



The Best Policy

By Suze Orman



Your home is probably your biggest investment. That's why you need to pore over the fine print of your insurance contract to make sure you are truly protected. Look for the following clauses:

- Annual Inflation Adjustment** To keep up with rising material and construction costs, see that your dwelling coverage automatically increases by about 5 percent each year.
- Replacement Coverage Check** This makes sure that your personal property coverage is not "actual cash value," or ACV. If you only have ACV, you're entitled to a payout that covers only the depreciated value of your belongings—not the cost of new replacements.
- Additional Living Expense/Loss of Use** This determines what you'll be paid if you must move out of your home temporarily because it's damaged or destroyed. A policy that specifies "no dollar limit and no time limit" will give you more peace of mind than standard coverage, which usually allows you just a small percentage of your overall maximum and generally comes with a 12-month time limit. A massive rebuilding, from start to finish, can easily take longer than a year.
- Personal Liability Coverage** This is what your policy will pay out if you are held liable in a legal judgment. Often, the most you can get on a standard insurance policy is \$500,000. But if you have assets worth more than that, including the value of your home and all other investments, then you'll also need to buy an umbrella liability policy. A million dollars of coverage will add just a few hundred dollars each year to your premium.
- Natural Disasters** A standard policy typically does not protect against damages caused by natural disasters. If your area faces even the slightest likelihood of flooding, tornadoes, hurricanes, or earthquakes, then purchase additional coverage. When it comes to preserving your home—and your quality of life—always hope for the best but prepare for the worst.