

Evaluating Your Home and Personal Property

The first step in determining how much insurance you will need is to make an analysis of the value of your home (excluding the value of your land) and your personal property within it. In determining the value of your home, you must calculate how much it will cost to replace it if your home were totally destroyed. You can enlist the help of your insurance agent in determining this figure. In fact, most insurance companies make a physical inspection of your home when they first insure it. Using formulas that take into account whether your home is of brick or wood frame construction, total area, number of floors, number of rooms, etc., the company will be able to give you an accurate replacement cost value.

Determining the value of your personal property will require an analysis on your part. You should go through each room of your house and list every piece of furniture and fixture within it. Some insurance companies provide Household Inventory Schedules which can be quite helpful with this task. Items such as sofas, tables, beds, TVs, refrigerators, and lawn mowers would be included in such a schedule.

As you compile your inventory you should supplement it with receipts indicating the purchase price and date of purchase and photographs of major items. Your inventory should be updated on an annual basis, or at the very least, whenever you purchase a large appliance or piece of furniture.

Some people periodically make a video of all their possessions. If you do, make sure all the drawers and/or doors of your furniture are open so you have a record of what is stored. It would also be helpful if you are able to verbally describe major items on the video.

Structure

Once you have determined the approximate worth of your home and its contents, in most cases, your homeowners insurance coverage will be on the home's replacement cost. Generally, if you purchase coverage on a replacement cost basis and insure your home for at least 80% of its replacement cost, your insurance will automatically be issued on a replacement cost basis. Then, when you suffer a loss, your insurer would pay you the amount it would cost to replace or repair your home without deducting anything for depreciation. Of course, this type of coverage is more expensive than actual cash value coverage.

The replacement cost of your home must be estimated at the time you take out a homeowners policy. In most cases, insurance companies will inspect your home and use formulas that take into account a house's construction, size, quality, location, nationally recognized construction indices and other factors to approximate its current replacement cost. As a result of the increase in the value of homes, insurance companies have become more active in evaluating the replacement cost of homes that they insure and often require periodic updates of that cost.

Contents

Coverage for contents is usually issued on an actual cash basis in homeowners and tenants policies. Your insurance company will determine any amount payable to you as a result of a

covered loss by taking the current replacement cost of the contents and subtracting an amount for wear and tear and/or depreciation

Maintaining Adequate Insurance

As previously discussed, if you do not insure your home for at least 80% of its replacement value, your claim will not be settled on a replacement cost basis. Therefore, it is important to review your homeowners policy periodically to determine whether you are carrying enough insurance to be fully covered.

The addition of a room, or other substantial home improvements, will also increase the replacement cost of your home, and you should adjust your coverage accordingly.

Due to inflation, the replacement cost of your home generally increases each year. To anticipate inflationary increase, most insurance companies offer policies that automatically increase the amount of insurance periodically. If you do not have such protections, you should be reviewing you policy each year to make sure your coverage is keeping pace with inflation.

Basic Amounts of Coverage and How to Add to the Basics

The amount of coverage available for personal property losses and other losses is generally related, by percentage, to the amount for which the dwelling is insured. In addition to these limits on general categories of property, there are further limitations for specific types of property.

Increased Limits of Liability

The limits for personal liability and medical payments are not offered as a percentage of the residence limit and the medical payments limit is included within the personal liability limit. Generally, personal liability limits of \$100,000 per occurrence and medical payments limits of \$1,000 per person are sold to the public. Higher limits of liability for these two coverages can also be purchased.

Home Computer Coverage

Normally, home computers used for personal use are subject to the limit available for personal property. Some companies may have a separate limit for the home computer. However, if they are used for business, the company will only pay up to \$2,500, as shown above. If you feel that you need higher limits for your business computer, you should contact your company, agent or broker to see if higher limits are available through the purchase of an additional endorsement or a separate policy.

If you do not purchase higher limits and use a laptop computer for business purposes, you should be aware that if it is lost or stolen, the location of the loss determines the coverage available. If the loss occurs at home, the coverage limit is \$2,500, while if the loss occurs away from home it is only covered for \$500.

Workers' Compensation Insurance

The Insurance Law requires that any policy that provides personal injury liability and is issued for a one-to-four family, owner occupied dwelling or condominium apartment also provide workers' compensation insurance. Anytime you hire someone to work for you, you should check with your insurance agent, broker or company to determine whether those employees would be covered under your policy.

Home Day Care Coverage

There is limited liability coverage under your homeowner's policy for day care activities. Ordinarily coverage is provided if you take care of one or two children for a mutual exchange of services. This means that if you take care of a friend's children in exchange for their day care services for your children, with no exchange of money, liability coverage will be provided under your policy.

If you are paid for day care services you provide, it is considered a business enterprise and you must purchase additional coverage