



## COLBURN GROUP INSURANCE

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# Frequently Asked Questions

## Why should I insure my home for replacement cost when I could never sell it for that much?

Homeowners policies are written on a replacement cost basis, not a market value basis. Replacement cost refers to the cost to reconstruct a home with all of its unique features in today's marketplace, using materials and craftsmanship of similar quality. Market value is the price a property can realistically sell for, based upon other property sales in the same area. The market value of your home is influenced by non-construction factors such as land, landscaping, detached structures and your community. The amount of insurance you purchase should reflect the cost necessary to completely rebuild your home as it exists today, not the price someone else is willing to pay to buy it.

## What is the difference between replacement cost, extended replacement cost, and guaranteed replacement cost?

Replacement cost pays for the repair or replacement of damaged property with materials of similar kind and quality up to the limit stated on your policy. Extended replacement cost extends your coverage another 20 percent or more above your stated policy limits to pay for damaged property. Guaranteed replacement cost covers the complete to repair or replace a damaged home. All are subject to your deductible.

## Do I have coverage if my home floods?

The National Flood Insurance Program (NFIP) defines "flood" as a general and temporary inundation of normally dry land from the overflow of inland or tidal waters, the rapid accumulation or runoff of surface waters, or mudslides (mudflows) which are caused by flood and collapse. Most homeowners policies will not cover a loss to your home or contents caused by a flood. A separate flood policy is needed to provide this coverage. Please call us if you would like to purchase a flood policy.

## Is my home covered while I am remodeling?

Your homeowners policy may not cover any damage done to your home during renovations. If your new addition or remodel is destroyed or damaged before

insurance coverage has been increased, you may be responsible for the cost of repairing or rebuilding the addition. It is important to advise us of any additions, alterations, or renovations to your home at the beginning, throughout, and at the completion of any project. That way we can adjust your coverage if necessary to maintain sufficient limits. If you're simply switching out a couple of appliances in your kitchen or replacing fixtures in your bathroom, there probably won't be a need to increase your coverage. If you are planning significant renovations, please call us in advance to determine whether a builder's risk policy is necessary.

## What is ordinance or law coverage?

Ordinance or law coverage (also referred to as rebuilding to code) covers you if your home is badly damaged or destroyed and requires rebuilding under new building codes. It protects you against cost increases as a result of changes in building, zoning or land use codes. For example, an older home severely damaged by fire may have to meet new building codes, requiring all doorways to be handicap accessible and be at least 6'6" high and 24" wide when it is rebuilt.

## Do I need special coverage for jewelry and other valuables?

If you own valuable jewelry or other items that would be difficult to replace, you may want to consider insuring these items on either a blanket or individually scheduled basis. Blanket coverage can be added with a per item limit, such as a \$100,000 with a \$5,000 per item limit. With blanket coverage, you are required to prove ownership and value at the time of loss. Scheduling your items individually allows you to receive the full value of a scheduled item at the time of a covered loss. Proper documentation, such as a bill of sale, or appraisal is often required to add items. Insuring your valuable items on either a blanket or individual item basis offers broader protection and will not be subject to a deductible. It covers losses of any type, including accidental losses, such as dropping your ring down the drain of the kitchen sink or leaving an expensive watch in a hotel room.

*This newsletter is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel or an insurance professional for appropriate advice*