

INSURANCE



Do soaring building costs effect my insurance?



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Agent



Yes, the dramatic rise in building material cost translates into much higher re-construction costs after a property

loss. A study by Verisk shows that total reconstruction costs, including materials and retail labor were up 8.12% in the 12 months ending April 2021. Idaho is among the states with the biggest average increase of 11.93%!

Effect on insurance: Property policies including homeowners, apartments and commercial buildings are typically insured for "Replacement Cost". Replacement Cost (RC) mirrors new construction costs because after a claim (like a fire) the reconstruction is using new materials and current labor costs.

Review Property Limits: Insurance companies are increasing *Homeowners Policy* dwelling coverage and *Property Policy* limits by larger inflation factors at policy renewals. All property owners should review their policies to see if the current limits or the limits being offered at renewal are high enough to rebuild the structure in case of a total fire loss. Ultimately, the insured is responsible for the limit of insurance selected so you don't want to be underinsured.

Home Owners Take Note: At American Insurance our typical *Homeowners Insurance* policy contains an endorsement that agrees to pay more than your dwelling limit if you have chosen to insure your dwelling for full RC originally at the time of application. The additional limit may be anywhere between 25% and 50% depending on the insurance company. So, a temporary rise in reconstruction costs may not expose you to being underinsured.

CONTACT US: Get a free property review at American Insurance. Our experienced local agents will help you determine replacement cost limits. We can quote multiple companies with your one request to find you the best rates available right now for your property coverage. Call us, stop-in, or email Quotes@Am-Ins.com for an appointment.

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