

## Is Your Home Fully Covered?

Keep up with its appreciated value

Homeowner's insurance is easy to forget about—until you hear of a fire, robbery or some other kind of major problem. You don't ever want to discover that you're underinsured, particularly if it's because you forgot to increase your insurance to reflect the appreciated value of your home and possessions. To fully protect yourself, be sure to review your policy every two years or so—and whenever you make renovations to your home.

### **Keep Current**

As you review your policy, be sure to reconsider the type of coverage you have. Typically, a home's contents are insured for up to one-half of the policy's face value. An actual cash-value policy would recoup the replacement cost minus depreciation. Replacement coverage might be better—it covers the cost of rebuilding your home and replacing your possessions at current prices, up to the policy limit. Don't make the mistake of insuring your home for its resale value; it is often less than the cost of rebuilding.

### **Have an Appraisal**

Rather than attempting to do it yourself, consult a builder or a professional appraiser to determine the value of your home. Consider getting a reappraisal every few years; building costs tend to rise, even in a bad real estate market.

### **Natural Disasters Are Different**

The vast majority of homeowners' policies do not offer any flood coverage, so ask your agent about the National Flood Insurance Program if flooding is likely. If earthquakes pose a threat, see your agent about earthquake coverage.

### **Don't Be Liable**

While it may vary, many homeowners' policies give you \$100,000 in coverage for liability. This covers the cost of someone suing you if they are injured on your premises, or if you cause injury to someone outside of your home. Keep in mind that this coverage is subject to limitations and exclusions. For example, you are not covered if you cause injury while driving, or if you are violating the law. You'll want to get more coverage if your net worth exceeds that amount. Fortunately, liability coverage is inexpensive. You may get an umbrella policy that covers losses exceeding both your homeowners and auto policies.

### **For Your Apartment or Condo**

While your landlord's or condo association's insurance should cover damage to the building's structure, you need insurance to cover your own belongings. Again, you'll want to consider replacement value vs. cash value coverage. And make sure your policy includes liability insurance.

Failing to review your insurance coverage can prove to be an unexpectedly costly oversight. Keep yourself on a biannual schedule. That way, you'll safeguard your current lifestyle and future financial security at the same time.

Source: Insurance Information Institute, New York

© 2008 SmartMoney. Prepared by SmartMoney Custom Solutions. SmartMoney is a joint publishing venture of Dow Jones & Company, Inc. and Hearst Communications, Inc. All Rights Reserved.

**CustomSolutions**  
FROM SMARTMONEY