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Safety First For 2014: Do A Home Insurance Checkup

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Floods, hurricanes, tornadoes, wildfires — some significant natural disasters made the news this year, from Typhoon Haiyan in the Philippines to twisters in Oklahoma and flooding as well as wildfires in Colorado.

In case a disaster big or small comes your way, is your home insurance up to date, and do you know how to make a successful claim for losses?

Regular policy reviews and detailed inventories, as well as understanding your coverage and its limitations, will go a long way toward protecting your home investment. Experts say detailed record-keeping and knowing your rights will help you navigate the insurance claims process.

Mike Chaney, Mississippi insurance commissioner and state fire marshal, says that consumers need to educate themselves about home insurance.

"You don't want to use a homeowner policy for maintenance of your house ... it) is not a home warranty," he said. And if you use it for small claims you'll end up paying higher premiums.

But if you make a claim, know you have rights.

"The loss reporting process should be easy," said Chaney. "Bottom line, the insurer should take care of your claim. And every state has a timely pay law; ours is 30 days, some go to 90 days."

Chaney says "know what you're covered for" and call up your state's department of insurance if you feel that your claim is being mishandled.

Best Policy Practices

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Making a successful claim requires having the right home insurance in the first place. Experts say to buy it from a local agent who knows your area and can advise you on the best coverage. But also make sure that your policy is with a large insurer — one with a strong balance sheet.

Review your policy annually and comparison-shop, but also buy enough coverage.

“Don’t be penny-wise and pound-foolish with your coverage,” said Amy Bach, executive director of United Policyholders, a nonprofit that works to protect the rights of policyholders. “If you want to save money, raise your deductible, don’t lower your coverage.”

If you remodel, add on to your home or buy new furniture, fancy appliances or high-end electronics, or if you have valuables such as jewelry and art, you need to make sure that you have adequate coverage on the contents of your home.

Tweaks For Life Events

Also, life changes such as marriage, divorce, creating a trust, paying off a loan or changing your living situation (renting your home) should be triggers to call your insurance agent, says Chris Hackett, director of personal lines at the Property Casualty Insurers Association of America, a trade association.

A resident of Moore, Okla., sits atop what was his home, after a tornado struck the Oklahoma City area in May. [View Enlarged Image](#)

Outbuildings, including sheds and barns, should also be covered by your policy, says Chaney. And he says landlords must make sure their agents know if the property is a rental to provide the proper insurance coverage.

“Most owner-occupied policies require the dwelling to be inhabited by the insured person for the coverage to apply. If the property is occupied by anyone else, then the policy may be invalid and coverage may not be afforded,” said Chaney.

Further, be sure to review any optional coverage, such as flood or earthquake insurance, says Hackett. With changing weather patterns, some folks who never needed flood insurance before may need to consider it now.

And with today’s weather you may want to review how your policy handles a catastrophic loss. For example, if you decide not to go back to rebuild in your old neighborhood, can you apply your payout to buying another home in another location?

Home insurance policies come in two varieties: cash value and replacement value.

Cash value is the replacement cost minus depreciation of the structure and contents at the time of the loss. Replacement value policies pay what it will cost to replace the home and the covered contents at today’s cost.

Replacement value is obviously the better policy, but the more pricey kind. However, say your home burns down — a replacement value policy may enable you to rebuild elsewhere if that’s what you choose to do.

Moving After A Disaster

In California, thanks to a law that was enacted in 2005, homeowners have “the clear legal right to use replacement value benefits to rebuild or buy elsewhere” if they want to, said Bach. The law was passed after some homes were destroyed by wildfires.

Bach says her organization is “hoping to get similar laws passed in every other state.” But she says homeowners with replacement value policies in other states may be able to negotiate with their insurers to move or rebuild elsewhere. And she says some states “have case law that will support” homeowners with catastrophic losses relocating using their insurance payout.

Some of the victims of superstorm Sandy are trying to negotiate with insurers to leave the area.

However, “flood policies usually aren’t replacement cost, they’re cash value,” said Robert Solberg, CEO of Campbell Solberg Associates in New York, an independent insurance brokerage. All flood insurance is governed and backed by the Federal Emergency Management Agency.

Also, Solberg advises homeowners to pay careful attention to policies that cover natural disasters such as hurricanes, floods and earthquakes, as some of these policies have deductibles that are a percentage of the covered amount, not a flat dollar amount. So if the loss is large, the deductible for it could be substantial.

Inventory Your Home

Of course, you can’t make an accurate claim if you don’t know what was damaged or lost. So keeping an up-to-date home inventory is a must for all homeowners.

Experts advise inventorying your whole house, taking pictures, especially of high-value items, and storing your inventory list outside the home. The National Association of Insurance Commissioners, at www.insureonline.org, has a smartphone app that lets you take pictures and do the inventory.

“Walk around your house and take pictures of everything, even open up closets and cabinets,” said Insurance Information Institute spokeswoman Jeanne Salvatore.

Make lists, estimate values and “keep receipts of expensive items” such as high-end electronics, furniture or appliances, says Hackett.

Keep A Claims Diary

If you need to make an insurance claim, keeping detailed records is key to the process.

“The first thing to do is start the claims process right away. Don’t wait,” said Salvatore. “Then you want to get as organized as possible. Ask the claims person what they need from you. And then keep a diary or

record of phone conversations ... the date, time, who you spoke with, what was discussed, his or her phone number and title. That way, you can say what's been told to you" about your claim.

Be sure to use a reputable, licensed contractor for repairs — ask to see a license and references. You may “want the contractor to meet with the adjuster” to explain what needs to be done, said Chaney. Also, remember if you have a mortgage, the claims check will likely go to your lender, which will then release funds to you, says Salvatore. So keep your lender in the loop about your claim and its progress and resolution.

Finally, “forget all the insurance ads you’ve seen, the claims process is really a business negotiation,” said Bach.

She says ask for what is fair, know your rights and don't think “the first estimate you get from the claims adjuster is the last word.”