

Search

How do I find it?

Most pop



- Home
- News
- Travel
- Money
- Sports
- Life
- Tech
- Weather

Managing Your Money ▼

■ Shopping ■ Buy a Car ■ Job Search

GET A QUOTE:

■ DJIA 11,527.07 ▼ -16.25 ■ NASDAQ 2,228.73 ▲ +1.06 as of 4:01 PM ET © BigChar

Time to make sure you're covered

Updated 6/19/2006 1:22 PM ET

E-mail | Save | Print | Reprints & Permissions | Subscribe to stories like this

By **Kathy Chu, USA TODAY**

Hurricane season has begun. And financial experts say many U.S. homeowners are woefully unprepared for the threat that wind, storms and floods pose to their home and its contents.

Close to 60% of U.S. homes are undervalued — with the average home undervalued by 22%, according to Marshall & Swift/Boeckh, which provides building-cost information. That means homeowners often don't have enough insurance to rebuild their home if disaster struck

In hurricane season, which runs through November, 13 to 16 tropical storms are likely to form in the Atlantic Ocean, says the National Oceanic and Atmospheric Administration. It takes just one to wreak havoc on your home.

That's why it's important to make sure you have enough insurance on your home and to know exactly what your policy covers. In coastal areas, where the risk of storm damage is highest, you may need more than one insurance policy to cover wind and water damage to your home. Even if you don't live near a coastal area, you still need homeowners insurance and possibly some supplemental insurance.

Reviewing your policies

If you haven't reviewed your insurance policies recently, consider doing it soon. "The peak of the hurricane season is in September, so you have time," says Robert Hartwig, chief economist of the Insurance Information Institute, a trade group. "But the amount of time you have is limited. Don't put it off."

Last year's deadly trio of hurricanes — Katrina, Rita and Wilma — imparted a crucial lesson to homeowners: Standard homeowners insurance isn't a cure-all for property damage. That's especially true as more insurers cut back on the coverage they provide in certain regions or raise the prices they charge for such policies.

Homeowners insurance typically pays for wind, rain and hail damage. But in the riskiest areas, a rising number of insurers now require homeowners to buy a separate policy if they want coverage for wind damage. Some insurers also impose a hurricane deductible that would require you, in case of a disaster, to cough up 1% to 5% of the insured value of the home before the insurer's coverage would kick in.

Most such policies don't pay for flood damage. For that, you'll have to buy coverage from the government's National Flood Insurance Program. Yet even in the most flood-prone regions, only about half of homeowners buy this insurance, according to Rand Corp., a research firm. Outside these areas, far fewer do.

Last year's hurricanes pushed up sales of the government's flood insurance — albeit only modestly. As of May 1, homeowners had 4.9 million policies, up 7% from last year at the same time. This follows a typical annual increase of about 3% in previous years.

Related Advertising L

Buy Stocks at \$3
www.sogoinvest.com

Home123® Mortgage -
www.Home123.com

Forex Trading Investing
www.ac-markets.com

Adv



Featured Advertiser

Save 15% on FedEx Shipping
off list rates on eligible FedEx Express® onlir shipments
[Save 15% now](#)
See Program Agreeem for details
www.savewiththexpress.com

Naturally, coastal dwellers are more likely to buy flood insurance because most flood losses occur on the coasts. But even if you live elsewhere, a flood policy can be vital in protecting your home from water damage, says David Maurstad, insurance administrator for the national flood program.

"Everyone has some level of flood risk," Maurstad says. "In an average loss year, which we haven't had in a couple of years, 25% to 30% of losses come outside of high-risk areas."

You can find your area's flood risk by entering your ZIP code on the flood insurance program's website, www.floodsmart.gov. You can also find an agent and get information about what these policies cover and how to file a claim.

A legal battle

After Katrina, homeowners and insurers squared off in court over precisely what damage is covered by standard homeowners policies. These disputes may be confusing people and dissuading some from buying flood insurance, Hartwig says. "I'm terribly afraid that another storm could roll up the coast of Mississippi, and many people" won't have this insurance, he says.

Mississippi Attorney General Jim Hood, along with homeowners on the Gulf Coast whose homes were destroyed in last year's storms, have sued to try to get insurers to pay for flood damage. The plaintiffs argue that water damage caused by a hurricane should be covered. Insurers counter that while their policies cover certain water damage — such as from rain that penetrates roofs or windows — they don't cover flood damage, such as from storm surges after hurricanes.

Standard homeowners policies — which pay to rebuild a home, rather than compensate homeowners for its market value — should be reviewed yearly. Now's a good time to do so, because the price of building materials surged after last year's storms, says Peter McMurtrie of Travelers, a provider of home and auto insurance.

Also, "if you've added a big-screen TV or furniture, you may have items in your home worth way more than you're covered for" under your homeowners policy, says Jeff McCollum, a spokesman for State Farm.

When insuring your home, you often have a choice between a "replacement-value" policy and an "actual cash value" policy. Replacement-value insurance generally costs more because it covers the cost of both rebuilding your home up to its full insured value and replacing damaged belongings. By contrast, cash-value policies deduct any depreciation of your belongings or of the house (say, a roof that needed to be replaced) before reimbursing you.

In most cases, you can update your homeowners policy and have new coverage limits take effect immediately. But you generally won't be able to do so if a tropical storm is barreling your way. This restriction prevents homeowners from buying policies in advance of storms, then dropping them once the storms pass, McCollum says.

Flood insurance is a different matter. These policies don't kick in until 30 days after you buy them. And the maximum a homeowner can get from the government is \$250,000 for the structure and \$100,000 for the home's contents.

'Excess' flood coverage

Insurers sell these policies for the federal government. Because many homes cost more than \$250,000 to replace, some companies provide "excess" flood coverage if you first buy the maximum protection from the government. In most cases, though, you'll have to get homeowners insurance through the insurer to qualify for the company's additional flood protection.

A handful of insurers — Chubb, AIG Private Client and Fireman's Fund — have started to offer their customers flood coverage that kicks in even if you don't have a federal policy. But these policies are usually offered only to wealthy homeowners and at a steeper price than the government policy.

Posted 6/15/2006 10:39 PM ET

Updated 6/19/2006 1:22 PM ET

E-mail | Save | Print | Reprints & Permissions | Subscribe to stories like this 

Related Advertising Links

What's this?

Scottrade: Early Retirement Planning

Open a No-fee IRA with just \$500. Free early retirement planning info.
www.scottrade.com

Capital One Small Business Solutions

Capital One thinks big about your small business-cards, loans, credit.
www.capitalone.com/smallbusiness

Buy Stocks at \$3

Sign up today and get \$1 trades! No minimums. Free charts and quotes.
www.sogoinvest.com

Place your ad here

Advertisement

THE POP CANDY PODCAST
Click to hear Whitney

Take the Candy with you

USATODAY.com
Click here to go to Whitney's Podcast →

Newspaper Home Delivery - Subscribe Today

[Home](#) • [News](#) • [Travel](#) • [Money](#) • [Sports](#) • [Life](#) • [Tech](#) • [Weather](#)

About USA TODAY.com: [Site Map](#) | [FAQ](#) | [Contact Us](#) | [Jobs with Us](#)
[Terms of Service](#) | [Privacy Policy/Your California Privacy Right](#) | [Media Kit](#) | [Press Room](#)

News Your Way: [Mobile News](#) | [Email News](#) | [Add USA TODAY.com RSS feeds](#)

Partners: [USA Weekend](#) | [Sports Weekly](#) | [Education](#) | [Space.com](#)

Copyright 2006 USA TODAY, a division of Gannett Co. Inc.