



# THE Insurancenter

## NEWSLETTER

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## What Homeowners Need to Know about Replacement Cost and Market Value

Many homeowners do not have sufficient coverage to provide for all of their belongings and as a result are under-insured. Most homeowners policies require you to be insured to the value of rebuilding your home, otherwise extend coverages may not apply. Also will not have enough coverage to rebuild your home should you have a catastrophic event that destroys your home.

### Replacement Cost And Market Value

The cost to rebuild a home is much different than the market value of what a home would sell for. With market value, the land value, market factors and depreciation costs are all counted.

However, replacement cost is simply the amount needed to rebuild the home, which can be a varying number. Two homes of identical construction on the same lot size could be worth very different amounts if they are in different areas of a city. Rebuilding costs can be lower or higher than property values, and this is because the cost of construction is based on rebuilding costs regardless of the real estate market value.

### Home Features

It is important for homeowners to discuss the features of their homes with their agents to better determine which options are best for them. Some materials are



more expensive to use in rebuilding. Luxury materials add a considerable amount to the rebuilding costs. Home features are considered Coverage A.

### Other Property Structures

These are commonly categorized under Coverage B, and they can be any

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## *Message From The President:* *Water Damage Coverage For Older Homes*

If your Florida home is over 40 years old, your homeowners insurance policy may severely limit, or even exclude coverage for water damage.

Water damage is one of the most common types of losses experienced by Florida homeowners and many Florida insurance companies are seeing sharp increases in non-weather-related water damage claims over the past few years. In light of the rising frequency and cost of these claims, many insurance carriers are now EXCLUDING water damage coverage for homes over 40 years old. The exclusion removes water damage — including penetration through roofs or walls and discharge from plumbing, heating, air conditioning units, sprinkler systems or household appliances — as a covered peril for any home more than 40 years old.

Most of these insurers will allow the policyholder to purchase an option for limited water damage coverage, which provides a maximum benefit of \$10,000. However, the \$10,000 cap can be quickly eroded by just the cost of drying out a home, let alone beginning water damage repairs. Major drainage pipe breaches, for example, often cause tens of thousands of dollars in damage to floors, walls, ceilings and contents.

If your homeowners insurance policy is subject to a water damage exclusion or \$10,000 limitation, The Insurancenter of Fort Myers can help. We represent over 35 homeowners insurance carriers, several of which do not carry this restriction for older homes. Be sure to read your individual insurance documents that are mailed or emailed from your property insurance company so you can understand your specific coverage, limitations and restrictions. If you have any questions or wish to explore alternative solutions to your current insurance coverage, our experts are ready to assist. Call us today!



**You Can Do It Better With Us!**

# After a Hurricane: What To Do Right Now and Steps To Take In The Coming Weeks

Hurricanes represent the biggest natural disasters, in terms of the total dollar value of loss. This is not just because of the potential strength of the storms, but the population density of the coastal areas affected by high winds, torrential rains and storm surge.

Nevertheless, you can rest assured that the insurance industry will be ready and able to honor their promises to policyholders.

When you are affected by a hurricane, here is what you need to know:

1. If your house is structurally unsound or has undergone extensive damage, or is otherwise unsafe, do not try to reenter your home. Do not become a casualty yourself.
2. Keep track of any insurance policy numbers.
3. Report claims as soon as possible. Most claims processing centers operate 24 hours per day, seven days per week. The sooner you report your claim, the smoother the process will be and the faster you may receive a settlement.
4. Before you call, make sure you have ready: your policy number, current address (where you can be reached if you cannot return home yet), phone number.

Once you initiate a claim, a catastrophe adjuster will go to your property and conduct an in-person assessment.

When possible, major insurance companies will often move disaster teams into storm-affected areas. These teams consist of administrators and specially trained catastrophe adjusters. They do this in order to ensure that claims are processed quickly, and checks issued as fast as possible so you and your community can get back on your feet.

The adjuster will compare the loss against your policy and calculate your settlement by the terms of your

insurance contract, minus any applicable deductibles. They may also deduct for depreciation, depending on the terms of your contract. You will shortly hear from your insurance carrier with your settlement amount. If coverage is denied, you will receive an explanation from your carrier.

## Other claims tips

- For the fastest possible settlement, have an inventory prepared of insured property.
- Take photos of the damage, if you can safely do so.
- Make necessary temporary or emergency repairs. As an insured, you have a duty to make any immediate repairs or take mitigation measures that you can to prevent further damage to your property. In Florida this extends to a maximum of \$3,000 worth of repairs, or 1 percent of your Coverage A limit.
- Do not attempt permanent repairs without the authorization from your insurance company, or the work may not be fully covered.
- Get a copy of any relevant police or fire department reports.
- Keep receipts for additional living expenses incurred as a result of the storm.
- Keep receipts for any repairs done.
- Don't throw out any damaged property until after your adjuster has visited.
- Put together a list of questions to ask your adjuster.
- Get written estimates from licensed and insured contractors.
- If the actual cost of repairs/ replacement turns out to be more than the original submitted estimate, call your adjuster or carrier to see whether you are eligible for a supplemental payment.
- Review your policy and determine what is and isn't covered under your policy. You may want to brush up on key concepts like your deductible, replacement cost versus fair value coverage, and the like. Each of



these concepts becomes critically important at claim time.

- Understand the limits of coverage. For example, hurricane/windstorm insurance does not generally cover damage from floods. For that you need coverage under the National Flood Insurance Program, or other coverage. However, if the wind tore off part of your roof, and rain soaked your drywall and did other damage as a result, then that may be covered under your windstorm/hurricane insurance policy.
- Your insurance company will send an adjuster to your property for an in-person assessment at no cost to you. However, you don't have to use your carrier's adjuster.
- Plan for the next disaster. For example, adjust coverage limits as necessary, and conduct a detailed inventory of your belongings to document future claims. One valuable resource is [www.knowyourstuff.org](http://www.knowyourstuff.org), a free app that facilitates taking a photo inventory of your belongings and uploading it to the cloud. This can go a long way towards making the claims process smoother and faster in the future.

For more information about preparing and filing a claim, call your agent or claim center, or visit this page from the Insurance Information Institute.

# How Much Umbrella Liability Protection do you Need?

One million dollars is the minimum amount of coverage for an umbrella policy. However, insurance companies usually offer these types of insurance policies in one million dollar increments and often go up to five or ten million. Some companies that target high net worth individuals may offer up to fifty million or more in coverage. Most people who purchase an umbrella policy choose the one million dollar amount, but many choose two million dollars or more. A rough estimate of what it costs for the first million is about \$200 to \$250 a year, but can be higher if you have more than two cars, young drivers or points on your record. While each incremental amount above the first million is slightly less, increments exceeding ten million can be higher.

The more coverage you have, the more bullet proof you will be if you become liable for a catastrophic incident. One of the best aspects of this coverage is that it's very inexpensive. It's important for those considering this type of insurance to avoid cutting corners. Shortcuts cannot be afforded when all accumulated assets from an entire lifetime are in question. Some believe that all they need is coverage for whatever their net worth is, but settlements and judgments can go beyond someone's assets because damages are never limited to someone's net worth.

It's also important to protect future wages from garnishment. The future income of an individual who doesn't have ample coverage can also be jeopardized. If the person who is injured earns a considerable amount of money, that individual is more likely to be a target of the best liability attorneys.

Although one million may appear to be more than enough

coverage, the total cost of liability claims can multiply quickly. In today's world, a million isn't much. It's not unusual to read in the news of settlements over well over five million. Losing the ability to earn an income and facing a lifetime of injuries or medical care can easily total beyond several million dollars over the span of an individual's lifetime, not to mention situations where multiple people are injured, which would multiply the total damages. It's important to consider what amount would be acceptable for various conditions. For example, ask yourself how much you would settle for if you were paralyzed and unable to work the rest of your life.

Anyone who has something to lose should have at the very minimum a two million dollar umbrella, but if you really have a lot to lose and don't want to gamble with your life's wealth, your options are at least a five million dollar policy, if not more. The coverage you get should be discussed with your agent, and it may not be a bad idea to get input from a personal injury attorney as well.



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structure that is not attached to the home itself. Fences, sheds, pools, studios, detached garages and similar structures are some common examples. Home insurance policies usually include insurance for separate structures that is about 10 percent of the home's insurance value. If any separate structure on the property is significant in value in comparison with the home itself, you will need to increase the default amount included with the policy. If it's a separate home with it's own address, this may require a separate policy.

### Property Contents

A home insurance policy usually includes coverage for personal property, which is commonly called Coverage C in a policy. It may be equal to 50 percent or as much as 75 percent of the Coverage A amount. This is sufficient for people who have normal amounts of personal belongings in their homes. For personal property that is greater in value, consider more coverage or additional coverage for rare or very valuable items. Firearms, furs, rare art and expensive electronics are a few examples. If items are valued over \$1,000, discuss them with an agent.

### Large Homes And Other Risks

An insurance company may have an appraiser assess a value on a the property for an accurate valuation. This is especially important for homes that are 5,000 square feet or more in size or buildings with very unique features.

Homeowners should always know the values of their homes and other property structures. This is essential for protecting assets and practicing good risk management techniques. Before a disaster strikes, write down a thorough home inventory. If possible, take photographs of valuable items and rooms with the items in them. There are several commercial sites that help homeowners upload the information and store it online for later access. To learn more or to start building a better valuation of the home and its contents, discuss concerns with an agent.

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