

# Personal Property Insurance: You Are What You Own

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The amount of home insurance you have for your belongings is typically a straight percentage of the amount of coverage you have on your home's structure -- usually around 60 percent.

So if your home is insured for \$250,000, the coverage for contents -- all your stuff -- would be \$150,000. Insurers have calculated contents coverage this way for decades. (See: "[New homeowner insurance basics](#).")

Trouble is, it doesn't make much sense.

"There's no correlation between the contents coverage required by a household and the building coverage," says James Fini, founder and vice president of research and development at Enservio in Needham, Mass. "You'd think an industry that is so dependent on data ... would have a better way of doing it."

Enservio has come up with a way, and some insurers are testing the waters with it.

The company provides software to help property insurers price their policies correctly, settle and pay contents claims and help policyholders get their stuff back. In analyzing its huge database of settled claims, Enservio discovered there is no connection between what it costs to rebuild a home and how much coverage homeowners need for their belongings.

Identical homes, different stuff  
Consider two identical tract homes on the same block. They'd be insured for the same amount to rebuild, and because contents coverage is a percentage of that total, each homeowner would have the same amount of coverage for belongings.

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"But in one house you have a retired couple -- empty nesters. In the other you have a married couple with three teenage girls," Fini says. "They're going to have different needs for contents coverage."

Or consider another example. A modest two-bedroom home in San Francisco is insured for more than the same house in Omaha because rebuilding costs are higher in the City by the Bay. Determined as a straight percentage, the contents coverage would be much higher for the San Francisco dwellers, regardless of whether they actually owned more stuff.

"Contents coverage is the ugly stepchild of the property business," Fini says. "It's just had no attention except for the simple rules of thumb we know don't work."

Enservio found that the amount of contents coverage has much more to do with the demographics of the people living in the home than the cost to rebuild the structure.

That discovery prompted the company to develop a new product for insurers called ContentsITV. The software predicts the amount of contents coverage needed based on a limited number of basic details about the policyholders, such as marital status, age and gender of the household members.

The company introduced the software last year, and insurers can use it in a variety of ways.

After disasters, they can use the software to predict which claims from homeowners who lost everything should come in under the home insurance policy limits. They can also use the software to help determine which current customers are underinsured. Then they can alert those policyholders that they need more coverage. Or they can incorporate the software into the home insurance quoting process to help consumers select the amount of coverage they need. (See: "[Homeowner insurance discounts: Beyond burglar alarms](#) ☞.")

The software also includes an option that lets agents and consumers drill down to finer details to make any needed adjustments in various categories. If the kids play team sports, for instance, does the family need extra coverage for sporting equipment?

Fini says a handful of insurers are using the product, and the number is growing. It will be a while, though, before the industry as a whole changes course.

"When we've had a business practice as long-standing as this one, change doesn't happen over night," Fini says. "In some states it may require new rate filings."

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Know what you've got  
 So how can you make sure you have enough contents coverage in the meantime? (See: "[Home insurance: How much is your stuff worth?](#)" )

A key step is to complete a home inventory.

"Conducting a home inventory enables you, the homeowner, to identify everything you have in your house," says Tully Lehman, a spokesman for the Insurance Information Network of California

If you suffer a loss, then you have a "shopping list" of everything you had, he says.

Imagine your home getting wiped out and having to recall every one of your thousands of belongings, from earrings to spatulas. That's what you'll have to do if you don't have an inventory.

An inventory also gives you an accurate list of belongings you can provide your insurer, Lehman adds. Besides making sure the total amount is accurate, you can determine whether you need extra coverage for certain types of belongings. Standard home insurance includes limits on valuables, such as fine art, antiques and jewelry. To have full protection, you may need to buy additional coverage for those items.

The Insurance Information Institute's [KnowYourStuff](#) provides free online software and instructions for conducting your own inventory.

The original article can be found at Insurance.com:  
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