

# SIMPLY INSURANCE



Joanne DeGroot

## HOME INSURANCE – WHY INSURE TO VALUE?

Home insurance covers many more things that could go wrong than ever before. Most homeowner's policies will insure losses from things like fire, windstorm (including tornado), theft, vandalism, and burst plumbing or water tanks. Losses today are normally paid for on a replacement cost basis, which means there is no deduction for depreciation in the settlement. This means that we will pay for a new stove to replace your old one if, for example, it is destroyed in a fire.

Replacement cost coverage is also included in many home policies, so if your house burns down or is destroyed by a tornado, we will pay to have it replaced without taking anything off because of the home's age.

The cost to replace a building is higher than it is to build a new one on a vacant lot because the wreckage from the fire has to be cleaned up and removed from the site before construction can begin. Sometimes, this involves removing hazardous waste which requires specialized handling and extra costs. As well, we don't have the luxury to "shop around" for the best prices on all of the building materials and to negotiate at length with respect to contractor's costs, because we want to get your home replaced as quickly as possible for you.

Your insurance broker can do an estimate of the cost to replace your home at today's prices. The replacement cost of your home will not reflect the real estate value as there are many differences in the two. Site clean up, material costs and contractor fees all help in forcing the cost up. As well, we try to build your home as close to its original design as possible and often that involves extra costs such as engineering or architectural fees.

To protect yourself properly you should speak to your insurance broker and ask to have a "replacement cost" evaluation done on your home. There is no charge for this service, but you will be expected to insure your home for this estimated replacement cost amount. Your home may then be available for "guaranteed replacement cost" coverage. With this coverage, the company would have to pay the actual cost of rebuilding your home even if the cost was higher than the amount of coverage you carried. This will give you a little more peace of mind. When insuring your home, it is worthwhile to insure to value!

*Joanne DeGroot is a member of our McKie & Farrar team of professional brokers. She has been serving clients in our community for almost 25 years!*

**McKie&Farrar**  
GENERAL INSURANCE LTD.

28 Colborne Street N., Simcoe ON N3Y 3T9  
519-426-2551 [www.mckiefarrar.com](http://www.mckiefarrar.com)

**GAIR**  
INSURANCE LTD.

28 Colborne Street N., Simcoe, ON N3Y 3T9  
519-426-4773 [www.mckiefarrar.com](http://www.mckiefarrar.com)

**TRI-COUNTY**  
INSURANCE BROKERS LTD.

35 Main Street, Waterford, ON N0E 1Y0  
519-443-8645 [www.tricountyins.ca](http://www.tricountyins.ca)

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