insurance was recently approved to offer supplemental Hurricane Expense Coverage for items that had been excluded from their policies.

Other tips from United Policyholders include:

Check your Loss of Use Coverage. If your policy doesn't provide money to pay rent and other living expenses for two full years while your home is being rebuilt, you should request a higher limit or find another insurer.

Buy supplemental coverage for expensive items. Most policies cap coverage at \$1,000 to \$2,500 on

pricey collectibles, jewelry, antiques and firearms. You'll have to pay extra, or buy a separate policy, to insure the full value of such items.

Maintain at least \$1 million in liability coverage. Personal Liability Insurance that comes with your homeowner policy is for bodily injury and property damage to others such as from a fall down your front porch steps or a bite by your dog. Liability coverage can cover medical bills, lost wages and death benefits. If you get sued, liability coverage can help pay a claim for pain and suffering by the victim. It will also pay for a lawyer to defend you. Coverage of up to \$1 million might prevent an attorney from pursuing other available assets and usually costs \$200 to \$300 a year, according to United Policyholders.