



Home replacement cost — Part II

Is your home insured for its proper value?

Is your home protected? Because your home may be the biggest investment you ever make, it's important to understand your home insurance coverage options.

Here are some factors to consider when selecting a policy:

Market value is the amount you pay for a home, including the land, regardless of how much it would cost to rebuild the home. The selling price, or market value, is determined by factors such as age, size, physical condition and location of the home.

Replacement cost is the cost necessary to replace or restore the entire home equal to its condition before the loss. Replacement cost does not refer to the market value of the home, the home's purchase price, the cost of the land, the assessed value or the outstanding amount of any mortgage loan.

What factors help determine the replacement cost of your home?

- Local construction costs
- Square footage
- Year built
- Exterior walls/roof/trim
- Style of home
- Number of bedrooms/bathrooms
- Garage
- Finishes
- Customizations
- Improvements/renovations
- Other unique features
- Required building code upgrades

Extended replacement cost generally pays to have your home repaired or rebuilt to its condition before the loss even if the cost exceeds the policy limit up to a capped amount. The capped amount is an additional percentage, such as 25% or 50%, over the amount for which the home was insured.

Guaranteed replacement cost will pay to repair or rebuild your home to its original specifications regardless of the cost. There is no cap on the amount the insurance company will pay.

How you may be at risk

Choosing the right homeowners insurance policy may be just as important as choosing a home. When comparing policies, it's important to distinguish levels of replacement cost.

You purchased your dream home for \$2.5 million. The replacement cost is estimated at \$2 million. Six months later, your home is destroyed by a wildfire. Whole neighborhoods are destroyed. Demand, price for labor and construction material costs soar, driving up the cost to rebuild. The actual cost to rebuild your home is \$4 million. Depending on the insurance you chose and the coverage options available, you may receive the following for your claim minus your deductible.

Home insurance coverage	Claim payout	Deficit after payout
Market value of your home	\$2,500,000	\$1,500,000
Basic replacement cost at 100% (homeowners policy insured amount)	\$2,000,000	\$2,000,000
Extended replacement cost at 125%	\$2,500,000	\$1,500,000
Extended replacement cost at 150%	\$3,000,000	\$1,000,000
Guaranteed replacement cost (amount needed to rebuild)	\$4,000,000	\$0

Homes are often under-insured, leaving insufficient funds to rebuild to the same specifications. A major loss to your home is traumatic enough, but to not be able to recoup rebuilding costs could be devastating.

Talk to your agent about your replacement cost, and make sure he or she is aware of any significant changes to your home. Home renovations can have significant impact on your replacement cost valuation. Updating the wiring or plumbing may qualify you for an additional credit. While we rely on experience and data to determine the proper amount, circumstances can push the actual cost to rebuild higher than anticipated. This is another reason to choose guaranteed replacement cost.

How Nationwide® Private Client responds

Nationwide Private Client offers guaranteed replacement cost in most states. Where guaranteed replacement cost is not available, we offer up to 200% of the dwelling coverage limit. This means if you have a covered loss, we will repair or replace your home with materials of like kind and quality — even if the expense is more than the amount listed on your policy. We will also pay you to buy or build at another location up to the amount it would cost to repair or replace at your current location.

Nationwide Private Client homeowners policies include these additional coverage features:

Cash out option — If you decide not to rebuild and instead want to cash out, we will pay you up to the limit shown on the declarations of your policy or what it would cost to rebuild at that location, whichever is less.

Deductible waiver — Your homeowners deductible will be waived for a covered total loss. With our protection endorsement, deductibles up to \$50,000 are waived for a covered loss over \$50,000 unless a special deductible applies.

Building ordinances — You are covered up to 100% of the dwelling coverage limit for the additional costs incurred to rebuild in compliance with required local building codes.¹ With our protection endorsement, this coverage amount is unlimited for dwellings and other structures.²

Why Nationwide Private Client

Nationwide Private Client is dedicated to helping protect the assets and reputations of our clients. Our highly personalized insurance products, services and concierge-style claims management are thoughtfully designed to meet the distinctive needs of affluent individuals and families.

Nationwide Private Client offers these added benefits:

Claims — Exceptional claims handling provided by Nationwide Private Client.

Financial strength — Nationwide, a Fortune 100 company³ is one of the largest and strongest diversified insurance and financial services organizations in the U.S.

Charitable giving — Nationwide Private Client demonstrates a commitment to local communities through its Partners in Giving program, helping numerous lives each year.

Additional resources

Read our Risk Solutions Series article to find out more about replacement cost at nationwide.com/solutionseries.

¹The damaged or destroyed building structure must be repaired or replaced at the residence premises. Other limitations and exclusions apply.

²Coverages and limits may vary by state. Other limitations and exclusion may apply.

³Based on revenue, Fortune (June 2016).