

COVERING Your BLING

(AND OTHER TREASURES)

Do you own some unusual or expensive items? Then you might want to make sure they're covered property via a rider to your homeowner's insurance policy.

WHEN YOU BOUGHT YOUR HOUSE, YOU bought a homeowner's insurance policy. While that coverage is important, it might not be as comprehensive as you think. A standard homeowner's policy is designed to cover typical possessions. But most of us own things that are much more important, both emotionally and financially, than our couch or clothing. In these cases, you might want to consider adding a rider to your insurance coverage.

As the name implies, these are additional policy terms and conditions that "ride" on your policy's basic coverage. You also might hear such coverage referred to as a scheduled personal property endorsement or a floater policy. Regardless of the name, the goal is the same: To extend your policy's parameters so that your special belongings are appropriately insured. "A rider takes the property out of the realm of just being 'stuff,' and keeps it from being lumped in with the rest of your things" said Cynthia D. Southerland, CEO and President of Austin-based Southerland & Associates.

In addition, said Southerland, who is also president of the Austin chapter of NAWBO (the National Association of Women Business Owners), a rider extends coverage amounts and expands the types of circumstances under which your property could be lost or damaged. And all of this comes without you having to meet deductible costs or deal with the depreciated value of the item. "A good agent will ask you if you have any high-dollar property," said Southerland. "I tell clients, if you have anything unusual or expensive, talk to me about it, especially anything you can take out of your home with you."

But if you don't have a good agent, any agent at all, or have acquired valuable property since you bought your homeowner's policy, here are some coverage areas that might call for a rider:

JEWELRY

Most people who are collectors, from coins to antiques to artwork, are well aware that these items need special coverage via riders on their homeowner's policy. But because the standard homeowner's policy does include some coverage for jewelry, many people think extra coverage is unnecessary. That's not necessarily true.

"As for furs and jewelry, the standard homeowner policy in Texas will cover up to \$500 for any one item or group of items," said Southerland. You can get an extension on that limit, but as long as it's part of the main policy, any loss will still be subject to your deductible and the coverage situations are more limited.

"You are much more likely to lose a ring's stone than to have the item stolen," said Southerland. That type of loss is not typically covered in a basic policy. Neither is damage to the jewelry or its mysterious loss. Southerland has first-hand knowledge of the value of a jewelry rider. A door closed on her finger, and while her ring kept her hand from being badly injured, she did lose some of the ring's stones. Thanks to her jewelry rider, she was able to get the ring repaired without paying her homeowner policy's deductible.

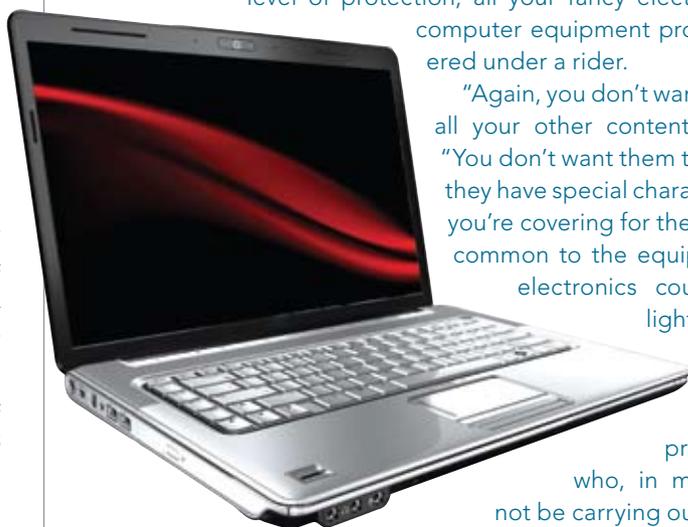


COMPUTERS AND ELECTRONICS

Austin also is home to many tech-savvy residents. To get the appropriate level of protection, all your fancy electronics and expensive computer equipment probably should be covered under a rider.

"Again, you don't want to lump them in with all your other contents," said Southerland. "You don't want them to be depreciated, and they have special characteristics. With a rider, you're covering for the types of risks that are common to the equipment." For example, electronics could be damaged by lightning or power surges.

In addition, noted Southerland, these electronics are prime targets of burglars who, in most cases, will not be carrying out your sofa. >>



BICYCLES

As you'd expect in the home of seven-time Tour de France champion Lance Armstrong, bicycling is a very popular pastime in A-town. And there are a lot of very expensive bikes housed in local garages.

By adding a rider (no pun intended) to your homeowner's policy, you can make sure that your two-wheel transport also gets championship coverage. "The way replacement cost works is that the policy will allow for like-kind replacements," said Southerland. "You might have a \$1,200 bike that could, under your standard coverage, be replaced with a like-kind bike worth \$250."



MUSICAL INSTRUMENTS

In the Live Music Capital of the World, many households contain some valuable musical instruments. If one of those homes is yours, make sure your policy coverage extends to your guitar, drums or fiddle.

"A lot of people don't know that on homeowner policies, musical instruments are covered as a piece of furniture," said Southerland. She recommends that musicians schedule this type of equipment. Such a move is especially important if they travel with the instrument – and what musician doesn't? – because standard policy coverage doesn't travel with them. "It will extend the coverage to where that musical instrument goes," said Southerland, "extending the coverage to any damages or loss while at a gig."

The same applies to any expensive property that you frequently carry with you, such as golf clubs, hunting rifles or camera equipment.

Calculating the Costs

OK, it's bottom line time. Just what will this extra coverage cost? In many cases, it's surprisingly little. The cost of a rider is usually determined on a per-thousand-dollar basis, and is often nominal when compared with the risk of loss. While it's impossible to provide an exact rider price, Southerland said 10-to-20 cents per dollar of coverage is not unusual. Again, the precise cost will depend on your tolerance level and the amount of property you want covered. In the case of jewelry, for example, Southerland cited one instance where around \$18,000 worth of jewelry is insured for less than \$300 per year.

Most people tend to schedule items that are worth \$500 or more, but Southerland recommends a \$250 value as the cutoff. "Inevitably, they lose a ring that's \$450 and then realize it would have cost only \$30 to schedule," she said.

Such value decisions, however, are personal. The key to a policy rider, as with any insurance coverage, is determining your risk floor and ceiling. "You have to decide that you can replace it up to a certain dollar amount, or that you're willing to accept a loss up to a certain amount," said Southerland. Then work with your insurance agent to come up with coverage to meet those levels. The most important thing, said Southerland, "is just get it covered."

So start with your homeowner's policy. Be aware of its basic coverage and limitations. Assess your risk tolerance and financial thresholds. Then talk with your insurance agent. You might find that a rider will give you a lot more coverage for a relatively small price. And that could be good not only for your property's protection, but also your piece of mind.

S. Kay Bell's book, The Truth About Paying Future Taxes, is now in bookstores. In it, Bell offers readers 52 truths about how they can find tax savings in our complex tax code. ★

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