



How Much Homeowners Insurance Do You Need?

Because your home is probably the biggest investment you'll ever make, you'll want to take measures to safeguard that valuable investment. The best way to protect your home investment is through homeowner's insurance.

However, you shouldn't settle for just any policy. The type and amount of insurance you need depends on your specific home, what's in it and your personal requirements. But how much insurance is enough? Here are a few ways to determine just how much insurance coverage you need:

Market value may not be enough

While you may be tempted to purchase just enough homeowner's insurance to cover the market or resale value of your home, this may not be enough. While the market value may be enough coverage for *some* homeowners, that's typically not the case.

Your home's market value is not the same as what's known as its "replacement cost." The replacement cost of your home is the amount of money you would need to rebuild your home to its previous condition if a loss were to occur. This amount is different from your home's market value, purchase price or the outstanding amount of your mortgage loan.

Especially right now, when property values are falling throughout much of the nation, the market value of your home is probably much lower than its replacement value. Therefore, you should not use the market value to determine how much insurance coverage you need.

Calculate the replacement cost

So, how do you figure out the replacement cost of your home? Your homeowner's insurance company can calculate how much it would cost to rebuild your home based on the following:

- Square footage of your home
- Type and quality of your home's construction
- Any updates, special features or add-ons to your home
- Quality and cost of materials used in your home

Read the fine print

Before you purchase a policy, read all the fine print so you know exactly what the policy covers. Homeowner's insurance generally covers damages to your home and "other structures" on your property, such as a shed, detached garage, gazebo or pool.

In most policies, the amount of insurance coverage you receive for other structures is 10 percent of the amount of coverage you receive on your home. For example, if your insurance policy covers \$100,000 on your home, the coverage you would receive for your other structures would be \$10,000 combined. If you believe that the structures on your property are worth more than 10 percent of your home coverage, you may want to request additional coverage.

Take a look at your personal liability coverage

Most homeowner's policies also include personal liability and medical expense coverage. Generally, your homeowner's insurance company will pay up to \$100,000 on a legitimate civil claim against you for an injury that occurred on your property.

However, this still may not be enough to cover a major lawsuit. You might consider purchasing a separate personal umbrella liability policy, which can offer additional protection. This type of policy offers a higher level of liability coverage and ensures that you and your family's assets will be protected if someone sues you for damages. Umbrella policies typically pay up to a predetermined limit, which is usually \$1 million, for liability claims made against you and your family.

Protect your valuables

If you have particularly valuable jewelry, artwork or collectibles in your home, you may want to opt for even more homeowner's insurance coverage for additional protection. You may assume your valuables are fully covered by your homeowner's insurance, but that's not always the case. It all comes down to what's called the "sublimit"-this is the limit on the amount the insurance company will pay for specific types of personal property. Although your policy's total personal property limit may be \$75,000, the sublimit for jewelry may be as low as \$1,500.

Read through your contract and find your policy's sublimit for artwork, jewelry and collectibles. If your valuables are worth more than the sublimit, you may want to purchase additional insurance to cover them. You can purchase what's called a "floater" and have this worked into your homeowner's policy. Insurance floaters typically cover one specific item, so if you have multiple valuables, you may need to purchase floaters for each item you want to insure.

Talk to a Christi professional

Every individual has unique risks. Our team is dedicated to understanding your specific needs. We offer tailored, comprehensive and cost effective solutions to protect not only your valued assets, but also your lifestyle. Contact us today to learn of the solutions we can offer you!