



WIND AND HAIL UPDATE

*South Carolina Wind And Hail
Underwriting Association
240 Stoneridge Drive, #101
Columbia, SC 29210*

May 3, 2021
21-02

HOMEOWNERS SHOULD REVIEW INSURANCE POLICY LIMITS TO KEEP UP WITH INCREASING CONSTRUCTION COSTS

Homeowners and property owners should review insurance coverage limits due to increasing repair and replacement construction costs.

This is the message in the press release from the South Carolina Department of Insurance on April 14, 2021. A copy is attached.

Consumers should be aware that the cost to repair or rebuild using materials of like kind and quality can vary greatly from the market value.

As one example, the price of lumber is up 193% from this time last year. This information appears in an article entitled, "The Price Of Lumber Is Up 193% -- And About To Spike Even Higher." (Fortune.com, April 13, 2021)

In the same article, the National Association of Home Builders says that the cost of lumber is increasing the cost to build the average home by \$24,000.

Now would be an excellent time to discuss policy limits with your insureds.

You should also remind your insureds that construction costs increase significantly following a natural disaster.



April 14, 2021

Consumer Alert: Homeowners Should Review Insurance Policy Limits to Keep Up with Increasing Construction Costs

The South Carolina Department of Insurance (SCDOI) is reminding home and property owners to review your insurance coverage limits due to increasing repair and replacement construction costs.

Homeowner's Insurance Coverage Limits Should Cover Repair, Replacement

Your insurance limits should be based on the cost to repair or rebuild using materials of like kind and quality. This is not the same as your property's market value or your purchase price, which also includes the value of land and is dependent on the real estate market.

Homeowners Should Annually Review Your Insurance Limits

As the costs for construction materials increase, home or property owners should review your insurance policy's Replacement Cost Value to make sure it's keeping pace.

The SCDOI recommends that home and property owners review your limits of coverage at least annually with your insurance agent, broker or insurance company.

Understanding Your Coverage

It's important to understand what your insurance policy covers. For example, do you have Replacement Cost Coverage or is your coverage based on the Actual Cash Value, which is typically less and includes depreciation.

Understanding your deductible, which is how much you'll need to pay out-of-pocket before your insurance kicks in for a covered loss, is also important.

You can find more about homeowner's insurance at doi.sc.gov/home.

