

# Do You Have Enough Insurance on Your Home?

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NASHVILLE – You bought your home seven years ago and have paid your homeowners insurance premium each year. A tornado causes extensive damage and as you plan to make repairs you discover that your community has updated its building code requirements since you bought the home. Will your insurance policy cover the cost of meeting the new requirements?

You might be surprised.

Tennessee has experienced two tornado outbreaks this year and hurricane season has begun. This is a good time for homeowners to talk with their insurance providers about whether they have adequate coverage.

How much have reconstruction costs increased in your community since you last updated your coverage? Do you have replacement cost coverage? Does your policy cover the cost of additional living expenses while the home is being repaired? Are your belongings covered? Have you made improvements to the home?

It is important to review your homeowner’s insurance coverage every year.

The Tennessee Department of Commerce & Insurance provides advice about buying and maintaining insurance coverage, including pricing, deductibles, claims, replacement value vs. actual cash value, basic policies vs. comprehensive policies, condos, mobile homes, liability and other considerations.

Most homeowners insurance policies don’t cover earthquakes or floods, but you can buy separate policies to cover those risks. Flood coverage is provided by the National Flood Insurance Program. If you need an agent referral, call **800-427-4661** or visit [www.fema.gov/national-flood-insurance-program/How-Buy-Flood-Insurance](http://www.fema.gov/national-flood-insurance-program/How-Buy-Flood-Insurance)

“Purchasing or renewing flood insurance is one of the most important steps you



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can take to financially prepare for a disaster,” said Hodgen Maida, commissioner of the Department of Commerce & Insurance. “Just [one inch of water in the average-sized home](#) can cause more than \$25,000 in damage. The cost of having flood insurance is a drop in the bucket compared to the cost of flood damage.”

The Department of Commerce & Insurance has these suggestions for buying insurance policies:

**Shop around:** The premiums insurance companies charge for homeowners insurance vary widely. It pays to take time to shop around to get the best value. Be sure to ask if you qualify for any discounts. Examples are discounts to protect your home (for example, add storm shutters), update the home’s electrical or plumbing systems, get a new roof, or add home security devices (for example, a burglar alarm). Membership in certain organizations may also provide a discount (AARP, AAA, other organizations).

**Bundle your insurance with one company:** Some companies offer multi-policy discounts. For example, if you buy homeowners and auto policies from the same insurer, you may get a discount.

**Choose your deductible:** A higher deductible may help you save money on your homeowners insurance premium. Just be sure you can afford the deductible if you have a loss.

**Understand the trade-offs:** Know the difference between actual cash value and replacement cost coverage. The premiums probably are lower for actual cash value coverage. But replacement cost coverage pays more if you have a claim.

**Know the risks to your home** and take actions to reduce those risks.

**Know important policy terms.** If you don’t understand, ask.

For more information about homeowners insurance, order a copy of the “[Consumer Guide to Home Insurance](#)” and “[A Shopping Tool for Homeowners Insurance](#)” from the National Association of Insurance Commissioners or visit [naic.org](http://naic.org) for more information.

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