



HOME RECONSTRUCTION INSIGHTS

The cost to rebuild homes is ever-changing (especially in today's market). Here's what you need to know regarding your home's reconstruction value and how it effects your insurance.

What is a Home Reconstruction Estimate?

Our Personal Insurance Advisors use various tools to help guide our clients in selecting the appropriate amount of coverage for their home, otherwise known as the reconstruction estimate (RCE). We gather specific construction details about your home and enter it into the RCE tool, which calculates the estimated cost to rebuild your home in today's market. We also rely on data collected during a home inspection to determine the RCE, and select the home's insured value based on these estimates.

How Often Should My Home's RCE Be Updated?

Most homeowner's policies are designed to automatically increase the limit of insurance at the rate of inflation. However, we recommend speaking with your advisor about your home's reconstruction estimate after any major home updates, or if it has been several years since you've had an updated estimate done.

Reconstruction Cost vs. Market Value

Clients regularly ask why their home shouldn't be insured for the exact amount they purchased it for. The reason we don't recommend this is because the cost of buying a home (market value) doesn't always mirror the cost of reconstructing that same home. Market value does not account for things like labor costs, the cost to remove debris, or increased costs in construction materials. If your home is underinsured at the time of a loss, this could result in a cap on the claim settlement amount that the insurance company is required to pay, leading to hefty out of pocket costs for you to rebuild your home, or settling for a rebuilt home of lesser quality.

How Do I Protect Against Underinsurance?

We strongly recommend adding guaranteed replacement cost coverage to your homeowner's insurance policy. This coverage is offered by most of our preferred insurance carriers; some even include it automatically. It is designed to guarantee the complete reconstruction of your home at the time of a loss, regardless of its insured value. Reach out to your Personal Insurance Advisor to learn more about your specific policy, and if guaranteed replacement cost coverage is available to you.