

You Can't Judge a ~~Book~~ House By Its ~~Cover~~ Market Value

The Henrys purchased their 2005 custom built home for \$195,000. Their insurance agent had their *Replacement Cost Coverage* (the amount it would take to rebuild their home to its previous like kind and quality) at \$195,000 when the Henrys closed on their home.

SHOCK NUMBER ONE

Four years later they decided to downsize and buy something "more affordable." Their realtor appraised their home and due to current market conditions, regrettably explained their house should be listed at \$180,000.

SHOCK NUMBER TWO

With their realtor's appraisal in hand, they headed to their local Germania agent's office. After reviewing their paperwork and plugging in data through his residential construction cost estimating software, the Henrys received an even bigger shock. They were underinsured by 20 percent!

MARKET VALUE IS NOT WHAT IT WOULD COST TO REBUILD YOUR HOME

"This is one of the most common, yet poorly communicated issues in the insurance industry," said AVP of Underwriting, Mike Kroll.

Even though the "market value" of their home had dropped considerably, due to rising construction prices (roofing materials have increased by over 50 percent in 2008* alone) it would cost the Henrys roughly \$234,000 to rebuild their home in the same spot with the original materials used to construct their home in 2005.

STILL SHOCKED...BUT ENLIGHTENED

Like millions of Texans around the state, most find insurance confusing and do not understand its true purpose — to protect your home, its contents and make your house "whole" again in the event of a loss.

REALLY?

The Henrys aren't alone. Roughly 50 to 70 percent of Texas homeowners are underinsured.

"It's unfortunate that most people don't realize they're underinsured until disaster strikes," said Germania's AVP of Claims, Russell Hill. It's important to revisit the amount of insurance coverage you have on your home annually.

GET PROACTIVE!

A great way to get the ball rolling? Contact your agent to discuss what your current coverage is — and ultimately — does it reflect the cost to rebuild your home should the unthinkable happen. As one of your most sizable assets, it's worth the call.

** Source: MSB Residential Construction Cost Changes*

Texas Weather

WHY POLICYHOLDERS ARE MISGUIDED IN THINKING "THAT WILL NEVER HAPPEN TO ME"

As far as Mother Nature's fury is concerned, Texas takes the cake as one of the most topographically diverse and disaster prone states in our country. With over 32,000 recorded hail events over the past 30 years* (Florida has recorded 3,713 hail events over the same span of time) coupled with over 20,000 thunderstorms, 6,238 tornadoes and 8,533 floods occurring throughout all regions of the Lone Star state — suffice it to say that no one and no structure is safe.

**Source: National Climatic Data Center*



Factors That Determine What It Would Cost to Rebuild Your Home

If you're like most people, the concept of how much it would cost to rebuild your home to its original grandeur is difficult to formulate. Your Germania agent is equipped with the tools necessary to evaluate your home's unique features and take current construction costs into account, based on where your home is located.

FROM SIMPLE TO UNIQUE

Replacement Cost Coverage, the cost to rebuild or repair your home to its original state with materials of like kind and quality (without a reduction for depreciation) changes each year.

For example, your agent can assist you with determining the replacement cost of your home based on its unique features by using industry-standard software to estimate how much coverage you should obtain to protect your home against perils such as fire, hail, lightning, etc.

Construction classifications are designed to take into account innumerable options that would make the most avid fan of the Home & Garden Network recoil in surprise.



ROOFING MATERIALS: 24 choices* of materials that can increase — or decrease — the amount of coverage you need on your home.



EXTERIOR WALL MATERIALS: 44 unique items* are taken into account — including vinyl siding, hardboard siding, stucco, brick veneer and the more costly Austin stone veneer.



FLOORING: 26 different styles* of flooring options from less expensive (carpet) to very expensive (marble).

NOT ALL HOMES ARE CREATED EQUALLY!

Discussing your home's interior/exterior features with your agent is imperative if you want to make sure your home is insured for the correct amount a.k.a. "Insurance-to-Value."

It is important to communicate with your Germania agent if any significant remodeling has been done, as your agent can update your policy so that the proper coverage is adequately reflected.

** Using Marshall & Swift / Boeckh (MSB) ITV Property Index benchmark*

