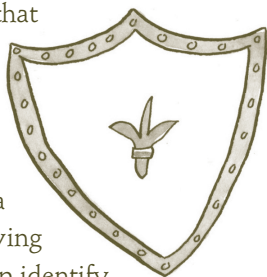


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Avoiding Blind Spots in P&C Insurance

Insurance can be a tortuous concept to the human psyche, as it's one of the few things you ever buy with the hope that you'll never need it. This disconnect may explain the "set it and forget it" mentality that many have when it comes to insurance protection. As part of our comprehensive wealth management approach, we focus on helping clients manage risk in a variety of ways – including reviewing insurance coverage regularly to help identify gaps or shortfalls. In our experience, we've found some common property and casualty "blind spots" that are worth highlighting.



Homes

The cornerstone of any home insurance policy is the dwelling coverage. In the event of a disaster that leads to a total loss of the home, the dwelling coverage will determine how much the policy pays. If that amount is less than what it would cost for you to rebuild your home, then you'd need to pay the difference out of pocket. Many home insurance policies issued upon purchase of the home do not provide adequate replacement coverage, and even if they do, that amount may become insufficient over time as your home value appreciates.

In addition to adequate dwelling coverage, there are certain riders available that can be game changers in the event of a home loss.

- Inflation guards increase your coverage to accommodate the increased replacement cost of your home as a result of inflation. It's important to note that while the market value of your home may increase over time due to a number of reasons, insurance companies use the replacement cost to determine what expenses they will cover as a result of damage.
- Extended replacement coverage offers the ability to replace your home with current building materials and be reimbursed for the full replacement cost, instead of the depreciated value of original materials. These endorsements provide additional coverage above the stated coverage amount to account for the higher rebuilding costs of replacing a fully damaged home.
- Lastly, ordinance and law endorsements may cover the costs of rebuilding your home to the current code. For example, new code may call for egress windows in all basement bedrooms, a requirement not typically in place during the original construction of older homes.

Art, Jewelry, and Other Intangibles

A typical home insurance policy will cover personal property but will likely limit reimbursement for high-value items to a few thousand dollars total. If you have a collection of art, jewelry, wine, sports memorabilia, stamps, coins, etc., a few thousand dollars would likely not go very far in replacing any of these collections. These types of items require their own separate coverage through the use of riders in order to insure against their actual values. »

Those looking to properly insure valuables are often deterred based on challenges associated with documentation and the volatility in item values.

Thankfully, as is often the case in our technologically advanced culture, there are now multiple “apps for that,” such as DreamVault, Sortly, and The Home Inventory. These use secure, cloud-based software to maintain a home inventory, including valuable possessions – many are even offered straight from insurance carriers.

Rental Cars

Perhaps none are more inclined to fill insurance gaps than rental car agents, who are notorious for giving the hard sell. However, in many instances, purchasing liability or damage insurance from the rental car agency would be duplicative. If you have adequate liability coverage on your auto insurance policy, that generally extends to a rental car. Comprehensive and collision protection on a personal policy commonly includes rental cars as well. Additionally, many major credit card companies offer some type of insurance protection

for rental cars, provided that the rental car purchase is charged to the card.

In any case, it's important to understand any restrictions associated with this automatic coverage. There could be scenarios where an insurer denies coverage if you are driving the rental car while the primary vehicle is also being driven by someone else in the same time frame. Furthermore, credit card companies may act only as secondary insurers to expenses that are not covered by the primary auto policy. A few minutes on the phone with your insurance agent should help clarify these nuances and enable an informed decision for your next rental car transaction.

As is often the case, blind spots may not be obvious until it's too late. An insurance review with your financial advisor can help uncover and resolve any gaps that have emerged in your coverage. While RMB does not sell insurance, we can collaborate with your agent to ensure your coverage aligns with the rest of your financial goals. ■

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