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Checking Under the Hood of Your Insurance Coverage

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I had lunch recently with a vendor whose wife was in a terrible auto accident. Her car was totaled, and she was unable to work for nearly a year due to injuries sustained in the crash. To make matters worse, the driver who caused the accident was uninsured.

While they had uninsured motorist (UM) coverage on their auto policy, they had selected the lowest coverage amount available (\$30,000/\$60,000). They reasoned that those amounts would be more than enough to repair their damaged car. However, they did not know that uninsured motorist coverage can also pay for lost wages if you cannot work due to injuries suffered in an accident. So, while their UM coverage replaced their car, there was insufficient coverage to replace any lost wages while she recuperated from her injuries. This is why I always recommend electing the highest level of UM coverage on your auto policy.

While everyone knows it is important to have insurance, very few of us regularly review our insurance coverage to ensure that our family and belongings are appropriately protected. Listed below are some of the items to consider when evaluating your policies:

- I am sure that most of us believe that our homeowners insurance policies will provide us with enough money to build a replica of our current home in the event of a catastrophe. Many of us have remodeled our homes or added improvements like solar panels. In addition, the cost of building materials and labor have gone up significantly recently. It is important that the dollar limits stated for your Dwelling Coverage are sufficient to rebuild your home to current specifications. Insurance companies have calculators that take into consideration average materials and building costs in your neighborhood, as well as customizations that reflect the details of your specific property. Call your insurance company or agent and request a review to make sure you have appropriate dollar limits.
- It is also important to know if your coverage is cash value or replacement cost. Cash value coverage takes depreciation into consideration, which increases the likelihood that you will be faced with out-of-pocket costs as depreciation reduces the amount that would be recouped from your insurance. Replacement cost will repair your home using materials and fixtures similar to what you lost without any deduction for depreciation.
- If the title of your home is in the name of your family trust, you should name your trust as an additional insured on your homeowners policy. It is a technicality, but you personally do not own your home if it is titled in the name of your trust. Your homeowners policy only insures property owned by people or

entities named in the policy. If your home burns down and your policy does not name your trust as an additional insured, your insurance company may have grounds to deny your claim for damages. It is simple to add your trust as an additional insured and that action should not impact your premiums.

- Have you retired or have you started working from home? If you are no longer commuting daily to an office, you should inform your auto insurance company. Since premiums are based on estimated miles driven, you may be able to reduce your premiums based on lower mileage.
- Check the deductible for the Comprehensive and Collision coverage on your auto policies. This is the amount that you pay out of pocket for repairs on your own vehicle if you are at fault in an accident. The higher the deductible, the lower your annual policy premium. Remember, you only pay the deductible if you are in an accident. The savings in annual premiums are guaranteed. Call your insurance company or agent and get quotes for different deductible levels. Then, determine if the savings in premiums is worth taking the additional risk.
- Umbrella insurance provides extra liability protection beyond the limits and coverages of your other insurance policies. If you have teenage drivers living in your household, for instance, umbrella insurance is a “must.” Some umbrella insurance policies also offer Uninsured Motorist coverage, which can expand the level of protection beyond the limits of the typical auto policy. This is valuable liability protection for high wage earners.
- A typical homeowners insurance policy does not cover a vacant home that is under construction. I have heard stories of building projects where materials or appliances have been stolen from the job site or vandalism has occurred because no one was living in the property. If you plan to do major renovations on your home, you should talk to your insurance agent/company about either a course of construction or a builder’s risk policy. These policies can cover your home against perils like theft, fire and vandalism during the construction period.

In my experience, it is not worth cutting corners when it comes to insurance coverage. It’s not hard to imagine being temporarily distracted by an incoming phone call while driving and causing an accident. We had a client who was sued by a neighbor to whom he loaned a ladder. The neighbor fell off the ladder and sued our client for expenses related to his injuries. Insurance puts a layer of financial resources between your assets and someone who may be pursuing you for damages. It is also worth noting that, if needed, insurance coverage often provides you with representation by the insurance company’s legal department, potentially saving you from having to pay for your own legal counsel.

As always, the Advisory Team at WEIL is available to review your insurance coverages so that you can discuss strategies with your insurance agent. Please feel free to reach out.

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