



Dwelling Limit - Additional Insurance - Coverage A

What is the problem?

Often, the amount of home insurance, "THE COVERAGE A DWELLING LIMIT", is not sufficient to reconstruct the home after a total loss.

Don't better home policies pay more if the Coverage A limit isn't enough?

Yes. Better policies usually start at 20% as the maximum extra payment. The best policies will go up to 50% or simply guarantee to pay whatever the extra cost is, no limit. Sometimes a blanket limit is set so high that it is equivalent to a guarantee or no limit. Each company and policy is different, but knowing this limit and how it works is important. Caution, this extra coverage goes away if a home owner makes improvements and does not increase their insurance when they make them. The threshold is five often five percent or more.

The five percent or more question on our review form... Why is this being asked?

The extra coverage, "paragraph above", often all goes away if a homeowner makes improvements to their home and the cost of the improvements total up to 5% of the coverage A limit and the homeowner does not increase the amount of insurance on their home. That is why this question is there. Finish a basement; add a garage, build a really nice porch or deck and the extra coverage could be gone unless the coverage A limit was increased at the same time.

How does the wrong amount of insurance ever happen?

The amount of insurance, "coverage A limit", is the customer's choice, when he/she buys the policy. The contractors at time of the loss, "often many years later", determine what the cost to rebuild the home new will be at the time of the loss. It is easy to see why there can be a big difference.

- Contractors that build home are sometimes all busy. Don't expect a deal, just because you need a home now. Expect it to cost more to get a good contractor on short notice.
- Debris cleanup sometimes requires it goes to a special waste disposal site, "NOT THE LOCAL LAND FILL", this can be 100 miles away.
- Important home features are missed when the home value is originally estimated.
- Inflation is increasing faster than the amount of insurance on the home. Over time the home becomes under insured.
- In the north, it costs more to build in the winter.
- Busy contractors are going to charge overtime rates. If there was a major fire, windstorm, tornado and lots of homes are damaged, costs go up.
- People are human and they make mistakes in estimating the replacement/reconstruction cost. This is often the homeowner's responsibility in a standard home insurance policy.