



06/05/2007

Getting the Right Homeowners Insurance Coverage

No matter where you live in the country, the risk of a natural disaster hitting your area and your home is always a reality. Of course events like Hurricane Katrina have made certain weather phenomena seem more dangerous, but it is simply the most recent devastation in most Americans' minds. Earthquakes, tornadoes, fires, and floods can be just as destructive as any hurricane. Backed with such knowledge, all homeowners should consistently check their homeowners' insurance policies to make sure they are fully covered in the case of disaster. This should include a yearly call to the insurance agent with some important questions. You should make sure that your policy is up to date in order to cover the cost of rebuilding the house, replacing your possessions, and providing you enough liability protection. You should also make sure you have all the appropriate types of insurance.

First, most homeowners insurance policies cover destruction caused by hurricanes and fires, but most basic policies do not include protection for flood or earthquake damage. If you live within a federally-designated flood danger zone, your mortgage lender will probably require you to get a separate flood insurance policy. But even if your home is only at minor risk for flooding, you might want to consider getting such protection even if you are not governmentally-mandated to do so. And of course if you live in an active earthquake area, you would be smart to get an earthquake policy to hedge against losses!

As you acquire all the appropriate types of insurance, you should also be consulting your agent to find out if you have enough insurance to both rebuild your home if necessary and to replace your belongings in the case of disaster. In terms of rebuilding, ask your agent how much it would cost to rebuild your home from scratch and find out the actual appraised price of your home. The two totals may actually be different.

You should also find out if you have enough to cover the replacement of your possessions. While you may have had enough coverage last year, you may also have acquired new (and possibly expensive) items since then. It would be helpful to create an inventory of your most valuable belongings and report them to your agent to see if you need to update your insurance policy. You should also consider whether or not you need a replacement-cost policy. This will provide you with enough coverage to re-buy items at current prices rather than just giving you cash for their original (and probably lower) price.

And don't forget to check that your liability policy is up-to-date. This is insurance that will protect you if an accident should happen on your property. You would have your legal fees covered if you were forced to go to court over such an incident.

Of course, making updates to your policy may end up costing you more money, but the risk of not having enough coverage could end up costing you a whole lot more!