Homeowner's Insurance Protects a Prime Asset

From coast to coast, hurricanes and wildfires and other natural disasters have created headlines while destroying homes. Your principal residence is probably a valuable asset, so you should be confident your homeowner's insurance can protect you against multiple perils.

Chances are, your first experience with homeowner's coverage probably coincided with your first home purchase, which you financed with a mortgage. Many lenders require such insurance, and proof of adequate coverage may be part of the closing process.

Comprehensive Coverage

Regardless of whether you still have a sizable home loan, you should have a homeowner's policy that will cover you and your family as well as the lender. For instance, the policy should have limits that are adequate to replace or rebuild your home after a complete destruction, not just repay the outstanding mortgage loan. Damage or theft of personal possessions also should be covered. Liability insurance should protect your other assets if a visitor or worker is injured on your property.

Other provisions you might look for include coverage of other buildings on your property (garage, storage shed), living expenses if damages force you to relocate, and theft of possessions. You also might need specialized coverage if you are concerned about damage from floods, sinkholes, or earthquakes.

Proving Loss of Personal Property

To jog your memory of your possessions, which may be vague if your house and everything in it has been destroyed, it's a good idea to take room-by-room photographs of your possessions and keep them in a remote safe deposit box. It's also advisable to make a specific listing of particularly valuable items, with information about purchase date and price.

Your homeowner's insurance company may have suggested forms that you can use to list personal property items before a loss happens. Such information may make negotiating a claim with the insurer quicker and easier.

Finding Good Hands

To get the coverage you want, at a reasonable price, you can shop around to compare offerings from multiple insurers. If you are satisfied with your auto insurance coverage (*see the **January 2019 Sapient CPA Client Bulletin***), look into that company's homeowner's policies. You also can question relatives, friends, or business associates to see if they've had good experiences with an insurer's homeowner's policy.

State Your Claim

Keep in mind that homeowner's insurance coverage is not limited to natural disasters that destroy a home. Lesser damages also may be covered to help you pay for repairs or reconstruction. For example, if you experience a leak in the upstairs shower that results in damage downstairs, you can file a claim and see how the insurer responds.

Don't be reluctant to file small claims. They may provide some needed cash while having little or no effect on future premiums. That said, you might not want to claim a minor occurrence, so why choose a $250 or $500 deductible? A $1,000 deductible may bring down ongoing premiums dramatically.

If you have a claim that runs into five figures, be prepared for some pushback from your insurer. You probably will need an estimate of the amount of money involved. The insurance company may suggest contractors to provide the estimate, but you might prefer to get one from someone else if you have a reputable worker who has completed satisfactory projects for you in the past.

Dealing with Disputes

A homeowner's insurance company probably has its own formula for estimating the cost of satisfying your claim, and its number may be much lower than one from your contractor. Getting photos and filing your claim as soon as possible may help to lessen the disagreement; and a formal explanation of the likely expenses might lead to a better settlement offer. You may wind up with a compromise that reimburses you for most, if not all, of your costs.

Trusted Advice

Income Tax Deductions for Casualty Losses

- Through 2025, you can deduct only personal casualty and theft losses resulting from a federally declared disaster.
- Deductible amount of the loss is reduced by any salvage value and any insurance reimbursements you receive or expect to receive.

- The deductible amount of your losses for a year are also subject to two other limitations:
  - Each separate casualty or theft loss is reduced by $100.
  - The total amount of all losses during the year (reduced by the $100 floor) is reduced by 10% of your adjusted gross income.
- Special rules apply to casualty losses from hurricanes Harvey, Irma, and Maria.