

[How much would it cost to replace your home?](http://www.insure.com/home-insurance/home-replacement-cost-services.html) [We test two online estimator services](#)

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When considering how much home insurance to buy, the main issue isn't how much your house is worth on the real estate market. More important is how much it will cost to rebuild the dwelling if it is destroyed.

Your home's reconstruction cost may be vastly different than the market value, especially with today's depressed housing prices. Too often, homeowners don't learn they're underinsured until after a catastrophe, when the payout from the insurance company isn't nearly enough to rebuild the home. My home was less than a mile away from a recent wildfire that swept across the southern and western parts of Reno, Nev. Some 10,000 residents were evacuated and 32 homes destroyed. That got me thinking about whether I am underinsured.

Tools for determining home replacement costs

I tried two online tools that estimate costs for rebuilding homes:

- HMFacts, a service by Decision Ready Data Solutions Inc., a company headquartered in Orange, Calif., that offers cost-data tools for homeowners, contractors and appraisers.
- AccuCoverage, a service by Marshall & Swift/Boeckh headquartered in Milwaukee that is a supplier of building cost information and valuation technology.

Both websites provide valuation reports based on information you enter about your home, including address, size, number of bathrooms and bedrooms, building quality, amenities, and materials. HMFacts charges \$10 for an insurable valuation report, and AccuCoverage charges \$7.95 for a replacement cost report.

My husband and I purchased our 2,305-square-foot, ranch-style suburban house in 2002 for \$270,000. By 2006, similar homes in the neighborhood were selling for double that price. Today, some are selling for under \$200,000.

Avoiding the insurance trap

We didn't get caught in the trap of thinking we should change the insurance level according to the wildly

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fluctuating market value. But we also didn't give our home insurance much thought, other than to pay the premium. We've maintained the same amount of homeowners insurance — \$228,500 for the dwelling.

The process for getting an estimate on HMFacts and AccuCoverage takes about 30 minutes each. Entering most of the information – such as the number of fireplaces in your home – is easy. But I had to dig through my files to get a few details, such as the exact year the home was built and the square footage of the patio. I did my best guess for some of the specifics, such as the percentage of flooring covered by carpeting, vinyl and tile, and the percentage of painted walls versus those covered by wallpaper.

The results? Not pretty

According to both online sources, we're woefully underinsured. AccuCoverage estimates total insurable replacement cost without debris removal at \$305,162. With debris removal, the estimate is \$319,473. HMFacts estimates replacement cost at \$429,626.

If the recent wildfire had burned our home to the ground and AccuCoverage is correct, we'd face paying at least \$76,662 out of pocket to rebuild the house to its former condition. If HMFacts is correct, we'd be out more than \$200,000.

Ouch!

Predicting the replacement cost requires more than making a ballpark guess. Online services like AccuCoverage and HMFacts can help, says Amy Bach, executive director of United Policyholders, an insurance consumer advocacy group based in San Francisco.

"The more time you spend reviewing and putting in information, the more likely it is to be relatively accurate," she says.

But what happens when the estimates vary widely, as they did for my home.

"Computers don't build houses," Bach says. "Contractors do, but you've got to start somewhere."

Even scarier: We're not alone

"Two-thirds of homeowners are underinsured," says Bach. In a September 2011 survey of victims of the 2010 Fourmile Canyon wildfire in Boulder County, Colo., 64 percent reported being underinsured on their dwelling by an average of more than \$200,000. United Policyholders conducted the survey in partnership with Boulder County.

Some people end up with an inadequate home insurance policy because they never receive accurate estimates of rebuilding costs. Others neglect to inform their insurance companies when they add to or remodel their homes. In such cases, insurance policies never account for the upgrades. We may be

underinsured because we hadn't reviewed our home insurance in more than nine years, and construction costs have increased. Or, the original recommendation by our insurance carrier may have been too low. Estimates from HMFacts and AccuCoverage only provide reference points, Bach says. United Policyholders also recommends asking a local contractor for an estimate or hiring an inspection/appraisal company.

"Time is best spent in trying to find a really good insurance agent and staying in touch," Bach adds.

"Running numbers yourself should be a backup to getting a professional opinion."

Consider extended replacement cost policies

Ask whether your insurer offers an "extended replacement cost" policy, which adds a percentage, such as 25 percent or 30 percent, to the insured amount on your home.

For example, if you have a policy with 25 percent extended replacement cost on a home insured for \$100,000, the home insurance policy will pay out up to \$125,000 if the house is destroyed. The extra coverage provides a cushion in case the insured amount isn't quite enough, which can happen, for example, when there is a widespread disaster like a tornado and local costs rise for materials and labor. As for my household, I'll be calling our insurance agent in the morning.