

How Much House Insurance Do I Need ?

For most people, the answer to this question is obtained when they first buy their home. At that time, a valuation is customarily done and the valuation report will state the sum recommended for insurance. If they are getting a mortgage loan, the Bank will usually insist that the house be insured for a sum not less than that stated in the valuation report.

Unfortunately, thousands live in their home for several years and never change the amount of their house insurance. In a time of increasing costs, this can be very dangerous to a homeowner. It is like playing Russian roulette.

Let's examine a case where a homeowner Mr. I. N. Trouble buys a property for \$600 000 at which time the cost to replace the building is \$400 000. At that time, he buys insurance on the building for \$400 000. After a period of 10years, let us assume that his building will cost \$600 000 to replace. However, he has never increased his house insurance... and ...DISASTER! ..his house is fully destroyed.

Mr. I. N. trouble will be entitled to a Cheque for \$400 000. (the amount of his house insurance). However, to replace the house he had, it will cost him \$600 000, and as a result he will have lost \$200 000.

The worst is yet to come. In obtaining his mortgage loan, his house insurance was assigned

to the Bank that carries his loan. The Cheque from the insurance company will therefore go to the bank first, and only be released to him in some format, if and when he rebuilds his house.

O.K., but a house is rarely 100% destroyed. What if it is only 60% destroyed? Surely Mr. I.N. Trouble will get the full \$360 000 (60% of the replacement cost of \$600 000.) as his insurance is \$400 000 ? The answer is NO.

In this scenario, he will get \$240 000. This represents 60% of what the house is actually insured for (which is \$400 000) and therefore, he will be short \$120 000 i.e. \$360 000 (the cost of repairs) less \$240 000 (insurance proceeds).

This clearly shows the danger of sitting back and not paying attention to your house insurance. For all of you who are guilty of not checking to see if your house insurance is sufficient, please contact a qualified expert. It may be a Quantity Surveyor , Engineer, Architect, Valuer or Contractor.

Their fee will depend on the value of your home, and will generally be between 1/6—1/3 of 1% of its value (i.e. divide the value of the building by between 600—300). While it may appear may appear costly at first, it is definitely worth it when compared to what you might lose.

It is also important to select the insurance company very carefully. A major consideration is that the company is financially sound. In addition, it should have a good reputation for settling claims. While cost is a factor, it is not a good idea to select a company solely by the insurance premium. The sum you save now may not seem worth it when you are having difficulty in obtaining a settlement Cheque for your loss. Finally, having a good insurance agent is also advisable. You want an agent who is knowledgeable in insurance and has an interest in your needs.

Do not procrastinate. The time to get professional advise is NOW!

This information was provided by

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Agents for Sagacor General Insurance Inc.

Useful Information

Metric Conversions

The bold figures in the central columns can be read as either the Metric or the British Measure

E.g. 1 inch = 25.400 millimeters or

1 millimeter = 0.03937 inches

Length :

0.03937(inch)	1	25.400(millimeters)
3.2808 (feet)	1	0.3048(metre)
1.0936(yards)	1	0.9144 (meter)
0.6214 (mile)	1	1.6093 (Kilometer)

Area :

10.764 (sq. ft)	1	0.0929 (sq. meter)
1.1960 (sq. yd)	1	0.8361(sq. meter)
2.471(arces)	1	0.4047(hectare)

Monthly Mortgage Installments:

The amounts below reflect the amount required to repay \$1. To calculate your mortgage installment, find the correct rate and time, and multiply the figure shown by the amount of your mortgage. (e.g. \$50 000 @ 9% for 25 years = 50000 x .0084 = \$420.)

Years	Rate%	15	20	25	30
8.0		.0096	.0084	.0077	.0073
8.5		.0098	.0087	.0081	.0077
9.0		.0101	.0090	.0084	.0080
10		.0107	.0097	.0091	.0088
11		.0114	.0103	.0098	.0095

Important Dates:

15th of every month

PAYE, NIS & Health Surcharge remittances due.

25th of every other month

VAT Remittance due

31st March

Quarterly tax, Business Levy & Green Fund Levy installments due

30th April

Tax filing deadline to avoid interest

30th June

Quarterly tax, Business Levy & Green Fund Levy installments due

30th September

Quarterly tax, Business Levy & Green Fund Levy installments due

31st October

Tax filing deadline to avoid penalty

31st December

Quarterly tax, Business Levy & Green Fund Levy installments due

31st December

Deadline for paying land taxes



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**How
Much
House
Insurance**

**Do I
Need?**

