



Before the Fire Facts: Homeowner's Insurance Agent Conversation Guide

- What is the dwelling coverage amount insuring your home structure?
- Is coverage enough to clear your lot of debris, and rebuild your home in the event of a total loss? How do projected increases in construction costs factor into your coverage?
- Does your dwelling have Building Structures Reimbursement Extended Limits?
- What is your deductible? If you need to increase your dwelling coverage to rebuild, discuss higher deductible options to offset the increase.
- What is your personal property coverage for the contents of your home? How much additional premium would it cost to maximize the highest coverage?
- Does your policy cover additional living expenses? For what term? 12 or 24 months? What types of daily living expenses are covered? This includes rent, food, gas, groceries, etc.
- Do you have valuable items that you should schedule in your policy like jewelry or artwork?



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- **Do I have to rebuild for my insurance to pay?**

Most of the time, homeowner's insurance pays to repair or rebuild a damaged home so its owners can continue to live there as they did before the loss occurred. Sometimes, though, you may prefer to take the insurance money and move somewhere else instead of rebuilding. Several factors determine whether this is possible and how much money you may receive

- **Mortgage**

If you have a mortgage on your home, you are not the only owner. Your homeowner's insurance company must represent all the owners, including the lender, on settlement checks. You will not be able to cash any check with the lender's name on it unless the lender endorses it, which is unlikely. The lender has invested money in your home and wants to ensure it is repaired so its investment is secure

- **No Mortgage**

If you own your home without a mortgage, the settlement money is entirely yours. You may want to repair partial losses to your home to keep it safe and functional and retain its value, but if you prefer to take the money after a total loss instead of rebuilding, you can. Your local government may insist you clean the debris from your old home off your parcel, but otherwise, the remaining money is yours



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- **Actual Cash Value**

If you choose not to rebuild your home, you may receive a smaller settlement amount than if you were to rebuild. Homeowner's insurance is settled as actual cash value, meaning settlements are diminished according to depreciation, unless you have a replacement cost endorsement. However, many insurers don't pay replacement cost unless you actually replace the damaged property. Therefore, if you choose not to rebuild your home, you may only get an actual cash value settlement payment

- **Estimating Rebuilding Costs**

In order to determine if you are adequately insured, start by evaluating your homeowners insurance coverage policy limit. You will need to know the size of your home and the cost of rebuilding it, including clearing your lot of debris. To determine the cost of rebuilding, obtain an estimate from a local contractor who is familiar with the current costs of rebuilding a home similar to yours in your location in Larimer County. (The cost of rebuilding your home is different than its current value.) If you are unable to obtain an estimate, you can also use the figure of \$200 to \$400 per square foot depending on the type of home. To determine if your Coverage A is adequate, multiply the square footage of your home by your rebuilding cost per square foot. If this number is greater than your Coverage A limit, you should consider increasing this limit.

- **How can I insure my home to get the best possible settlement?**

The best recommendation – to set up an appointment with your insurance agent and go over your options since it can vary with every insurance company. Here are some specific endorsements you can ask about:

1. **Building Structures Reimbursement Extended Limits** - Reimbursement Extended Limits is a “coverage cushion” that extends the covered damage to your dwelling and other structures beyond the limit stated in your policy. In most states, this extra coverage is up to 120%, but some companies are offering a higher percentage. For example, if you had a limit of \$500,000 for your Dwelling Coverage with 20% extended limits you could be reimbursed up to \$600,000 for a covered loss ($\$500,000 @ 1.20\% = \$600,000$). This coverage could come in handy in the event of a fire disaster or violent storm in your area increases the demand for building supplies. If prices go up unexpectedly, the amount needed to repair or replace your home could also go up. If you have purchased this optional coverage, it will appear on your policy declarations next to dwelling protection
2. **Increased Personal Property** with Reimbursement Provision– personal property is typically 70-75% of the dwelling amount – for example \$100,000 home at 75% personal property coverage would be \$75,000 at time of loss. Typically, you would be reimbursed on personal property as you replace the items destroyed.

Here’s how the Reimbursement Provision works:

- First, insurance give you a check for the Actual Cash Value of the item.
- Second, when you replace the item, insurance then issues a separate check for the remaining amount needed to make the purchase.

There are some companies that override this reimbursement provision when the insure suffers a total loss - like a fire. For example: in a total fire loss, if you wanted to replace all of the items lost in the fire you would have to go on a shopping spree and then place all of those items in a storage unit - which makes no sense when you are temporarily homeless. Be sure to ask your agent how they would settle on personal property. Some carriers will pay out a flat replacement for all items and settle that portion of the claim without restrictions.

Schedule certain items that are of high value in your home - scheduled personal property is a supplemental insurance policy that extends coverage beyond the standard protection provided in a homeowners' insurance policy. By purchasing a scheduled personal property policy, owners can ensure full coverage of expensive items (jewelry, art, firearms, golf cart, etc.)

- 3. How much should I insure my home for?** The Marshall Fire has shown Colorado construction costs have skyrocketed over the last few years, in some areas more than others due to new building codes, labor shortages, and material accessibility. Always insure for a total loss. Never try to reduce the premium by lowering the dwelling coverage on your home - raise your deductible instead! Insure in case of a total loss and don't insure for the small losses - like theft and vandalism. Look at it this way... if your home burned down and it cost over \$700,000 to rebuild – would you be happy to have a new home with the insurance carrier payment \$695,000 and you only pay \$5000 or even \$10,000?
- 4. Additional Living Expense (ALE) coverage** - living expense coverage is a standard part of most homeowners, condo and renter's insurance policies. It helps pay for increased costs you incur if you are temporarily unable to live in your home due to a covered loss. Additional costs would include hotel bills restaurant meals, additional mileage to and from work.