



THE Insurancenter NEWSLETTER

Fall 2021

Have You Renovated Your Home? Call Your Insurer

AMERICANS WHO were cooped up at home during stay-at home orders since the pandemic started have been busy renovating their homes in record numbers.

Home renovation spending grew 15% in the last year to a median \$15,000, according to a poll by home renovation website Houzz. It also found that higher-budget projects saw an increase to \$85,000 or more in 2020, compared with \$80,000 in the two years prior.

If you spent money on home renovations recently and you haven't informed your insurer about it, you should.

The reason for this is that if that new kitchen increased the cost of rebuilding your home after a claim, your current policy limits may not be enough to reimburse you if you have a total loss. Ideally, you should inform your insurer before you start renovations.

Below we list the main home renovations that you should inform your carrier about:

Kitchen and bathroom upgrades – One of the most surefire ways to increase your home's value is to remodel and modernize the kitchen or bathroom.

A kitchen upgrade will cost an average of \$35,000, while adding an average value increase of \$20,000 to your home.

If you spend that much, your homeowner's policy may not have high-enough limits to cover the cost of rebuilding after a disaster or fire.

Please note: If you upgrade your electrical or plumbing systems during a kitchen or bathroom renovation, you could qualify for an insurance discount.

Flooring – New or refinished wood flooring also adds value to your home.

Installing wood flooring by replacing another floor, usually has a 91% return on investment. So a \$10,000 wood flooring installation can add around \$9,000 in value to your home, depending on the flooring type you choose.

Siding – The average cost of siding replacement in 2020 was \$14,518 and the replacement cost is likely to be higher today due to higher material pricing.

Adding more square footage – Some people have added more space to their homes to make it more comfortable to telecommute.

While a home expansion can add value to your home in the resale market, it will also cost more to rebuild in case of a total loss.

You may also need additional insurance if the space you added is not inside your home: like a deck or grandmother's quarters.

Some final tips

When doing a remodel, make sure that your contractor is licensed, insured and surety bonded before signing the contract.

If the contractor starts but doesn't finish the job, their surety bond will cover financial losses the homeowner incurs.

Also, you need to make sure the contractor has general liability insurance, which covers them for accidental injury to someone other than a worker or themselves.

You will also want to make sure they have workers' compensation insurance. If they don't and one of their workers is injured on the job, they can go to your homeowner's policy to cover their workers' comp claim.

Finally, call your insurer if you've made upgrades or have added expensive fixtures. ❖



Welcome to The Insurancenter Newsletter!

It is with great satisfaction that we bring this newsletter to you. In this issue and in coming months, we will discuss pertinent risk management topics which may affect you and your family. We sincerely hope that you will find this newsletter informative and please do not hesitate to contact us should you have any questions or needs. – Douglas Nellans



You Can Do Better With Us!



Reducing the Cost of Insuring Your Teen



WHILE TEENAGERS react with glee when they get their driver's license, for parents it is a time of angst and higher insurance premiums.

Sticker shock is not uncommon when parents receive that first quote for coverage, but there's a reason for those higher rates.

Teen drivers are unproven and due to their lack of driving experience, insurers try to protect themselves with higher premiums. And they do so for a valid reason: statistics show that teenagers are involved in a higher number of accidents with fatal or critical injuries than more experienced older drivers.

But don't fret. There are a number of ways to reduce the cost of teen drivers' insurance costs. Here are seven of them:

- **Choose an older model car.** Less flash will save you money. Two measures of insurance costs are horsepower rating and the theft rate. Older cars also have a lower book value, which in turn reduces the insurance premium.
- **Consider raising your deductible.** A higher deductible results in lower monthly premiums.

- **Good student discount.** You don't need to have an honor student to qualify, but every insurer has its own definition of a good student. Teens may still qualify even if they aren't at the top of their class, and some discounts carry over to college.

Good Student Discount 101

To qualify for a discount of up to 20%, the student would typically need a B average or higher for all subjects combined. Many insurers offer discounts to students up to 25 years old.

- **Buy a safe car.** Your teen's insurance rates will be lower, and you will be less worried about your child when they are driving solo. You can check safety ratings at www.iihs.org.
- **Discounts for safe drivers.** Some insurers offer discounts for driver-safety programs, cutting costs for kids who take a special class, watch a DVD or read a driver safety book and take a test.
- **Explore multi-policy discounts.** Many insurers will give you a discount if you insure both your home and car with them. You may get an additional discount if you include an umbrella policy. This provides extra liability coverage beyond your auto insurance limits and can be particularly valuable when you have a teenage driver.
- **Drop some coverage.** Consider dropping collision and comprehensive coverage on older cars that are worth little more than the deductible. You may be paying more in premiums than you could ever get back from the insurer, even if the car is totaled. ❖

Don't Cut Policy Liability Limits

Whatever you do, don't cut back on your teen's liability coverage in your drive to reduce your insurance premiums. Try to aim for the following limits at a minimum:

- \$250,000 per injured third party,
- \$500,000 per accident, and
- \$100,000 for property damage.

How to Insure Your Classic or Antique Vehicle

VINTAGE AND classic car collecting has been growing in recent years as more people accumulate wealth and millennials get into the action.

If you're in the market for a collectible vehicle, you'll want to make sure that you get the right kind of insurance for it as the standard auto policy may not provide the coverage you need in case you need to make a claim.

If you purchase a standard auto policy, you could be left paying significantly out of pocket if you have to make a claim.

That's because the standard personal auto insurance policy assumes that the vehicle will depreciate with each passing year.

If you have a vintage car, you'll want to make sure you secure insurance that can offer full coverage should the vehicle be damaged.

'Classic car' defined

How insurers define a "classic car":

- Most insurers require that your classic car has limited use.
- Some insurers require that you have a daily use vehicle as proof that you won't be tooling around in your classic every day.
- Some insurance policies may require that you store the vehicle in an enclosed and locked garage or storage facility.
- Some carriers will insure your classic as long as it's in good working condition.

The following vehicles could be eligible for classic car insurance (depending on the insurance company):

- Antiques
- Classic cars
- Classic military vehicles
- Classic tractors
- Customs
- Certain motorcycles and scooters
- Muscle cars
- Race cars

Classic car coverage types

Classic car insurers will typically offer two types of coverage:

Agreed value – You and the insurer agree in advance on the value of the car and this is the amount the insurer would pay you for a total loss (minus any deductible you have).

This value is usually reached by having an appraisal supported by documentation. You may revisit this agreed value every year before your policy comes due if the vehicle's value has changed. Most people will choose this option as it does not consider depreciation.

Stated value – When applying for coverage, you tell the insurer how much the car is worth, with documentation. If the car is totaled, the insurer can choose to pay either stated or cash value of the vehicle, whichever is less. ❖

CLASSIC CAR COVERAGE SPECIFICS

Liability – This covers damage or injuries to third parties if you are at fault.

Collision and comprehensive insurance – This will pay for damage caused by accidents or other covered claims.

Uninsured motorist coverage – Like a typical auto policy, this covers your medical bills if someone without insurance hits you.

Policies may also offer the following riders:

Cherished salvage coverage – This coverage allows you to keep a car that is a total loss and for which the insurance pays the claim in full.

Spare parts and automotive tools coverage – This will cover the costs of rare or expensive parts or tools that are needed to repair your vehicle after a claim.

Vehicle under construction coverage – This special insurance option is designed to provide automatic regular increases in physical damage coverage for your classic or collector car as the work progresses.

Traveling coverage – This pays for expenses if you break down on a trip.

Auto show medical coverage – Covers third-party injuries in or near your car at a show.

No-attendance coverage – Pays for damage incurred at an auto event even if you're not around your car when the incident happens.

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You Can Do Better With Us!

Is Your Coverage Keeping Up with Rising Repair Costs?

CONSTRUCTION MATERIAL prices have skyrocketed, and so has the cost of labor as the building industry struggles with a manpower shortfall. These issues are adding significantly to the cost of repairing and rebuilding homes, so much so that some homeowner's policy limits may not be enough to pay for it all.

Sawmills slowed production in 2020 in response to the COVID-19 pandemic and stuck-at-home homeowners went on remodeling sprees. The result: Between late October 2020 and early May 2021, lumber prices more than tripled. They've dropped from their peak, but they remain more than 50% above the previous levels.

Labor costs for home construction and repairs are also increasing and contractors who build or remodel homes are in high demand.

The effect on your coverage

Even if you are not building or remodeling a home, these cost increases can be a problem for you.

Every homeowner's insurance policy shows a dollar amount (known as a "limit of insurance"), which is the most the company will pay for loss of or damage to the home. (This limit is typically designated as the limit for "Coverage A – Dwelling" on the policy's information page.)

This limit is based on the estimated cost of rebuilding or replacing the home should it be destroyed. But, an estimate made even a year ago may be insufficient to cover the new material and labor costs.

You may have insured your home for \$600,000 in 2019, but today it may cost \$700,000 or more to rebuild. Your insurer is obligated to pay only \$600,000, which would leave you to come up with the rest.

What you can do

We can review your policy to see if your current coverage is sufficient. Here's what to look at:

- Does your policy provide coverage for rebuilding or replacing the home, or only for its cash value?
- Does it cover you for the cost of meeting new building codes?
- Does it fully cover your recent upgrades or additions?

It is important to get the answers before a loss occurs.

If you remodel or add on to the home, it is essential that you notify us or your insurance company. Your limit of insurance is based on the way your home was, but the home is no longer the same. Your carrier needs to know about changes before it can properly insure you. ❖



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