

## **It May Be Time To Review Homeowners Insurance Coverage - Consumer Awareness**

As home values have increased, so has the need to review insurance policies to be certain that appropriate coverage is in force. It is recommended that homeowners review their current coverage on their insurance policies in order to avoid under coverage circumstances.

When reviewing homeowners insurance, there are two basic types of coverage: replacement cost and market value. Replacement cost is the cost necessary to replace your entire home based on an estimated replacement cost. Market value is the amount that a buyer would pay to purchase your home and property in its current condition.

Replacement cost is preferred because it takes into account current material costs that may not be reflected in a market value. Over the past year, the pandemic drove the costs of lumber and copper significantly higher, increasing replacement costs. Homeowners that plan to stay put and not sell should review their policies for appropriate coverage.

Source: Consumer Financial Protection Bureau, U.S. Bureau of Labor Statistics; Producer Price Index by Commodity: Lumber and Wood Products: Softwood Lumber

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