

SCS Connection

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Thinking About Adequately Insuring Your Property

Eric Nager, CRPS®

Hurricane season opens next month on the Gulf Coast, so it is time to consider if your home and other property are adequately insured. Insurance is one of the largest expense categories most people have in life, so it is important to take many factors into consideration in order to make sure you have appropriate coverage. In compiling our list of insurance ideas to consider, we spoke to several professionals in our area.

When discussing homeowners insurance with Chris Burkholder of Burkholder Insurance, he reminded me that your policy includes personal liability which he describes as “a bubble that wraps around you wherever you go.” So if you hit an errant golf shot that breaks someone else’s window, you have coverage. However, if your primary policies on assets like your house, car and boat are in the \$500,000 range or greater, he strongly

suggests buying umbrella coverage. This is inexpensive coverage that extends the limits on your primary policies, not unlike placing a larger gas tank on your car that would allow it to go farther. A \$1 million umbrella policy would extend \$500,000 liability coverage on a home and \$500,000 on a car, for example, to \$1.5 million each. And according to Burkholder, prices for additional umbrella coverage beyond the first \$1 million decline significantly as you increase it.

For those who live in coastal areas, on lakes, near rivers, or other bodies of water, I asked La Donna Douglas of Coastal Professional Insurance what tips she had on flood insurance. According to Douglas, many buyers are not aware that if someone pays cash for a home or rental property, there is a 30-day waiting period for flood coverage unless the buyer takes over the owner’s policy.

(Flood insurance is included on a house with a mortgage.) If not, her advice is to apply for flood coverage at the time of the purchase agreement and set the closing for 30 days out to ensure coverage. Her other advice is to remember that for a rental property, flood insurance does not cover the loss of rent. A prospective buyer should find out about the flood zone before buying. If a property sustains 50% or greater damage from a flood, it must be elevated or moved back from the flood source in order to qualify for flood coverage.

For business owners, the number one concern for Allen Chapman of HUB International is that wind deductibles in this area have become like “art on the wall” because we have not had a direct hit from a hurricane since Ivan and Katrina in 2004 and 2005. According to Chapman, if we have a major storm soon, those owners will be in for a rude awakening. This is because even with a 2% deductible on a \$2 million property, that represents a \$40,000 deductible, and he insures properties of far greater value. A common misconception is that the deductible is for 2% of the *damage*, but it isn’t. If for example that same property sustained \$100,000 in roof dam-

age, the deductible would not be \$2,000, but \$40,000. In order to address this issue, Chapman recommends that business owners have awareness about it and make a plan, like building a cash reserve a little at a time. Had owners been putting aside \$5,000 per year over the last decade, many would have saved enough to cover their current deductible.

While insuring your home and business is highly important, your car represents most people’s largest liability exposure according to State Farm agent Jim Golemon. He says the least understood aspect of coverage is for uninsured motorists. Uninsured motorist coverage extends liability coverage for an accident on behalf of the other vehicle if that vehicle’s driver is uninsured and can cover you even if you are hit while not in your car, like jogging or biking. Importantly, unlike other types of coverage, if you have uninsured motorist on one car, it extends to other cars in your family, as well as to immediate family members living in the same home.

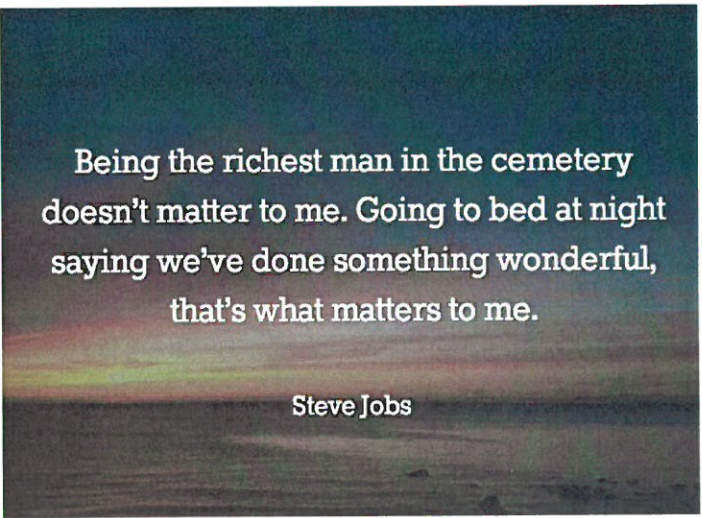
If you have other questions about property and casualty insurance, we recommend speaking to a professional like the ones interviewed here. We will not specifically address life insurance in our newsletter because our general advice in most cases is to purchase term and invest the rest. Our view is that life insurance is not the most efficient investment vehicle. However, if you already have a whole life or other type of policy, one of our professionals will be happy to review it for you.

FUN FINANCIAL FACTS

In an effort to recapture their youth and pull children from their iPhones, parents have led a resurgence of board games. Sales of games and puzzles in the U.S. grew 27% between 2015 and 2017, hitting \$2.09 billion, according to NPD Group Inc. *Source: Wall Street Journal*

Among all luxury asset classes, including art, watches, furniture, wine, etc., automobiles have seen the largest 10-year return at 334%. *Source: Visual Capitalist*

Studies have shown that women are 33% more likely than men to say that their investments are a way to express their social, political and environmental values. *USTrust*



Being the richest man in the cemetery
doesn't matter to me. Going to bed at night
saying we've done something wonderful,
that's what matters to me.

Steve Jobs

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