

# EXTENDED REPLACEMENT COVERAGE

Following a natural disaster, fire or other catastrophe, homes can be left destroyed. When this happens, the financial burden of repairing or rebuilding can be overwhelming for homeowners, particularly if they don't have the proper protection. That's where extended replacement coverage can help.

## The Basics of Extended Replacement Coverage

When purchasing coverage for their home, policyholders often make the mistake of simply insuring it for the resale value. However, should a flood, storm or other event occur, they may find that the cost to rebuild far exceeds the original purchase price. This discrepancy can occur for a variety of reasons, including inflated construction costs following catastrophic events that impact multiple homes in a particular area.

To truly protect themselves, extended replacement coverage is essential. This form of coverage provides a benefit over and above the policy limits for replacing a damaged house. That means, should a covered loss occur, extended replacement coverage will kick in and pay up to a specified percentage over an insured's policy limit—sometimes as much as 125 percent.

As an example, let's say your \$270,000 home is destroyed by a tornado. Because this disaster affected an entire neighborhood, the costs of building materials and labor significantly increased due to high demand. As a result, the replacement value is estimated at \$300,000—significantly over the normal replacement cost covered by standard homeowner's policies. Without extended replacement coverage, you would likely have to pay the extra \$30,000 out of pocket.

When shopping for homeowners insurance, extended replacement coverage is critical. While skimping on this protection may lower your coverage costs slightly, those savings will mean nothing should disaster strike and lead to tens of thousands of dollars in losses.

## Get Started

Homeowners insurance can be complicated, and it's important to discuss your unique needs with an expert. To secure a policy that's right for you, contact a qualified insurance broker at RiskSOURCE Clark-Theders today.

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www.risksource.com  
513-779-2800

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