

Your Insurance Matters by Susan Zimmerman

### How Much Is Enough?

When you go to an Insurance Broker, seeking coverage for your home, they certainly ask you lots of questions, ever wonder why?

Quite simply, when you purchase a package homeowners or tenants policy these days, the Broker will offer you Guaranteed Replacement Cost on your home. You will probably hear the quote, "New for Old," or "to place you in the condition that exist immediately prior to a loss". This then is why so many questions! How does the Insurance Company know what it is they are replacing, unless they have all of the information on what you currently have?

So, you answer all the questions accurately, and come to agreement as to what it would cost to build your house again in the event of a total loss. You pay your premium, receive your policy, and every one is comfortable. Each year, you go see your Broker, and renew your policy. Did you ever tell them that you added a solarium, or a swimming pool, oops ! Now what happens if you have a loss? The Insurance Company is only liable for the replacement cost of the home they assumed they were insuring.

There have been volumes written about "Coinsurance", but they all boil down to basically the same bottom line. The Dwelling limit on your homeowners policy is \$150,000. It cost you \$50,000. To turn this into your dream home, you are only insuring 75% of the full replacement value. You re saying to your Insurance Company, I am willing to assume 25% of the risk if I have a loss. In the event your home is a total loss, the Insurance Company is still responsible for \$150,000., the co-insurance clause has a major impact if you have a partial loss. For instance you have a \$10,000. Kitchen fire, the Insurance Company would only be responsible for 75% of the loss, or \$7,500. The remainder would not be insured.

Insurance is a contract you enter into to protect what for many of us is our most valuable asset. We none of us wish to end up with less than we started with. The only way to ensure that this is the case, is to keep the lines of communication open with our Broker. If you make changes to your home, make changes to your policy.