

Natural disasters & homeowners insurance... Are You Covered?

Volume

Insurance Whitepaper Series

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Some areas may never see the likes of Hurricane Katrina, but tornadoes, floods, wind damage, fire and more all happen right here in our communities. When a disaster hits, there's no time to check whether you have got the right kind of homeowners insurance. It's best to take time when things are calm to evaluate your coverage and ask the right questions.

The images of New Orleans under water made us all wonder about flood insurance. Here are a few tips on that and more to help you evaluate your coverage:

1) Does my homeowners insurance cover flooding?

No. Flood insurance in virtually all cases must be purchased separately from your homeowners policy. If you live in a floodplain, it's likely you'll be required by your lender to purchase flood insurance through the National Flood Insurance Program (NFIP), which is backed by the federal government. But flood insurance is a good idea for every homeowner - about 25% of NFIP's claims come from outside high-risk flood areas. Those not living in a floodplain can purchase flood insurance through NFIP at substantially discounted rates.

Most importantly, flood insurance is designed only to help you "get back on your feet." It typically covers basement clean up and items such as boilers, furnaces, hot water heaters, and air conditioners. Flood insurance does not cover basement improvements such as finished walls, floors or ceilings, or personal belongings.

2) What about tornadoes?

A typical homeowners policy should cover damage from a tornado or other storm. Still, deductibles for wind and hail damage may be higher than in the past.

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3) What about earthquake coverage?

Don't laugh. Minor earthquakes hit Northern Illinois in June 2002 and 2004 and both were felt in our area. Damage from an earthquake would not be covered under your homeowners policy - you'd need separate coverage. But it is affordable - one estimate puts earthquake coverage at about 10% of your homeowners policy with a 10% deductible.

4) Are sewer and drain backups covered?

Damage from the backup of sewers or drains is typically excluded from your homeowners policy, but you can buy it back. The standard coverage for sewer or drain backups likely won't be enough to restore your finished basement or cover its contents. Consult with your insurance agent to ensure you have the appropriate coverage.

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5) Do I have enough coverage overall?

In the wake of so many disasters, you should check to make sure you have adequate coverage both for your home's value and for its contents. Your home should be insured for 100% of its replacement cost. A typical homeowners policy will insure the contents of the home for between 50% and 70% of the home's insured value.

Customer service and responsiveness can be even more important than the cost of your premiums. A low-cost policy may seem attractive, but if the company isn't there when you need it, the money you saved means little. If your home is damaged or destroyed, the last thing you want is a fight with your insurance company.

Your trusted insurance agent is a great resource. Here are two websites that may be helpful:

- www.travelers.com - Click on "Learn More About Insurance" then click on "Flood 101."
- www.fema.gov - The Federal Emergency Management Agency's website with information on flood insurance, flood plain maps, the NFIP and more.

Be sure you have the insurance coverage that fits your needs from a reliable company you trust. If disaster does strike, you'll want that peace of mind to help see you through.

For more information, please call Johnson Insurance at 1.800.236.5546. Johnson Financial Group is a premier financial services company offering comprehensive financial solutions in the areas of banking, trust, insurance and investment management through Johnson Bank and Johnson Insurance.