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Five Things to Know about Home Insurance Coverage

What would happen if your home was damaged or broken into? Average insurance claims range from about \$3,600 for theft to just over \$37,000 for fire or lightning damage, according to ISO, a Verisk Analytics company. When you're making decisions about your home insurance coverage, the Tennessee Society of CPAs recommends keeping this advice in mind.

It's Smart to Shop Around

Even if your mortgage lender recommends an insurer, you may still want to consider checking out three to five other companies' premiums to be sure you get the best deal. Read the policies carefully, however, to confirm that they are comparable and that the less expensive options provide the coverage you need. Compare their prices, in addition to any available consumer reviews. There may be considerable price differences, for example, between policies that offer replacement value, which covers the expense of rebuilding a similar home or replacing your possessions at current prices, and actual cost value, which reimburses you what it will take to replace your home after subtracting depreciation.

Be Sure to Ask for Discounts

When evaluating insurance companies, find out if your top choices will offer discounts for steps you take to make your home more secure. These steps might include installing an alarm system,

dead bolt locks, updated heating, wiring and electrical systems, fire alarms, smoke detectors and sprinklers, or having well-maintained stairs, driveways and sidewalks. You might even get a discount for a roof made with a sturdier level of material. If you already have a policy and undertake an improvement or update that makes it less likely your home will suffer damage, theft or a liability claim, be sure to contact your insurer and ask about a discount. Additionally, if you've been claim free for a number of years, or a longtime customer of your insurer, then you may qualify for other discounts.

Create a Home Inventory

If your home suffered significant damage, would you be able to list all the items lost? After building up a wide range of possessions over the years, this may be a difficult task. Only about 50 percent of homeowners have one, according to the Insurance Information Institute – but an up-to-date home inventory is something that can be extremely valuable in establishing your claim. The inventory should list your belongings and establish their value based on receipts or any other documentation available, and it should be supplemented with photographs. Keep the list in a fireproof safe or safe deposit box along with other important documents – including your insurance policy information and agent contact details – and consider storing a copy with a trusted friend or relative so it's easily available when you need it.

Review Your Policy Regularly

Checking the fine print at least once a year ensures that you'll have full coverage for new purchases or home additions. If you have floaters addressing items not covered in the base policy, such as expensive jewelry, artwork or technology, use this review to decide whether you need to increase, lower or cancel the floater based on changing values.

Factor in Insurance Costs When Buying a Home

Just as some home improvements can lower your insurance costs, there are situations that can raise them. Being in a flood plain or in an earthquake-prone area are examples, since they will require additional coverage, so it's worthwhile to ask about the possible need for other insurance when you're buying a home. A CLUE (Comprehensive Loss Underwriting Exchange) report details a home's loss history, including claims made and loss types and amounts. They are only available to homeowners, but consider asking for one before buying a new place.

Your CPA Can Help

Your local CPA has extensive experience helping people address important financial issues. Be sure to turn to him or her with all your financial questions.

About Money Management

Money Management is a column on personal finance that is a joint effort of the AICPA and the Tennessee Society of CPAs, as part of the profession's nationwide 360 Degrees of Financial Literacy program. Members of TSCPA are CPAs residing and practicing primarily in Tennessee in all areas of public accounting, education, government, business and industry. TSCPA offers a speakers bureau for many types of business and educational engagements. For details, visit www.tscpa.com. TSCPA is headquartered in Brentwood, Tenn.