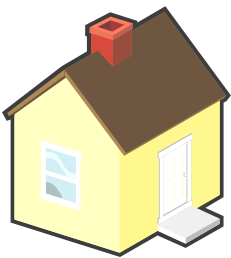


Are You Covered?

Will your home insurance really protect you in case disaster strikes? Find out if your policy fits your needs -- plus how to reduce its cost.

By Elizabeth Gehrman
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Like many people, Nancy Dalrymple and Michael Flannery

never thought much about their homeowner's insurance. Every so often they put a check in the mail for their agent and figured coverage would be there if, God forbid, they ever needed it.

Until their Winthrop single family went up in flames in November 2005, that is. "I thought everything was fine," Dalrymple says. "But they said we were way underinsured. We only had something like \$193,000 on the structure, and we had damage of about \$360,000. Then of course you have other coverage for contents, but it was a total loss. We lost far more contents than we had coverage for."

In addition, Dalrymple says she felt rushed, during a time of trauma and devastation, into getting the extensive repair work done quickly, which led to hiring a contractor who went way over budget and disappeared in the middle of the job, and a second whose shoddy work landed the couple in informal mediation talks. The couple, who had paid off their mortgage two months before the fire, had to

take out a new mortgage to finish the work. They still have not moved back into the house. "Once you have a claim, it becomes an adversarial relationship between you and the insurance company," Dalrymple says, "whereas you thought they were part of your team. They're not."

Dalrymple might feel differently, insurers insist, if she had been more informed about her homeowner's policy and what it entailed. "Most people never read their policy," says Mike Barry, vice president of media relations at the Insurance Information Institute, an insurance trade organization based in New York. "I understand it's not the most scintillating reading, but it's well worth their while to do it. The greatest mistake people make is not understanding their policies."

Many in the insurance industry maintain that it is the job of agents to keep their clients informed, but there is no question that being a proactive consumer -- knowing what to ask your agent about in terms of both coverage and cost-saving measures -- will put you in a better position in the event disaster does strike. "Every year, get a checkup on your insurance," says Kathy Silvia, a licensed broker and cofounder of the Fair Insurance Agency in Centerville. "Just like you would get an annual physical exam. Schedule it for when your policy renews, which is usually the month you bought your home. The worst time to find out what you're covered for is after a loss." Getting an insurance checkup is especially important if you've done renovations that have increased the value of your home.

The state's switch to a competitive auto insurance system last year means there are now more opportunities to shop around for all your insurance needs -- and if you bundle the

policy for your car with one for your home, using the same carrier, you could save up to 20 percent. Here's how to get the coverage you need and maybe save some cash, too.

Choose the Best Coverage The first thing consumers need to understand, insurance insiders say, is the **replacement cost** for both the dwelling and contents. The replacement value of the dwelling will be lower than what your house would be worth on the open market and lower than the tax assessor's evaluation, because both of those values are affected by location, lot size, and other factors, whereas replacement value only takes into account how much it would cost to rebuild the house in what insurers call "like kind and quality." That is, if you had gingerbread and intricate moldings in the original structure, the new house should have those, too, at no extra cost to you.

When you apply for a policy, your agent should ask lots of questions about the construction of your home. If you feel you don't know enough to judge your home's replacement cost, it might be a good idea to hire a contractor to help you get an accurate appraisal.

Standard policies require you carry at least 80 percent of your home's replacement cost, says Silvia. So if you purchased a policy with \$100,000 in replacement cost a few years ago, but building materials have gone up since then, as long as that \$100,000 still represents at least 80 percent of the current cost of rebuilding your home, the insurer will pay the full amount.

You can add endorsements that modify your insurance coverage; two are particularly recommended: **Guaranteed replacement cost coverage** pays the full cost of replacing or repairing a home, even if it is above the policy limit. This endorsement can protect you from inflated building costs in the event of a disaster that affects a whole neighborhood, such as a hurricane, a wildfire, or something unexpected like the 2006 chemical-plant explosion in Danvers. Another is a **building ordinance endorsement**, which protects you if building codes change in a way that might increase your replacement cost. On the Cape, for instance, the code was recently amended so that windows are now required to withstand 110-mile-per-hour winds rather than 90-mile-per-hour winds. "Twenty miles an hour means absolutely nothing to me," Silvia says, "but in the pocketbook, it means a lot when you have to replace those windows."

Putting your **personal property** on a replacement-cost basis may also be worthwhile, since standard policies -- which generally assume contents to be worth 50 percent of the replacement cost of the dwelling -- figure in the depreciation of electronics and other goods. "If you get 50 percent for content value and add a replacement cost endorsement onto the policy," says Silvia, "most companies will increase the content value to 70 percent of the building's value." For example, say your television is stolen. A standard policy will take into account the age of the TV; if the average life of a TV is 10 years and yours was five years old, you'll get only half of its replacement value toward buying a comparable new one -- unless you have this extra coverage.

In certain circumstances -- such as if your home has a swimming pool or trampoline or you own a breed of dog deemed dangerous -- standard insurance companies will often refuse to cover you.

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In that case, you'll have to go with the **Fair Access to Insurance Requirements (FAIR) plan**, a state-sponsored program paid for with money pooled by all the carriers that operate in the Commonwealth. The FAIR plan covers all owners as long as their houses meet certain minimal safety requirements (such as there are no live wires dangling from the ceiling), and it does not necessarily cost more for comparable coverage.

As Dalrymple and Flannery found, even a single large claim can also force you into the FAIR plan. "Sometimes it makes me embarrassed to be in insurance," says Irene Morrill, vice president of technical affairs for the Massachusetts Association of Insurance Agents. "You've been a client for multiple years, paid your bills, never had a loss, have a loss, and we nonrenew you. It makes no sense to me." On the upside, you can challenge nonrenewal, and after three years claim-free, most companies will again consider you an acceptable risk for the voluntary market.

Consider These Extras

In addition to basic replacement costs and liability, many other types of coverage can be tacked onto a standard home insurance policy. Whether you want them depends on how you live and your tolerance for risk. Among the extras you might want to consider:

Many people don't realize that if they have a **home-based business**, a standard homeowner's policy covers the contents of their office for only \$2,500; an endorsement can raise that substantially. It's also wise to cover your business for additional liability. Morrill tells of the time a FedEx delivery person fell down and sued the homeowner. "It was a business delivery," she says, "so they didn't have coverage."

According to Silvia, fewer than 10 percent of Massachusetts residents **have flood insurance**, which most agents think is a big mistake. Even if you don't live in a flood-prone area, an unusually heavy rain can bring water into your basement and storm drains can back up, and these are not covered on a standard homeowner's policy. Depending on where you live, you may need to purchase this coverage through the National Flood Insurance Program, which is managed by the Federal Emergency Management Agency (fema.gov/business/nfip). You can challenge your flood zone -- say, if you live near the water but on top of a high hill -- and possibly lower your rate. To learn your flood risk, go to floodsmart.gov and type in your address.

Earthquake damage is also not covered on a standard policy and, depending on your location and the type of house you have, it can run as little as \$35 per \$100,000 of coverage. Julie Bisconti, marketing director at Claremont Insurance in East Boston, says her mother has affordable earthquake coverage on her frame house in Revere, but her mother's next-door neighbor can't afford it on his more crack-prone stucco house. Whether you think it's worth the extra cash depends on your own personal comfort level. "There is a fault in Eastern Massachusetts," says Frank Mancini, president and CEO of the trade organization Massachusetts Association of Insurance Agents. "I think the last time there was a quake was probably 250 years ago. Are we due for one? I'm not a seismologist."

If you have **valuable art, antiques, jewelry**, or the like, you may want to add a rider for them. "You need separate appraisals for each thing," says Bisconti, "and if you start listing each of these individual things, you'll really start paying for them." Therefore, that \$500 Hummel figurine your grandmother gave you probably isn't worth an amendment; your \$15,000 Renoir sketch, however, is a different story. "You can't insure sentimentality," adds Morrill.

Most policies won't cover all similar valuables -- that is, all the books in your collection or all of your jewelry -- but require separate appraisals for each piece; there are, however, some companies that offer blanket endorsements, so be sure to ask your agent.

A few of the more obscure but possibly worthwhile types of extra coverage include **identity-fraud** expenses, additional personal liability for things like **slander** and **defamation of character**, and even a **refrigerated products rider** -- which has a low deductible and might have come in handy during the recent ice storm in the north-central part of the state. Often, such types of coverage can be packaged together for an additional cost of as little as \$50 a year.

Lower Your Costs The cost of your insurance policy is based on many things, including the neighborhood you live in and the age, condition, and style of your house -- a flat roof, for example, is considered a greater risk than a pitched roof, since snow buildup can cause a collapse. While you can't change certain aspects of your house, there are many factors under your control:

Your credit score Those who maintain decent credit, goes the reasoning, probably work harder to keep their houses in good shape, too. A score in the

Document household items now and store the documentation on the internet so that these documents cannot be destroyed.

[CLICK HERE](#) for POA's user-friendly home inventory form.

CREATIVE FINANCING?

POA believes there will be an increase in the number of fire claims made in 2009.

When facing eminent foreclosure in a depressed real estate market, some homeowners will resort to arson (setting their own homes on fire) in order to collect insurance and recoup equity.

Insurance fraud is a criminal offense.

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high 700s will put you in the highest-tier -- and lowest-cost -- insurance schedule.

Your C.L.U.E. score Your Comprehensive Loss Underwriting Exchange number is similar to a credit score, but rather than tracking whether you pay your Macy's bill on time, it keeps tabs on how many insurance claims or even inquiries you make. A low C.L.U.E. score will increase your policy's cost, so it's a good idea to check yours periodically to make sure no mistakes have crept in. You are entitled to a free C.L.U.E. report annually and can order it at choicetrust.com. If there are errors in your report, learn how to appeal them at consumerdisclosure.com.

Your lifestyle Many companies offer discounts for non-smokers and, perhaps surprisingly, even for those who work at home. "Some companies will give a credit if nobody works outside the home for more than a certain number of hours a week," says Silvia. "Because it's more likely they'll be there if something happens." If you're the type who always has a little something in the bank, that can help, too: Insurers frequently offer "paid in full" discounts to those who save them monthly paperwork by clearing up their entire bill yearly instead.

Your home's extras Additional security in the form of deadbolts or burglar and fire alarms can decrease your premium, as can storm shutters if you live in an area with high-wind risk.

A higher deductible "Insurance is for 'Oh, my gosh, my house is leveled to the ground,'" says Silvia. "It's not for 'They just stole my \$200 bicycle.'" She recommends

increasing your deductible from a typical \$500 to \$1,000 or even \$2,500. "Whatever you can afford. It can save you 20 to 25 percent of your premium." You may also be able to save money by increasing only a portion of your deductible; for instance, agree that you'll pay more if hit by a wind - or hailstorm.

Shopping around Some insurers offer a discount for longtime customers; others lower your premium when you switch carriers. Every couple of years, it's a good idea to get some competing quotes to make sure you're getting the best rate; a good place to start is at insweb.com, which allows you to include the specifics of your house and lifestyle before providing you with the name of an insurer in your area that meets your needs.

Taking a class Some insurers offer a discount of up to 15 percent to clients who take three workshops with the Massachusetts Affordable Housing Alliance's HomeSafe program. Learn more at mahome.org/class/hs_about.html.

File a Big Claim Wisely

If you find yourself in a situation similar to Dalrymple and Flannery's -- where you've experienced a significant loss -- often your best first step is to hire a **public adjuster**. Though no statistics are available, public adjusters maintain that for a 10 percent cut, they can increase the payout you will receive from your insurer. "An insurance claim is a business transaction between two parties with opposing interests," says Timothy Ball of Ball and Boyd Public Adjusters Inc. in Marstons Mills. "One side knows what they're doing, and the other side doesn't. We're helping the side that doesn't." You'll get better results, Ball says, if you call a public adjuster immediately after the problem strikes,

rather than getting one involved after your insurance company has already made a decision. "It's much easier to negotiate when they haven't taken a position yet."

Even if the amount you're reimbursed doesn't end up being substantially higher, many say it's worth hiring your own adjuster simply because of the energy required to settle a claim. "A major benefit of our service," Ball says, "is that you don't have to deal with the insurance company. It saves you time, aggravation, and, ultimately, money."

Nancy Dalrymple, who hired her adjuster right away, agrees. "You have to pay," she says, "but you're so traumatized by the event that it's hard to get your foot going. Our adjuster took care of a lot for us so we didn't have to deal with it."

What Every Homeowner Must Do:

Buying a good insurance policy is just the start. The following measures will ensure that if you ever have to file a claim, you can prove what you've lost. "The more documentation you have," says John Cantalupa, supervising underwriter for the Massachusetts Fair Access to Insurance Requirements plan, "the easier the process will be."

Take photos of your house that clearly show the materials used in construction; keep a copy both on and off the premises, either in a safe-deposit box or with a friend or relative. Document any special features, such as marble tile or a custom kitchen.

Keep a list of valuable contents, with photos and any appraisals, both on and off the premises. Knowyourstuff.org, a site administered by the Insurance Information Institute, allows you to download free software to create an inventory of your home.



"The bad news is the Big Bad Wolf is coming. The good news is I've got some great rates on Homeowner's Insurance!"