

Purchasing Or Renewing Your Homeowners Insurance? What You Have to Ask Your Agent

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Will your insurance cover you if you have a fire or if your home is destroyed in a disaster? These are some of the questions you should be asking your insurance agent before you have a disaster.

One of the top Public Insurance Adjusters in Southern California, Quality Claims Management Corporation does not sell insurance or recommend specific insurance companies or agents. Quality Claims Management works with home owners and business owners who need help with valuing, adjusting or negotiating an insurance claim after a disaster, and believe the best solution for insurance problems is to be properly insured BEFORE a disaster.

Here is a checklist to help make sure that you are protected.

Is the policy a Replacement Cost Policy or Actual Cash Value?

Replacement Cost coverage will pay the amount it costs to replace your property.

Actual Cash Value (ACV) will pay you the Fair Market Value of the property, this typically means the insurer will pay you a depreciated amount based upon the age of the property.

Replacement Cost coverage is preferable and is the most common.

Is the insurer offering Guaranteed Replacement Cost Coverage or Extended Replacement Cost Coverage?

There are only a few insurance carriers in California that offer Guaranteed Replacement Cost Coverage and it is preferable to any other coverages. It will pay you the total amount it costs to repair or replace your property even if it costs more than the limits stated on your policy.

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Extended Replacement Cost Coverage adds a certain percentage over your stated policy limits. The policy may add 50% or 100% of additional coverage over the stated policy limits. This coverage is added by an endorsement and it will contain certain additional conditions that must be met in order to obtain this extended amount. Be careful here as the language of the Endorsement can limit your coverages.

Determining policy limits

Base the amount of coverage on the replacement cost of your property. This can be tricky to calculate. Be sure to use “reconstruction” costs, not “new” construction costs – there is a big difference.

Be sure the limits include the extra amount necessary to meet current building code requirements.

Contact a building contractor or real estate appraiser to see how much construction costs are for your house.

Do not base the limits on the amount of your mortgage

Your mortgage lender can require you to insure your property for the replacement cost of your property up to the amount of the loan. They cannot require you to insure your property for more than the amount of the replacement cost value.

Your loan is typically based upon the total value of your property which includes the value of the land.

Your homeowners policy will only insure the improvements upon your land. In addition, your policy will include other coverages, but they do not include the land itself.

Did you properly identify your property?

Do you have the correct address?

Do you have the correct number of square feet listed?

Did you include the type of construction?

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Did you identify any upgrades to your property, such as to the kitchen or special flooring, windows, etc.

Did you include all structures on your property, such as any special, custom decks, pools, guest house, extensive driveways or fencing.

Do you have extensive landscaping or expensive plants?

Do you have any special equipment or personal property that may need increased limits?

Do you have any collections or collectible items?

Do you have valuable art, antiques, jewelry, furs, firearms or any other items that need to have increased limits?

Do you have a boat that needs to be covered under this policy?

Does the policy include Ordinance or Law Coverage – also known as Code Upgrade

If you need to rebuild your property it will need to comply with the current building code requirements.

If you have an older house, and you do not have Code Upgrade coverage, your policy will not pay for the additional cost of construction to meet the current building code requirements.

Do you operate a business from your house?

If you operate or run a home business, be sure to ask if an endorsement is necessary to cover your business equipment.

Be sure you have enough liability coverage

If you have a pool, dog or anything else that may create some additional exposures, consider increasing

your liability limits.

You may want to inquire about an Umbrella Policy. An Umbrella policy will increase your liability limits for your homeowners as well as auto policies. Umbrella policies are very affordable.

Do not limit your search for coverage to a direct writer agent – talk to a broker or independent agent

A direct writer will only be able to offer coverage for one insurance company, the one they work for.

An independent agent will search many different insurance markets to seek the best coverage options and insurance rates specific to your needs.

Talk to Your Agent

Take the time to fully describe to your agent, what your property consists of. Send a follow-up written explanation of your property. Invite the agent to come to your property to perform a visual inspection.

Be Prepared and Remember to ask questions.

If you don't ask, you will probably be underinsured or improperly insured if a disaster strikes. According to Amy Bach, Executive Director, United Policyholders, "Most people who lose a home in a natural disaster find out the hard way that they're underinsured. After the 2007 wildfire in San Diego County, 75% of the victims found themselves underinsured by an average of \$250,000."