

When the smoke and ash settles will you be under-insured?

The North Bay fire victims are starting to clear the rubble and rebuild but according to Amy Bach, who heads up the consumer insurance group United Policyholders, 60 percent of the people they work with after disasters are under insured. In a recent interview, Bach said she met with homeowners who now believe they are under insured by \$200,000, maybe more¹.

Calculating the replacement cost of a home is still very subjective. Each insurance company has the ability to use the factors they feel are appropriate. To add to the problem, when there is a disaster like the North Bay fires, there is a significant spike in the cost of labor and materials which greatly increases the actual cost to rebuild.

There is also a far too common practice of using the Extended Replacement Cost coverage, built into most home insurance policies, as part of the dwelling limit/replacement cost. This coverage is intended to be a "safety net" should the replacement cost calculation be off. For example, if your home is insured at \$500,000 however the cost to actually rebuild it ends up being \$700,000 the Extended Replacement Cost would cover the difference up to the percentage indicated in the policy (typically 150% of the dwelling limit/replacement cost). In the far too common practice of using this coverage incorrectly, the dwelling limit/replacement cost is written at \$400,000 and the 150% Extended Replacement Cost is used to fill in the gap leaving you under insured by \$100,000.

To avoid being in the terrible situation of that 60% who are under insured, please contact us at Warren G. Bender Co. We are happy to provide you with a complimentary review of coverages. We actually take the time to protect and educate our clients so they are not statistics.

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Source:

¹ <http://abc7news.com/some-under-insured-north-bay-fire-victims-in-for-a-shock/2620211/>