

[Insuring your home against disaster](#)

CNN Money

If the worst happens, you can't be sure you'll collect enough to bring back the home you love. Here's what to do.

Money Magazine) — If last fall's devastating California wildfires weren't enough of a wake-up call, consider this: Nearly 60% of homes nationwide don't carry enough insurance coverage to be fully rebuilt. On average those homes are underinsured by 21%. To give yourself a chance of being made whole, follow these steps before and after disaster strikes.

Beef up your policy

Remember you're insuring for future rebuilding costs. That means avoiding an actual-cash-value policy, which reduces your payout by how much your possessions have depreciated.

A guaranteed replacement-cost policy, which reimburses you for the full cost of rebuilding, is the gold standard but is almost impossible to find. Go for an extended replacement-cost policy, which pays you a set amount the "dwelling limit"), plus a 20% to 25% margin. Add a building-code endorsement to cover the cost of complying with future rule changes.

Setting your dwelling limit high from the outset and reviewing it every few years is crucial. A good agent should be able to help, or for \$8 you can create a custom estimate at accucoverage.com.

As a rough guide, keep in mind that the average cost to rebuild is \$250 a square foot.

Document what you own

In order to be reimbursed, you need records: pictures and videos of your stuff, receipts, model numbers and so on.

"Agent after agent tells me that if there is any dispute, the documentation makes the decision," says Robert Rusbuldt, chief executive of the Independent Insurance Agents & Brokers of America.

At the California Department of Insurance's website (insurance.ca.gov), you can download a 36-page guide that walks you through every room in the house under Consumers, click on Information Guides and then on Residential Series). Keep these records outside your home.

Manage your claim with care

After a disaster, call your agent immediately – but don't agree to a settlement too quickly. You'll get an

initial check or prepaid credit card) to cover hotel rooms, clothing and dining out; a typical up-front payment is \$5,000. Then prepare to negotiate hard, especially if the damage is severe.

“The insurance industry has gotten a lot tougher,” says Amy Bach, executive director of UnitedPolicyholders.org. “It’s more adversarial.”

Your agent will have an adjuster come up with a damage estimate the “scope of loss”), but if you anticipate a dispute, do your own research too, says industry consultant Andrew J. Barile.

Ideally, have the contractor you plan to work with create an estimate that details construction expenses room by room, including the cost of all materials and labor.

If you feel the insurer’s offer is a lowball one, don’t sign anything, and appeal to a supervisor. It may also help to complain to your state insurance regulator. If you hit a wall, Bach suggests hiring a public adjuster who will chase the claim on your behalf for a 7% to 10% cut. You can search for one at the National Association of Public Insurance Adjusters’ site, Napia.com.

Alternatively, you can work with an independent cost estimator, who will prepare a competing scope-of-loss report. That will cost you several thousand dollars, but it’s worth the price if you can sweeten your settlement by far more – and rebuild your home sweet home.