



## A White Paper on... Updating Homeowner's Insurance

### **Don't Get Caught Short : Update Your Homeowner's Policy After a Remodeling Project**

Not reporting major home improvements—such as updating a kitchen or bathroom, enclosing a porch, or making an addition—to your insurance company puts you at risk of being underinsured.

Home remodels are a smart move. They help keep your home up-to-date and comfortable, while further increasing the value of your house and property. But when the job is done, don't just sit back and admire the work. Pick up the phone, call your insurance agent and increase the amount of insurance you carry on your home.

"Many homeowners are not adequately adjusting their policy to cover the new value of their home," says Jeff Beyer, senior vice-president & chief communications officer for Farmers Insurance Group. "Often, the only time people review their homeowners insurance is when they first purchase the home."

"Homeowners should review their policy each year on renewal to make sure they have enough coverage to rebuild their house in the exact style and quality of the original home," Beyer says. "Raw materials such as lumber and stone continue to rise as do labor costs for construction."

A recent survey of homeowners uncovered a coverage gap that can make for financial headaches if disaster hits. Commissioned by Fireman's Fund Insurance Company and conducted by Harris Interactive, the survey revealed a troubling knowledge gap among a majority of affluent homeowners of their insurance coverage.

"Unfortunately, it is often not until a disaster such as fire or hurricane strikes that homeowners realize they haven't reevaluated their homeowners insurance to include recent remodels," says Scott Garfield, vice president, personal insurance, Fireman's Fund Insurance Company. "Homeowners are suddenly faced with the harsh reality that their insurance policy covers what their house used to be—a two-bedroom fixer-upper, not the state-of-the-art four bedroom it has become."

According to the survey, while 94 percent of the respondents nationwide stated that the

value of their home increased during the past five years, more than a quarter (27 percent) said they had not increased their insurance coverage. Some of the most common reasons cited were lack of time to look into the need to increase coverage and simply not knowing that they needed to change the policy's limits to reflect a home's change in value.

If you are spending the time and money making upgrades to your home and property, be sure to give your insurance agent a quick call to ensure the true value of your home will be covered in the unfortunate event of a disaster.

Experts recommend reviewing your insurance coverage on an annual basis to make sure that upgrades to the home and its contents are included. Going through the following checklist will help ensure that your home is adequately covered, and could save you money as well.

### **What is the replacement value of your house?**

Your homeowners insurance should be based on the replacement value of your home, not the market value. Work with your insurance agent to calculate the replacement cost of your home, including current cost of labor and materials. Especially if you live in an older home, replacing items such as leaded glass windows, solid brass fixtures and hand-painted tiles could prove costly. Also, take into consideration any changes in building codes. Changes in building codes could mean that you would need to upgrade windows, add safety rails, or upgrade plumbing and electrical systems.

### **Have you made any significant changes to your home?**

Remodeling and redecorating can add to the replacement value of your home, so changes should be considered when evaluating your homeowners insurance. Major upgrades such as remodeling kitchens and baths; building porches, garages or other structures; refinishing the basement; or adding a home theatre or media center can significantly add to the value of your home. Don't forget to consider seemingly minor changes such as upgrading fixtures, adding expensive wall coverings, faux finishes, window coverings, and landscaping. Discuss improvements or additions with your agent to ensure adequate coverage.

### **Have you taken a home inventory lately?**

You should have an inventory of everything in your home that you would want replaced in the event of a disaster. Not just furniture and furnishings, but also clothing and collections of any kind including art, books, DVD, CD, wine, etc. Update this list annually and let your agent know of any major changes.

### **Have you recently bought jewelry, fine art, silver or furs valued above \$1,000?**

Valuables worth more than \$1,000 may not be adequately covered under a basic homeowner's policy and should be "scheduled." Discuss this with your agent.

### **Have you started a home business?**

Don't rely on your homeowner's policy to protect your home business. In addition to coverage for office equipment such as computers and fax machines, your business may require coverage separate from your homeowner's policy. Discuss endorsements to your existing policy with your agent.

### **Have you purchased a home safe?**

Storing valuables included in a scheduled valuables policy in a permanently attached Underwriters Laboratory, Inc. (UL) listed home safe, not only can give you added peace of mind, but may also qualify you for a reduction in insurance rates.

### **Have you installed an alarm system?**

If your home upgrades included central-station fire or burglar alarms with 24-hour monitoring, your insurance rates might decrease.



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