

March 2013

Dear Clients and Friends:

After the Witch Creek fire in 2007, we learned most of the people who lost their homes were underinsured. But why? Hadn't we all learned a lesson after the 2003 Cedar fire?

According to a 2008 survey by Marshall & Swift, a company that provides building cost data to the real estate industry, 64% of houses in the U.S. are undervalued for insurance purposes. Of those people who are underinsured, the average homeowner has enough coverage to rebuild only about 81% of the structure.

When I review homeowners insurance policies for my clients, one area seems to be overlooked, and especially on older homes. This is the coverage for building code upgrades. Most policies only provide 10% of the basic coverage for upgrades.

If your home was built 20 or 30 years ago, the building codes were very different then. There are all sorts of rules now dealing with demolition and reconstruction. We have structural, plumbing, mechanical and electrical codes, plus new "green energy" codes under consideration. Your basic insurance amount doesn't cover any of those expenses when you rebuild, which is why your policy has a rider for building code upgrades.

To protect yourself from ever writing a big check, a 10% rider may not be enough. For an older home, that percentage should probably be increased to 25% or more.

If you haven't reviewed your homeowners insurance recently, this would be a good time to catch up. Contact your insurance agent, or you can call me at 619-291-2000 and I'll be happy to answer your general questions about homeowners, auto and umbrella policies.

Regards,



Charles M. Shackelford