

# THE CIRCLE OF SAFETY

## ARE YOU DOING ENOUGH TO PROTECT YOUR INVESTMENT?

Special Report  
By Leland J. Hendrie CLU



Nearly everyone makes home improvements during the time they own a home. Making sensible improvements to your home is usually considered a smart financial move. Adding things like a patio, a sunroom or marble countertops adds value to your home investment. But then the question comes up “Are you doing enough to protect your investment?”

For many people, the answer is no. According to a survey by Marshall & Swift/Boeckh LLC, a company that specializes in building costs, 58% of houses are undervalued for insurance purposes. That means that if a disaster occurs, such as a fire, your insurance may not cover the total replacement cost of the damaged property. This gap between what it actually costs to replace your property and the insurance limits you carry on your home is real and a cost difference you have to make up out of your own pocket. Ouch!

As the cost of labor and materials continues to rise, you must constantly be increasing the limits of coverage for your home, interior improvements and your furniture and other personal belongings. This usually exceeds the amount that some policies include as a minimum adjustment feature built into your policy. It is your responsibility to make sure the change each year is enough to offset what you would lose financially should the disaster include your home and what you need to increase your limits by to give you your financial peace of mind.

So what should you, as a homeowner, do? You should take time and schedule an appointment in person or by telephone with your insurance agent. Together you need to go over what it is that you now have in values and adjust your policy accordingly.

Ask your agent what your policy covers, but more importantly, ask them what it doesn't cover. For example, **homeowners insurance** policies don't cover flood or earthquakes. Can you get this protection? Yes, but you have to arrange to have it added either by an endorsement to your policy or by adding an additional policy. Over the last few years we have had quite a run up of house values. But, now the values seem to be leveling off and in some cases dropping. This is good information for you as an investor, but as an insurance buyer, you need to be aware of the replacement value I previously mentioned. The total value of your home includes the land, and that portion of your overall value *doesn't* need to be included in your policy limits.

Where should you start? Take an inventory of what you have and determine if your limits will provide enough money to replace those items on the list. Make sure you put your jewelry, antiques or fine arts on there, too. Most of the things are either limited in the amount of dollars they will reimburse you for a loss or are excluded. If they are, then you need to buy a separate policy to cover them. While you're thinking about the property you own and its value, don't forget to consider your liability exposure. What is your liability limit if you are found liable for damage or bodily injury to others?

Do the environmentalists impact you in anyway? How about trying to get an impact report while in the permit phase of rebuilding or repairing your home? Many of the property owners in the Katrina disaster are still waiting to get a permit after two years. What will you do to pay the living costs when you don't have a home to live in? For starters, most [homeowner insurance](#) policies will cover the hotel and restaurant costs, car rentals and other expenses that add up fast. But in many cases, the money runs out before the repairs or replacement of your property is completed. Again, you need to consult with your agent to find out how you can take care of this possibility. The financial consequences of not being adequately covered can be worst than the disaster you just went through. Paying thousands or tens of thousands of dollars out of pocket to get your home back into its original conditions is mind-boggling. Insuring adequately will provide peace of mind. What will it be for you?

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Sincerely,



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Author, Speaker, and Consumer Advocate



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