



NW Insurance Council

Consumer Alert

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The “once-a-year check-up” and 10 questions to ask your insurance agent or company

What to Know

- *Three out of five homes in the United States are underinsured by at least 20 percent of their full value, according to a 2018 study by an [analytics firm](#).*
- *A complete review of your home and auto insurance policies is recommended at least once a year to make sure you have the coverage you need.*
- *Keep a detailed [home inventory](#) of all your possessions, and make sure you keep your home inventory up-to-date if you add valuables, such as new furniture or electronics. And don't forget to add new drivers and vehicles to your auto policy.*

BOISE, ID, January 26, 2021 – The worst time to learn what your insurance covers and does not cover is after damage has been done. For example, heavy rainfall often causes flooding in parts of the Northwest. While many people know that only special flood insurance policies cover damage to your home from exterior flooding, some people were hopeful that auto policies might help at least repair or replace their flood-damaged vehicles. And it did – IF they had optional Comprehensive (or “other than collision”) coverage.

Informal surveys of insurance companies in the Northwest suggest that 70-80% of drivers with mandatory auto liability insurance also add collision and/or comprehensive coverage. But not everyone does, especially on vehicles that are older and are paid-for (no outstanding auto loans). If they “opted out” or canceled comprehensive coverage at some point to save money on their auto policy, they would not have coverage to repair or replace their vehicle after last week’s floods.

Auto liability insurance (or other proof of financial responsibility, like a bond) is mandatory for drivers in 49 states. Homeowners insurance is required by lenders for people seeking a home loan. Some landlords require that tenants have a Renters insurance policy in place. But there are many policies or coverage provisions for homes, rental units and vehicles that are optional. And the best way to find out whether the policies you have are meeting your needs is to review them at least once each year with your insurance company or agent.

“It pays to get an insurance checkup with your agent or company at least once a year,” said Kenton Brine, NW Insurance Council president. “Change is constant in our lives – drivers are added, cars are replaced, families grow, homes increase in value - even our climate is changing – so it’s smart to make sure your insurance policies are keeping up with your life.”

An analytics firm estimated in 2018 that three out of five homes in the United States were underinsured by at least 20 percent of their full value. That could lead to an unpleasant surprise for any insured homeowner who discovers that the rising costs of rebuilding a damaged or destroyed home has risen above the limits of their homeowners insurance policy.

NW Insurance Council recommends talking with your insurance agent or company representative to review your insurance policies at least once a year, or whenever big changes – or even smaller ones – take place in your life.

To help get you started, here are 10 questions to ask your insurance agent during your annual insurance policy review:

1. **How does my insurance coverage work? What is covered and what is excluded in my Homeowners policy?** Now is a good time to ask how your insurance coverage works and what is and isn't covered. Know your deductibles and ask what your policies don't cover so you can decide whether you want other types of insurance as well. For example, damage from floods, earthquakes, landslides and sinkholes typically are not covered under a standard [homeowners policy](#) but can be purchased through separate policies.
2. **Are there ways I can save on my monthly premiums?** Make sure you know the monthly cost of your coverage and ask about ways to save on your premiums through higher deductibles or discounts. Things like smoke detectors, alarm systems and bundling auto and home policies under a single company can help reduce your premiums.
3. **Does my policy provide enough coverage to rebuild my home today?** Too many homeowners believe that the coverage limits of their Homeowners insurance policy are linked to the market value of their home. Make sure you have enough coverage to completely rebuild your home and replace your belongings in the event of a disaster. If you've made significant improvements to your home such as expanding a kitchen or adding a new room, you may now be underinsured and will need more protection. Ask your insurance company or agent about "replacement cost coverage", which can guarantee your entire home and contents will be restored to original condition if destroyed, even if costs have risen over time.
4. **Do I need additional coverage for my valuables?** Homeowners insurance offers limited coverage against losses for expensive items, such as jewelry, fine art or high-end sports equipment like bicycles or golf clubs. Special coverage, called a

[Floater or Endorsement](#), can be purchased in addition to your Homeowners or Renters policy to cover the full value of your jewelry or other expensive items.

5. **Am I fully covered if someone is injured in my home?** The maximum amount the insurance company will pay in legal bills and damages if you are sued is shown in the liability coverage section of your policy. If a visitor slips and falls in your home, make sure you have enough coverage for potentially extensive medical bills and legal bills. Your agent can help you determine the right limit of liability to purchase. You may want to consider purchasing an [Umbrella Policy](#) to protect your family's assets.

6. **I have teenagers in my home who are new drivers. Do I need to change my auto insurance?** If your teenage children have started driving, it's generally less expensive to add them to your own [Auto Insurance](#) Policy rather than buy separate policies for them. If they will be driving their own vehicles, consider insuring them with your company so that you can get a multi-policy discount. Choose the vehicles carefully. The type of car a [teen drives](#) can significantly impact the price you pay for insurance. And if you're thinking of simply not reporting your teen driver to your insurer? As a non-disclosed driver, your teen may have less coverage than your policy provides to you – leaving you potentially on the hook personally for liability for injuries or damage after an accident.

7. **How does having kids in college affect my insurance coverage?** If your kids are heading off to college, there are a few things to consider. While they live on-campus in a dorm, their personal belongings are likely covered by your homeowners or [renters insurance](#) policy, but you may need higher limits if they have expensive items like high-end laptops or bicycles. If they live off-campus in an apartment or home, they'll need their own Renters policy to protect their belongings from theft, fire or other covered loss. And if they leave their car (or

- yours) at home, you can likely claim significant savings on their auto insurance because they are “students living away.”
8. **Will changing jobs or retiring affect my insurance needs?** Switching jobs or experiencing a change in your salary can alter your insurance needs. If your new employer doesn’t provide as much Life Insurance protection as you had in your old job, you can replace the lost coverage with an individual Life Insurance policy. If you retired and no longer commute to work, the reduced mileage could reduce the cost of your auto insurance premiums.
 9. **Will getting married or divorced affect my insurance coverage?** You may qualify for a discount on your [Auto Insurance](#) if you’ve recently married. If you and your spouse insure your vehicles through two different companies, consider insuring both under one policy. Consider updating your Homeowners Insurance to protect new valuables such as jewelry and wedding gifts. If you’ve recently divorced, you’ll need separate Auto and Homeowners policies.
 10. **What is the process for filing a claim and how long does it take to get reimbursed?** Knowing your agent’s process for filing a claim and the typical timeline for reimbursement will help reduce stress during the claims process. Also, ask your agent if they are available outside of business hours, or if the insurance carrier can be contacted online at any time.

For more information, contact [NW Insurance Council](#) at (800) 664-4942

NW Insurance Council is a nonprofit, insurer-supported organization providing information to consumers, media and public policymakers in Washington, Oregon and Idaho.

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