

UNDERSTANDING THE VALUE OF YOUR HOME

How to determine your homeowners insurance coverage:

Your home may be the biggest investment you'll ever make. So if you're serious about protecting that investment, here is some important information to consider when determining the coverage amount for your home.

Make sure that your home is insured for at least 100% of its estimated replacement cost

To determine your amount of homeowners coverage:

- Get an estimate of the replacement cost of your home.

- Select the coverage amount that best fits your needs.

It is recommended that you purchase an amount of coverage at least equal to the estimated replacement cost. But the choice is yours. Determining your home's estimated replacement cost is important because this will ultimately determine which policy options are available to you. Since it is impossible to predict today what the exact cost will be to replace your home in the future, it's important to have enough coverage to account for unforeseen circumstances.

Understand the difference between market value and replacement cost

Market value is the amount a buyer would pay for a home, including the land, regardless of how much it would cost to rebuild the home. Replacement cost for this purpose is the rebuilding cost necessary to repair or replace the entire home.

Replacement cost IS NOT:

- The market value of the home.

- The home's purchase price or the cost of the land.

- The outstanding amount of any mortgage loan.

When buying a new home, be sure to obtain a replacement cost estimate

Before you purchase a new home, make sure that you determine the appropriate amount of coverage needed. Here's how:

- Ask if a replacement cost estimate is available when you have the home appraised.

- Or, consult with your local builder association or a reputable builder for an estimate.

Be aware of any architectural details or unique building materials that may affect your estimated replacement cost, such as:

- Upgraded bathrooms or kitchens (including cabinets).

- Finished or partially finished basement.

- Additional rooms or living space.

- Custom molding or arched windows.

- Other unique features.

A contractor or appraiser can help estimate your home's replacement cost

Building contractors or professional replacement cost appraisers are a good source for obtaining an estimated replacement cost of your home. Estimates from these sources should reflect your home's features, like those mentioned above. If you are unable to obtain a detailed estimate from these sources, your State Farm agent can discuss other options for estimating the replacement cost of your home.

Review your policy annually to make sure that your coverage meets your needs

Have you recently remodeled or improved your home?

When you upgrade or improve your home, you may increase your home's estimated replacement cost. Your State Farm agent will then help you adjust your policy to meet your coverage needs. As part of your policy's provisions, you have 90 days to notify us of any remodeling or additions to your home that increases its value by \$5,000 or more.

Has the rate of inflation risen since your last appraisal? Some insurance companies provide coverage that automatically adjusts each year in an effort to compensate for increases in construction costs in your area. However, certain conditions such as severe weather can increase the demand for labor and materials, and raise costs beyond normal inflation. It is important to update your coverage amount each year to keep up with the changing economy.

What influences the building costs in your area?

Market conditions in your area may impact the amount it will cost to rebuild your home if you experience a loss. Replacement cost estimates are influenced by supply of labor, demand for labor, and the cost of construction materials. Keeping up with the current market conditions in your area and changing your coverage amount accordingly, will help you maintain coverage at least equal to 100 percent of the estimated replacement cost coverage for your home.