

For Sale By Paul

The Insurance Information Page

(The information contained herein is for informational purpose only and is not in any way legal advice. If you have specific legal question, please contact an attorney.)

The Right Types of Insurance

Insurance coverage is very important to homeowners. It is what protects you from devastating laws that could easily lead to bankruptcy or loss of personal assets. This is one area where it does not pay to be a cheapskate. There is no replacement for good insurance coverage. Here are a few different types of insurance to consider. For more information, contact your insurance agent for how much coverage you should have.

Replacement Cost v. Market Value

When deciding how much insurance coverage you need, think replacement costs rather than market value. Most people think insuring at the market value is best. Market value represents the probable selling price of your home.

The market value goes up or down depending on market conditions and the economy. Replacement cost is the amount it would take to rebuild your home at today's cost.

If your home suffered damage, you want to ensure you have adequate coverage. Ensure your home and your personal property is covered. It is important that you and your insurance agent properly estimate how much coverage you would need to actually replace your home and personal property.

If you have highly valuable items such as a coin collection, it is important you notify your insurance agent. The insurance company may require special requirements prior to covering those items. For example, your insurance company may require you to have an appraisal done on your coin collection to determine its value.

When obtaining insurance for the replacement cost, make sure you do not insure above the replacement cost. In many states this practice is actually illegal since it encourages arson. Be sure you are guaranteed replacement cost policy includes a building code endorsement. This will ensure your rebuilt home will be constructed to today's building codes, not the codes in force at the time your home was originally built.

Shopping for insurance

When looking for insurance, consider the following and discuss these items with your agent:

- Purchase a guaranteed replacement cost policy;
- What deductible do you want; \$500 or \$1,000;
- Decide whether you need full replacement cost of personal property or depreciated cost;
- Review your liability coverage and assess whether or not you need an umbrella policy.

Take inventory!

Imagine you enter your home after a night on the town only to discover burglars have emptied your house. Would you remember all your personal items that were taken? Chances are you would not. Protect yourself by taking an inventory of all your personal property. After you have completed the inventory list, put the list in a secure location such as a fireproof safe or safety deposit box.

Keep accurate records:

- Make a list of ALL items as you move in each room;
- Write down any serial numbers;
- Take photos or video's of the items;
- Keep the owners manuals and receipts together.

Prevention tips:

Minor things can have major impact on protecting your home from burglars. They include:

- Put up a beware of dog sign even if you do not own a dog;
- Keep your garage doors closed and locked;
- Leave a radio or television on even when you are not home;
- Keep shrubs trimmed around doors and windows;
- Install timers that turn on lights at varied times in different rooms;
- Install outside lights that are activated by motion;
- Join or start a neighborhood watch program.

Renters' Insurance

It is highly recommended that you purchase renters' insurance if you intend to rent. In many states, the landlord can actually require the tenant to purchase this insurance. The property owner's homeowner's insurance usually does not cover any of the tenant's personal property that may be damaged. In fact, many landlords require their tenants to purchase renters' insurance particularly if they want to have a waterbed. A tiny leak in a waterbed can cost thousands in repairs.

Renters' should be aware that waterbed coverage is not automatic. A separate policy usually has to be added to the full policy. In any event, the extra waterbed coverage is only a few extra dollars a year. Renters' insurance also covers tenants' if someone breaks into the home and steals something.

Many policies even have what is called an "idiot clause." For example, the tenants knock over the television breaking it and it put a hole in the wall. They can make a claim against the renters' insurance policy. The insurance will cover the costs of the television and the cost of repairing the hole in the wall.

Umbrella Insurance

Umbrella insurance is a great low cost way of increasing your liability coverage. For example, your homeowners insurance may have a liability limit of \$300,000. The umbrella coverage adds an additional \$1,000,000 in coverage. Generally, umbrella insurance policy costs anywhere from \$150 to \$300 a year.

Moreover, most umbrella policies provide additional liability coverage for your cars, primary residence, and your rental properties. All your assets are put under an “umbrella” so to speak.

Liability Insurance Coverage

I cannot stress enough the importance of having enough insurance coverage. Most homeowners have only what is required. The reasoning is the lower the coverage the fewer premiums you will pay. Your cash flow will mean absolutely nothing if you are sued.

Actually, the chances of being sued are relatively small; however, it only takes one time and you could be financially destroyed. I suggest you carry the maximum liability insurance your policy will allow. If you have an umbrella policy, you will be required to have the maximum liability coverage. Most companies will only allow a maximum of \$300,000 to \$500,000 in liability coverage. One lawsuit can result in a several hundred thousand-dollar judgment.

Fire Insurance

If you carry a mortgage on your property, chances are your lender will require adequate fire insurance coverage up to the amount of the loan. If you are not carrying a mortgage you should carry fire insurance anyway. Be careful, if your insurance policy does not specifically indicate fire coverage; call your insurance agent and inquire about it.

Fire insurance coverage's are divided into one of two categories, standard and guaranteed. Under the standard coverage, your property is depreciated; therefore, you only get the depreciated value. The problem with this coverage is, your insurance coverage may not be enough to cover the mortgage. Under the guaranteed coverage, your insurance company will replace the property no matter the costs. Be aware of the type of coverage you have. If you do not know call your insurance agent and ask.

Pools and Spas

If you own a home with a pool or spa, be aware of your increased liability. If someone gets hurt you could be liable for hundreds of thousands of dollars if not millions. Not only are your liability standards high, the maintenance is costs can be high.

I suggest you carry extra liability insurance for having the pool or spa. Make sure it specifically covers the pool and spa. Many experts suggest you have at least \$2 to \$3 million in liability coverage. An umbrella policy is an

absolute necessity if the property has a pool or spa. Check with your insurance agent for recommended coverage.

Loss of Rents

This is another type of coverage that is not automatic and must be added as extra coverage. It guarantees that while your rental is uninhabitable due to fire or other major casualty, your insurance company will pay you for lost rents. This may be important, because you will be able to make mortgage payments, utility payments, and other payments.

Vandalism

Depending on your policy, you should ensure your policy covers vandalism. You never know when your property may get broken in to, graffiti, or the windows broken out. You should be especially concerned when the house is vacant and awaiting new tenant. Vacant houses are prime targets for vandals.