

Is Your Home Insured to Value?

Remodeling your home is an exciting and challenging project. You work hard to choose the right materials, and to make sure you are pleased with the result. However, did you know that when you finish your basement, renovate your bathroom, or add a deck, you also need to “remodel” your insurance policy?

While you may not realize it, many factors affect the value of your home. Renovations or improvements you have made to the property can increase the value significantly. Finishing a basement can increase the Replacement Cost on average over \$10,000. Adding or renovating a bathroom can increase the Replacement Cost over \$9,000 and adding a deck and french doors can increase the value over \$14,000.

The fact is, many policyholders aren't even aware they need to notify their insurer regarding home improvements. According to J.D. Power and Associates:

- Twenty-nine percent of policyholders do not know what type of Replacement Cost coverage they have on their policy.
- Only fifty-nine percent of policyholders have notified their insurer of major home improvements that would affect coverage.

Regularly updating the Replacement Cost of your home with your insurer is the best way to make sure your homeowner's policy will adequately protect you in the event of a loss.

So how do you determine the Replacement Cost value of your home? Replacement Cost is defined as the total cost of construction required to replace your dwelling with similar kind and quality materials and workmanship within a reasonable time frame. Many of us only insure our homes for the amount it would cost to replace our home based on market value. This, however, is usually not enough coverage to repair or replace your home to its previous condition in the event of a loss.

When determining Replacement Cost, there are many factors to consider. Replacing a home often involves far more labor and materials than building a new home. Making repairs around an existing structure can increase the cost. Custom repair and altering construction to meet existing building codes is often more costly than new construction. The increasing cost of materials and labor also has a significant effect on the Replacement Cost of your home.

To protect you and your home, it is recommended that your dwelling be insured for 100 percent of Replacement Cost so that if you have a total loss, you have enough insurance to rebuild your home. If your policy limit is less than 100 percent Replacement Cost and you have a total loss, you run the risk of not having enough money to replace your old home with one of equal size and quality.

As a homeowner, you've invested your time, money and energy into making your house a home. Make sure your investment is adequately protected. If you haven't reviewed the value of your home lately, or if you have made some improvements to your home, contact your independent agent and request a Replacement Cost estimate.