

## Insurance-Coverage - Automobile, Homeowners Insurance and Flood Insurance.

You may have had personal experience with each of these, so hopefully you will enjoy learning more about them!

Let's start with homeowners insurance. We can think of numerous reasons why we should insure our homes and possessions. In fact, for most people, these are their largest assets. If you think about the cost of all your possessions, you may realize that it is MORE than you even realized. I know that I was surprised. There are many separate provisions that are listed in each policy. You will want to make sure *who* is covered, *what* is covered and *which* additional coverage's are available. Be aware of "limits of liability". This is when there is a dollar limit to reimbursement for loss of certain assets. If you keep a lot of cash or collectibles in your home, you may consider adding an addendum and special riders to cover these fully. It is also important to see what is not covered. Sometimes these coverage's may available for an additional fee, so it is important to assess if the items not covered will present a problem to you. We live in South Florida, so my experience with homeowners insurance is extensive both professionally AND personally. After Hurricane Wilma a few years ago, many people realized that the fencing along their property and the landscaping were not covered. This had been excluded after previous hurricanes, yet many did not catch this exclusion! However, there is nothing they could have done to secure coverage for this anymore. Certain states are considered "high risk" areas, with limited amount of coverages available. Florida is one of those.

You will want to see if the policy will cover your accommodations if your house is unavailable while repairs are being done. There are many other items to consider, such as clean up and removal of debris, each which can be very costly if paid out of pocket! As you read about various provisions and perils, note which ones are important to you and your clients. Each client of mine has different needs and concerns, so there will be different options selected per case. Note the term of "replacement cost". That is very important, as it gives you reimbursement to replace the item with a NEW item. If you do not have replacement cost in the policy, you may find that coverage is not sufficient to replace many good items. And lastly, when you are deciding on the value of your house you can exclude the value of the land. Land is usually safe from *most* disasters. There are exceptions, of course. But if the home costs \$200,000.00 and is destroyed, it will not cost that amount to replace it. A certain

amount of that cost is including the actual land. In some cases, this will help you or your clients to insure the property for the most accurate amounts. Land can be a large portion of the value of certain homes, so it is good to know the separate value of this. Remember that the insurance is required by those who have a lien (or mortgage) on their home. The bank wants to make sure that there is adequate coverage to rebuild and replace any losses to the home. In any case, we see that the insurance is valuable to any homeowner.

Next we learn about automobile insurance policies (PAP). There are four classes of vehicles, which include the vehicle that is shown in the policy and newly purchased vehicles. Again as with homeowners insurance, it is imperative to know the exclusions to coverage. In addition to covering your automobile, the potential medical expense incurred while in an automobile accident are also covered. Lastly, there is coverage which includes the uninsured drivers. There are many irresponsible people who **do drive** without insurance and we must make sure that we are covered fully. Lastly, we learn about insurance for other types of dwellings. These include mobile homes and RV's. There are different eligibility requirements and separate exclusions from a traditional homeowners policy. You can also insure boats and this will be required if the boat is financed.

Flood insurance is another relevant topic, as we have heard about these perils in recent times. We have seen disasters and then heard that the homeowner did not carry flood insurance. It is important to know if your client lives in a flood zone and if flood insurance is necessary. This insurance is run through a government program, the National Flood Insurance Program. Many times if the property has a mortgage on it, you will be told if you are in a flood zone and how to purchase the policy before closing on your home.

Another type of policy is the title insurance policy. If you have ever purchased a home, you have probably purchased this policy for closing. This policy protects the purchaser against any problems in the unknown errors that could exist in the title of the property. For example, a title search is done before you purchase property. However, there are times that an error may not show a lien on the property. This policy protects you against these types of situations when they arise, and they do! There are also issues with easements and encumbrances that are unknown at the time of purchase. The policy is low cost and necessary when purchasing property. The charges usually appear on the settlement statement used at closing. Take note of the section on "umbrella policies", too. These are very popular and can give added assurance to you if a large claim is made against you. The cost is sometimes high, but in many cases worth the premium.

**Enjoy your week!**

*Debra Touhey, MSA, CFE*

Reference

**Rejda, George. E. Risk Management and Insurance**

**(11<sup>th</sup> edition). Prentice Hall.**