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Dear Clients and Friends:

If you need to make a large insurance claim one day and find out your coverage isn't adequate, who would you say is responsible? As a practical matter, the burden's on you, not your agent, to be realistic in setting adequate limits.

A good example is homeowners insurance. Most of the policies I review have assigned a basic dwelling amount far less than what it would cost to rebuild the residence. When I bring this up with agents, they point to the extended coverage rider, which usually provides an additional 25% of the base amount.

Wait a minute. The rider isn't there to bring the base amount up to where it should be. It's there to take care of the expenses you don't expect. It's the "fudge factor" you need to keep in reserve, just for safety. The insurance companies in their own literature tell you not to consider the extension rider in setting the basic dwelling amount.

But agents are in a tough spot. Consumers treat insurance as a commodity, shopping around for better rates. Agents tell me, "We don't want our client to be over-insured." The reality is, they don't want to push for full coverage and possibly lose a customer.

As a financial planner, I approach it differently, because my job is to keep my clients out of trouble. Paying an extra $100 a year for proper coverage won't affect anyone's lifestyle, but having to come up with $100,000 or more is a bummer.

Do yourself a favor, and review all your policies with your agent. Make it clear your number one goal is to avoid a big loss, not to save a few dollars in premium payments.

Regards,

Chuck

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