

Replacement cost coverage: a wise investment

I just bought a home and would like to insure it against damage or destruction. How can I be sure I will be financially able to repair or rebuild in the event of a catastrophe, such as a fire?

Insurers generally recommend you insure your home for its full replacement cost, which means it is insured under a homeowner's policy for 100 percent of the cost of repairing or rebuilding it at the time this becomes necessary. If you purchase a guaranteed replacement cost endorsement, you would receive the full amount you need to rebuild, regardless of inflation.

Most insurers require you to insure your home for at least 80 percent of its replacement cost to receive full coverage on a partial loss. It is wise, however, to insure your home for its full replacement cost; insuring it for less could prove quite expensive should you incur a major or total loss.

If there is a fire in my living room, will my homeowners or renters insurance automatically pay for the full cost of replacing my furniture?

No. Unless you have replacement cost coverage on your personal property and possessions, your furniture is only insured for its actual cash value, which is its replacement cost at time of loss, minus depreciation of its value and any deductible applying to your policy. So that sofa and love seat you bought three years ago for \$1,200 may only have a depreciated value of \$1,000 now, even if they cost you \$1,400 to replace them.

If you have replacement cost coverage on your personal property and possessions, you would receive the \$1,400 or whatever it costs to replace the furniture with that of equal value after you satisfy the deductible.

Replacement cost coverage protects you from both depreciation and inflation. It is usually available at a nominal charge in addition to your homeowners or renters insurance and is well worth the investment.



What isn't covered under most homeowners and renters insurance policies?

The following items usually are not covered: motor vehicles; commercial buildings on your property or buildings you rent or lease to others except a private garage; pet injuries or damage to your property caused by your pets; and jewelry, coin collections, silverware, furs and other valuables, above specified limits that are particularly vulnerable to theft.

Special riders or endorsements often can be added to your insurance policy to cover some of these items.

Additionally, many homeowners and renters policies do not cover perils such as nuclear accidents, earthquakes, war, floods, mud slides and certain acts of God. Audiotapes and discs kept in automobiles also may not be covered.

How do I determine the replacement cost of my home and belongings?



As your professional insurance agent, we can help you with this. We have information, questionnaires and personal inventory forms that can help you determine the replacement value of your home, property and possessions. Together we can then select the coverage best for you.

We can review your policy with you on an annual basis to assure it is kept up to date and adequate to meet your needs.

Your Professional Insurance Agent ... We want you to know about the insurance you're buying.

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