

Homeowner's insurance: Checklist to ensure adequate storm coverage

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Quick, answer this about your homeowner's policy: Does it cover replacement cost? Do you have "extended limits"? What's the exact dollar amount of your hurricane deductible, and what category storm triggers it? Regarding flood insurance: What's your home's likelihood of flooding, according to the National Flood Insurance Program's floodplain maps?

If you can't answer these questions, you have work to do. Experts helped Newsday compile this 12-point checklist to help ensure your homeowner's coverage is the best it can be, and also offered advice regarding whether you might want to add flood insurance or even "excess flood insurance" to your home protection strategy:

1. Don't look just at the "Policy Declarations" page that comes with your annual renewal. Ask for the actual policy, which was probably sent when you first signed on with the company. You also need the "amendatory endorsements" — changes since your purchase. "You have to have all three of those to truly understand your coverage," says Sharyn Kay, who worked in insurance for 24 years, runs a blog called Insurance Decoded and has self-published an e-book called "Insurance Claims Decoded: A Homeowner's Guide to Getting a Claim Paid" (\$8.97).

2. Buyer, beware

Read the fine print closely. "My father used to say, 'The big print giveth, the small print taketh away,'" says asset protection attorney Hillel Presser, president of the Presser Law Firm in Deerfield Beach, Fla. "At the end of the day, insurance companies are for-profit companies. They're not charities." Agents tend to go heavy on the sales pitch and gloss over what's not covered, says Amy Bach, executive director of United Policyholders, a San Francisco-based nonprofit information resource for insurance consumers nationwide. Presser encourages people to buy the best coverage they can afford: "It's pretty good bang for your buck if something happens."

Gov. Andrew Cuomo has started a "report card" so you can check how your company is performing for Sandy victims; go to nyinsure.ny.gov. Bruce Segal of Huntington, for instance, will likely want to weigh in

on his insurance company — he says he is arguing with the company about whether his home, clobbered by a tree, can be safely repaired or needs to be razed and rebuilt. “I’m very annoyed and frustrated,” he says.

3. Determine your type of coverage — deluxe, basic or in between

“A lot of them have fancy names created by the marketing department,” Presser says. There can be significant differences, he and Kay warn. One of the biggest is whether it’s a “named peril” or an “open peril” or “all risk” policy, Kay says. Named peril policies cover only the perils specifically listed, such as fire, wind and/or theft. Open peril or all risk policies cover any event other than what is specifically excluded. The latter is a better choice, Bach and Kay say.

4. Be sure to have replacement cost on the dwelling

This is so you’ll be covered for what it costs to rebuild regardless of depreciation. Consider raising your deductible if you need to bring the premium down without sacrificing replacement cost, Bach says. If you raise the deductible from \$500 to \$1,000, you could save 10 to 25 percent on the premium, says Jeanne Salvatore, consumer spokeswoman for the Insurance Information Institute, a Manhattan nonprofit consumer education organization funded by the insurance industry.

5. Strongly consider replacement cost coverage rather than actual cash value) for contents as well

“If I lifted my house up and dumped it upside down, what would fall out? That’s the content coverage,” says Michael Barry of Manhasset, vice president for media relations for the Insurance Information Institute. Replacement covers what it would cost at the time of the disaster to buy new items. Actual cash value only pays for the depreciated market value. For instance, if your couch or TV is 10 years old, you won’t get a check to cover brand-new ones; you’ll have to pay the difference from your pocket. “That’s going to cost you a little bit more, but it’s probably cost effective,” Barry says. Renters should also insure their contents, Bach says. “It’s very affordable,” she says.

6. Make sure you have “extended” coverage

This adds 10 percent to 25 percent to the cost of rebuilding after a widespread disaster to account for an inevitable rise in prices due to supply and demand. “With so much work to do, contractors start to bump up the price,” Kay says. Cost of materials may also rise.

7. Opt for “building code” coverage, especially if your house is more than 30 years old

If you have to rebuild, you’ll be required to meet current codes, which could include rewiring, for instance. “I highly recommend it for anybody who has an older house,” Kay says. If you don’t have the coverage, add it, she says.

8. Know your hurricane deductible, usually 1 percent to 5 percent of the policy coverage

For instance, if your house is covered for \$500,000 and a hurricane destroys it, you would have to pay

the first \$25,000 if your deductible is 5 percent. You also should ask what is the “trigger” for the hurricane deductible, which is higher than a deductible for damage caused by lesser storms, Barry says. It might be a Category 1 storm, but it could be a Category 2 or higher storm as declared by the National Weather Service. Sandy wasn’t a hurricane when it hit land, so the hurricane deductibles don’t apply. Neither Kay nor Barry are aware of any way to mitigate the hurricane deductible through a supplemental or upgraded policy. But ask whether discounts are available if you make your home more resistant to hurricane damage by adding protection such as hurricane shutters, Bach says.

9. Check whether your company updates coverage for inflation

Most include “inflation guard,” Barry says. If your house’s market value has plummeted, don’t make the mistake of reducing your dwelling protection coverage, Barry warns. The cost of rebuilding may still be high due to increased cost of materials, he says. You don’t want to have a situation in which you only have \$300,000 of protection and it costs \$350,000 to replace your home, he says. Usually dwelling protection will be lower than market value because you already own the land, he says.

10. Make sure your policy covers “additional living expenses”

Most include some provision for renting a replacement home if your house is temporarily uninhabitable, often a pleasant surprise to policyholders who have to file a claim, Barry says. But it could be stated as 12 months or 24 months or as a specific dollar amount. A policy that designates time instead of dollars is a smarter choice, Kay, Bach and Barry agree. The exact amount you’ll get will be determined at the time of the loss, but should cover renting a comparable property and such expenses as driving your child to school each day if that property is outside of your school district. If you are a Sandy victim living in a short-term rental, check with your insurance agent to see whether your homeowner’s policy covers you in the new location or need a supplemental policy, Salvatore advises.)

11. Review additional items such as pools and jewelry

If you’ve added on to your home, alert your insurance company as well. Consider also a premium for sewage backup, which covers you if water or sewage backs up in your house — it’s usually a small sum in the overall scheme of the policy, Bach says. Realize you need to buy riders for luxury items such as jewelry, collectibles and furs. And you might want to increase your liability coverage for a pool.

12. Make a videotape or photo album inventory now of all the items in your house

Write down an accurate description as well as makes and models of items. If you have receipts, include them. You can find free inventory services at knowyourstuff.org or at uphelp.org, searching for home inventory. “It’s horrible for people after a loss when they try to recreate their lives. It does cause a lot of stress,” Kay says. Document your exterior as well, including the type of siding and roof shingles and keep all the information, along with a copy of your policy, in a safe place other than your home, Bach says.

COMPARING INSURANCE COMPANIES

Insurance companies may not give out the actual policy until after you purchase it, which can make it harder to compare fine print, says Amy Bach, executive director of United Policyholders, a San Francisco nonprofit information resource for insurance consumers nationwide.

She recommends making yourself a checklist or grid of options so you can compare side by side what agents from at least three different companies offer and what each option will cost you. United Policyholders offers consumers a buying tips tool at www.uphelp.org/library/buyingtips. Don't forget to factor in any discounts for "bundling" policies if other policies, such as your car or life insurance, will be with the same company.