

Family finances: Don't get caught 'undercovered'

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One-half to two-thirds of homeowners who experience a total loss don't have enough insurance to rebuild their home and replace their belongings, according to post-disaster surveys of homeowners by United Policyholders, a consumer advocacy group. Here's how to be sure you're covered.

1. Check the replacement cost. Start with an accurate estimate of the cost to rebuild your home, known as the dwelling limit. Ask your agent or look online to double-check the information your agent has used, such as your home's age, size, style and features. To check the accuracy of the estimate, Amy Bach, executive director of United Policyholders, suggests using \$200 for each square foot of living space. Or get an independent estimate at e2Value.com for \$25 (click on "Residential").

Then make sure you have replacement-cost coverage — not actual-cost coverage, which may be cheaper but deducts for depreciation. Most policies build in extended replacement coverage of 120 percent to 125 percent of the dwelling limit to cover higher building and living costs after a disaster. Because you may be required to repair or rebuild to meet current building codes, ask for ordinance and law coverage to increase your dwelling limit by 25 percent to 50 percent; this coverage costs about 50 cents per \$1,000 of the dwelling limit, with a minimum charge of \$50 annually.

2. Cover all your possessions. Take inventory of your possessions and estimate their replacement cost. After a major disaster, your insurer will require you to file a detailed list of damaged or destroyed items. To create an itemized list with photos that you can store securely in the cloud, use the UPHelp Home Inventory App from United Policyholders.

Your coverage of valuables, such as jewelry, watches and furs, may be capped at \$1,000 to \$2,000. Have your valuables appraised, and if necessary buy a personal property endorsement or floater, which will cover their loss for any reason and costs about \$2 to \$8.50 per \$1,000 of coverage.

3. Don't skimp on liability coverage. A typical homeowners policy provides \$300,000 of liability coverage. You can increase your policy's coverage to \$500,000 for about \$25 to \$50 a year, or to \$1 million with a separate umbrella policy for about \$150 to \$300 a year.
4. Know what your policy doesn't cover. Most standard homeowners policies exclude losses due to floods or rising water from any source. You can buy flood insurance from the National Flood Insurance Program (www.floodsmart.gov) or from your insurance agent. A rider for sewer backup costs about \$130 for \$10,000 of coverage or \$240 for \$25,000 of coverage.