

[Insuring your home - Make sure your coverage stands up in a worst-case scenario](#)

Consumer Reports

The first six months of 2011 were a tough time to be a homeowner: wildfires in Arizona, New Mexico, and Texas; damaging snow in the Midwest; floods in the Midwest and Plains; and tornadoes, hail, wind, or lightning almost everywhere east of the Rockies.

Thank goodness for homeowners insurance, right? Well, yes, provided your coverage was adequate.

“After every disaster we’ve worked, we’ve found that at least two-thirds of the victims were underinsured,” says Amy Bach, executive director of United Policyholders, a nonprofit group in San Francisco that helps insurance consumers throughout the country. Fixing this problem after the fact is a lot harder than taking steps before a loss to make sure you’re properly insured, Bach says.

If you’ve been spared this year’s wicked weather, take your good luck as a poke to review your coverage. Here’s how to avoid trouble and make sure you’re getting the peace of mind that insurance companies promise.

Buy sufficient coverage

About 64 percent of the homes in the U.S.—48 million—are underinsured, according to Marshall & Swift/Boeckh, a Los Angeles company that tracks rebuilding costs for insurers. That means the face value of the policy will not be enough to completely reconstruct the dwelling. The average shortfall is 19 percent.

The average home is now worth 33 percent less than it was at the peak of the housing bubble in 2006, according to a study by S&P/Case-Shiller. But your insurance needs are based on replacement cost, not market price. A home should be insured for what it would cost to rebuild it, which could be higher than today’s depressed prices in many regions.

Ask your insurance agent for a customized estimate of your home’s replacement cost that accounts for its unique features, construction details, and age, as well as any costs due to local building-code requirements. Or you can run a check on your own, for about \$8, by going to accucoverage.com and comparing the results with your current policy. You should reassess and update your home-insurance

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needs every few years.

The new estimates should help you determine the amount of “Coverage A” dwelling insurance you need to replace your property at its full value, also known as “guaranteed replacement cost.” Because it’s hard to predict how much it will cost to replace a home, insurers also sell “extended replacement cost” endorsements or riders. These will extend your limit, if necessary, by 25 to 100 percent to cover increases in the cost of labor and materials. Also, opt for a “law and ordinance” rider that will pay the extra cost of complying with any updated building codes.

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