



THE Insurancenter

NEWSLETTER

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Insuring Your Home - The Importance of Replacement Cost vs. Market Value

Unfortunately, disaster can strike at any time. No one is immune to the threat of losing his or her home due to any number of possible hazards. But a recent survey found that most homeowners are seriously underinsured. Marshall & Swift/Boekh, a leading insurance data services company, found that 66 percent of homeowners had inadequate coverage by an average of 18 percent. That works out to \$36,000 for a typical \$200,000 home. While few people would willingly choose a policy with a \$36,000 deductible, that is the net result of being underinsured by that much on what may well be their most valuable asset.

Market Value vs. Replacement Cost

The market value of what your home would sell for today is very different from the amount of replacement cost coverage to properly insure the rebuilding of a home. Market value takes into consideration the land value, depreciation and other nearby market factors while the replacement cost simply reflects

the cost to rebuild a home. These can be very different numbers.

For example, you can have a home that is worth \$400,000 in one neighborhood while an identical home across town could have a market value of half that much, even assuming they were built on lots of equal size. But actually replacing those homes - rebuilding them in place using similar construction methods and materials - would essentially cost the same for both. Rebuilding costs can be higher or lower than market values, since factors like land value and depreciation don't affect rebuilding.

Sitting down with your agent to review the features of your home is very important, as homes with features such as crown molding, hardwood floors and tile cost more to rebuild. Other factors that are weighed are the quality of kitchens and bathrooms; for example, custom or luxury kitchens can



add significantly to the rebuilding costs. Your agent will take these and other factors of your home into consideration, including the total square footage to determine the home's replacement cost. This is the amount you should insure your house for; this is sometimes referred to as "Coverage A" in your homeowner's policy.

Separate Structures

Separate structures, sometimes referred to as "other structures"

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Welcome to The Insurancenter Newsletter!

It is with great satisfaction that we bring this newsletter to you. In this issue and in coming months, we will discuss pertinent risk management topics which may affect you and your family. We sincerely hope that you will find this newsletter informative and please do not hesitate to contact us should you have any questions or needs.

You Can Do It Better With Us!

Simple Steps to Burglar Proof Your Home

If you wanted to, you could build a panic room for protection from robbers or kidnappers. But what about protecting your belongings when you're not home? Perhaps you really don't want to install an alarm system—or maybe you do. Either way, here are some no-cost and low-cost tricks to make your protection more complete, and help keep your belongings away from thieves.

Outside Areas

Begin with the landscaping, which is the first thing a burglar sees and the first thing he will assess. To make it harder for a burglar to hide and gain entry:

- Prune lower limbs from any big trees.
- Trim bushes so a man could not use one for cover.
- Move any decorative trellises away from windows or porch roofs so they cannot be climbed for second-floor access.
- Consider planting thorny bushes below first-floor windows, and be sure they are close enough to the house so that an adult could not wedge behind one to jimmy a window without getting scratched up.
- Remove any trees or bushes beside exterior doors. They can hide a burglar from passing cars and they can also hide intruders from your sight when you answer the door.
- Make sure all ladders and tools are secure inside the house, not inside a garden shed.
- If your yard is dim at night, install the brightest, biggest lights you can afford for all entries to your house.

Use them. Turn them on when you leave the house at night; set up motion detectors to turn them on when you are away.

Inside the Home

Windows generally provide easier access for criminals than doors. Here are some window tactics:

- Buy special window locks at your hardware store for all first-floor windows and any second-floor windows accessible from a porch or garage roof. **DO NOT** hang the keys on clever little hooks or nails beside the window. Crooks know that one and will simply break a pane and reach around until they find the key. (But be sure the whole family knows where the keys are in case of emergency.)
- Don't demonstrate the easiest window to enter by climbing in it. If a family member regularly forgets his or her key, consider leaving keys with a trustworthy neighbor for emergency use. **DON'T CLIMB IN THE WINDOW EVER.** Even amateur burglars can figure that one out, especially if they've seen you do it and figure the neighbors won't notice.
- For sliding windows, use the same techniques as for sliding doors, below.

Some burglars like to enter like a guest, through the door. Here are some ways to discourage that sort of burglar:

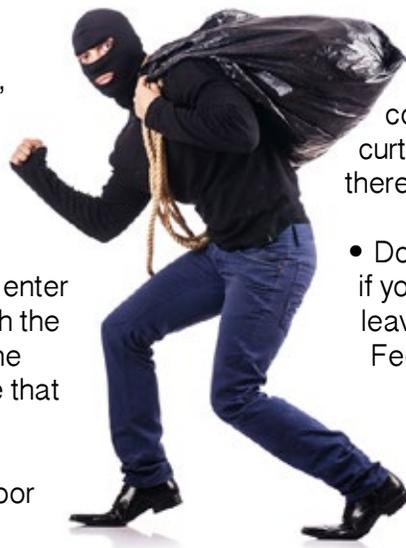
- Make every entry door solid core wood or metal; hollow-core doors

are easily kicked in. The door should fit the frame snugly, with no more than 1/8 inch between door and jamb. If the gap is larger, replace the door, or install a heavy-gauge metal strip available at the hardware store.

- Replace doors with decorative glass windows or panels. If that's too expensive, install break-resistant plastic panes, or install a decorative grille over the glass.
- It's unlikely, but if an entry door has hinges on the outside, rehang it with hinges inside. If that's impossible, reinstall it with pinless hinges. Burglars can pop pins and take off the door to enter.
- Make sure locks on all sliding glass doors are sturdy. Then use a solid stick of wood or broom handle in the track of the closed door.
- Adjust door rollers so the door cannot be lifted out of its track.

A Few More Hints

- Close your garage door when you're away, whether or not it also leads into the house. An empty garage equals "no one's home." Cover garage windows completely with shades or curtains so no one will know if there's a car in there or not.
- Don't leave notes on entries; if you were home, you wouldn't leave a note. Not even for FedEx.
- Don't hide keys in the yard; burglars know all the usual places, even those cute little garden toads with hollow bellies.



Do I Need to Make an Accident Report?

The first few moments following an auto accident can be an extremely confusing, emotional, and frightening time. As such, it may be difficult to know what accidents need to be reported and what your insurance may require.



There are some types of accidents that will always need a response from one of the local law enforcement departments, such as Highway Patrol, Police, or Sheriff. Each law enforcement department will have a jurisdiction, meaning that which department responds and takes the report will depend on where the accident occurred. For example, an accident within the city limits will most always be handled by the Police. Regardless of the responding department, you should always make a report when an auto accident involves elements like an injured person, severe damage to any vehicle, and/or a driver flees the scene of the accident.

Your insurance company may also require you stay on the scene and report the accident, even in cases where the other driver flees the scene of the accident. Some insurers will accept a counter report. A counter report may be provided by the responding officer for you to fill out, or you might need to go to the nearest station to complete the form off scene. Counter reports are fairly commonplace in larger jurisdictions when the responding officer sees that the vehicles involved are still in working order and no one is injured. In any event, just make sure to remember to get a copy of the counter report for your insurance carrier.

Even if the accident doesn't involve one of the above elements, there are certain situations where it can be very

helpful to have a law enforcement response and accident report. For example, the other driver might admit blame and offer you cash for your damages, but refuse to give you his/her insurance information or contact information. Even if the other driver does offer you his personal contact information in such a situation, you still have no way of knowing if the information being provided is factual. Another example would be you forgetting to collect all the important information and crucial details of the accident because you're stressed or confused from the accident.

Making a police report can be very helpful in any of these situations since it will involve the law enforcement officer collecting/ verifying the driver's name, address, phone number, car tag, insurance information, accident details, injury details, and so forth. Basically, most any detail that would be needed in court or by the insurance adjuster will be documented in the police report.

Lastly, even though a police report will be necessary or needed for many accidents, you should still always try to remember to write down all the information yourself. Depending on the jurisdiction, it can often take weeks to months for the insurance adjuster to request and obtain a copy of the accident report. On the other hand, the adjuster can initiate the investigation immediately when you're able to provide the insurance information on the other driver(s).

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or "Coverage B", refers to any structure that is on your property, but not attached to your main house. Examples of separate structures include:

- Detached garage
- Fence
- Garden shed
- Detached in-law unit
- Retaining walls
- Swimming pool
- Outdoor kitchen

Most homeowner policies automatically include separate structures insurance (Coverage B) that equals 10% of the amount of insurance on the main house (Coverage A). If the number and value of separate structures are significant, such as a detached living quarters or many others beyond one item listed above, a separate valuation should be done for each to determine if extra coverage is needed. If you have just have a normal size fence and nothing more, you will probably be fine with the 10% figure. But in either case, this should be brought up when discussing replacement costs with your agent.

Contents Coverage

Your homeowner's policy will automatically include personal property coverage, which is a separate item sometimes known as "Coverage C" that can equal 50% to 75% of the Coverage A

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amount. If you have a typical amount of personal property in your home, this should be adequate. However, if you have a lot of personal property or you have higher value items, then you may want to discuss an additional amount of coverage with your agent. Items such as jewelry, guns, coins, computers, business and high risk property typically have policy sub-limits, some of which may be \$1,000 or less. Such special items should be discussed with your agent, especially if you have them valued over \$1,000. A homeowner's policy has many options to increase these personal property coverage amounts.

Larger Homes and Other Special Risks

In some cases, the insurance

company will have an appraiser come by and visit your property. This will provide a better valuation than relying on a database estimate alone. This is commonly done for homes larger than 5,000 square feet, for some commercial properties, or for structures with unusual characteristics, such as unique craftsmanship and materials, historic value, and other special considerations.

Know The Value Before a Catastrophe

Knowing the value is part of good financial planning and risk management. What you are doing is protecting what you have as well as the investment in your home. Shortchanging yourself only create

problems when a claim occurs. The worst thing you can do is deal with value after a claim, because at that point, it is too late. That is why it's best to address this now and let insurance serve its purpose and allow you to smoothly proceed with your life after a claim occurs.

Important tip: be sure to take a detailed home inventory before any disaster strikes. Take photographs and record serial numbers where applicable, particularly on high value personal property. There are a number of commercial websites that can help you with this process and will automatically store this information offsite, where these important records are not vulnerable to the same disaster that befalls your home and property.

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