Live In a Multigenerational Home? Time to Revisit Your Insurance Coverage

US News and World Report

Boomerang kids – adult children moving back in with mom and dad while they save money or search for jobs – aren't the only ones shacking up in spare bedrooms or basement suites. Rising nursing home costs have also caused many older Americans to move in with younger relatives. Pew Research Center reports that in 2012, nearly 23 percent of adults ages 85 and older lived in a multigenerational household, and overall, 57 million Americans nearly a fifth of the country) lived in one.
Aside from adding a handicap-accessible ramp for grandma's walker or soundproofing the basement for a teen's late-night jam sessions, multigenerational households need to consider the insurance implications of this living arrangement. "The first call you should make when grandma moves in with you would be to your insurance professional," says Loretta Worters, spokeswoman of the Insurance Information Institute, an industry organization that provides insurance information to the public. "Any life change should be discussed with your insurer to make sure you are financially protected."
Here's a look at several areas to consider.

Personal property coverage. More people under one roof often means more contents to insure, so make sure you have enough coverage in case of a fire or other claim. "We've had several losses where another generation has moved back into the home, and they found that there are a lot more contents in the home than what an average policy supports," says Rick Albers, a senior appraisal specialist with Chubb Group of Insurance Companies. "It's more jam-packed with items, and there is basically a cap on contents coverage when you have an insurance policy."
Many insurers require an appraisal for items such as art work or jewelry that are worth $2,500 or more, Albers says. If grandparents move in with a collection of antiques or heirloom jewelry, keep in mind that these items may be subject to an even lower policy cap, even if your total coverage is higher.
One solution is to buy an optional floater or rider for additional coverage on valuable items that would otherwise be subject to a cap of a few thousand dollars. Amy Bach, executive director of United Policyholders, a nonprofit that advises consumers on insurance topics, recently upgraded her

homeowners insurance policy due to its limited coverage on jewelry. Originally, she asked about buying a rider, but the insurer suggested she switch from basic coverage to premium coverage. Buying the premium version of her homeowners insurance wound up being cheaper than buying basic coverage plus the rider. “I would have been wasting money buying the rider,” she says.

Homeowners insurance. Revisit your homeowners insurance policy if you’ve made additions or upgrades to your home to accommodate family members. “Say your children move back in, and you build an addition on the house with a kitchen and bathroom,” Worters says. “You will need to have your overall homeowners insurance updated to reflect that.”

Flood coverage. If your mortgage is paid off, you likely don’t have a mortgage company requiring you to buy flood insurance. But if a family member is living in the basement, his or her belongings and possibly yours) could be destroyed in the event of a flood. “The kids move in with the parents and the parents paid off their mortgage and then the house is underinsured,” Bach says. “The house may have been declared a flood zone [after the mortgage was paid off], and they may not have bought flood insurance because they don’t have to.” The National Flood Insurance Program maintains a website where homeowners can look at flood policies and view flood maps.

Auto coverage. If grandparents or adult kids will be driving your vehicle, check if they need to be added to your insurance. Insurance varies by state; some require insurance of individual drivers, while others insure the actual vehicles, Albers explains.