

Shop Smart Colorado: Tips for Insuring Your Home

These tips aim to help you buy the right kind and amounts of insurance coverage available to meet YOUR goals in protecting your assets. Taking a bit of time now to do your due diligence can help you avoid wasting money and ending up with serious, unexpected gaps in your safety net when you need it most.

1. **“Insure to Replacement Value” - buy enough insurance to fully replace/rebuild**

Your goal is to have the dollar amount of your “Coverage A” Dwelling Limit match as closely as possible the actual cost of rebuilding your home if it burned to the ground. Here are a few ways you can check your “Coverage A” limits:

- Make a specific request in writing to your insurance company to calculate it for you and confirm that you’re relying on their replacement cost estimate.
- Pay a professional to come out and inspect and estimate your home’s replacement cost.
- Use an online home replacement cost estimating software program. Spend at least a half hour inputting information about your home.
- Contact a few new home builders in your area and ask them what the approximate per square foot cost would be to rebuild a home like yours.

2. **Get customized coverage**

The quick quote process that many insurers and agents use is based on generic/tract homes and average construction pricing data. They do not automatically factor in unique features, custom construction upgrades, local conditions or the cost of complying with local building codes. Depending on your home’s age, style and quality, you may have to pay more for adequate replacement coverage. If you want to protect the financial investment you have made in your home, you will want to spend time insuring it to replacement value.

Shortcuts almost always result in an underinsured home. Your other buckets of coverage (“Contents,”

“Loss of Use,” etc.) will most likely be a percentage of the “Coverage A” amount, so it is particularly important to get that “Coverage A” amount right. Aim to insure for the amount it would cost to actually rebuild the same home today – not its real estate value, or your mortgage loan balance.

3. **Cover your local risks**

Are you in an area considered to be high risk for floods, wildfires or earthquakes? If you’re not sure, enter your zip code at www.DisasterSafety.org. Avoid buying a policy that excludes your local risks. This may be easier said than done.

- Flood damage is NOT covered by standard home policies. Visit the “Buying Tips” section at uphelp.org for specific advice on flood and earthquake insurance, both of which are excluded under most homeowners policies sold today. To find out if you’re in a flood zone, go to www.floodsmart.gov. For earthquake zone info go to earthquake.usgs.gov/. There are earthquakes in Colorado.
- In Colorado, wind/hail damage may be subject to higher percentage (1% or 2%) deductibles. Some policies contain “Actual Cash Value” only coverage for older roofs. Some policies contain cosmetic damage and matching exclusions. Read the fine print in your policy or you may end up paying for your roof repairs out of your pocket. Shop around for a policy without these fine print exclusions.
- Go over scenarios with your agent and ask specifically about any exclusions in your policy and whether you can buy back coverage through additional endorsements/riders. You may need to purchase a separate policy for certain risks to get the coverage you need.

4. **Aim for insurance assurance - What’s in your policy matters:**

- Your best bet is to buy an “All Risks” policy, not a “Named Perils” policy.
- Be certain it has “Extended Replacement Cost” (ERC) protection. Buy the most ERC protection you can afford—it’s generally a bargain well worth the price. It is usually sold as an extra 25-100% of coverage above your “Coverage A” Dwelling limit. ERC comes in handy if you suffer a large loss and it turns out your “Coverage A” isn’t enough due to increases in demand and decreases in supply following a major catastrophe.
- Building Code Compliance/Upgrade coverage: Property insurance policies typically will not cover expenses related to improvements that have to be made to get a structure in compliance with current building codes and ordinances. Yet it is very common for owners to be required by their

local building department to upgrade electrical, plumbing and other items before they'll give the owner a permit or certificate of occupancy. For that reason, UP strongly recommends buying an endorsement or rider for Building Code Compliance/Upgrade coverage when insuring real property.

- If you live in a community with an HOA, be sure to ask about "Special Loss Assessment" coverage. Ask your agent to clarify deductibles and exclusions related to this coverage.
- Another common loss which you can secure coverage for under an endorsement is "Sewer/Water Backup" coverage.

5. Shop around - competitive pricing and discounts may be available

These days you can buy insurance for your home in less than fifteen minutes, but UP strongly recommends that you spend at least a half hour to an hour making sure you buy enough and the right kind. And as tempting as it is to buy the cheapest policy you can find, we recommend against that too. The old saying, "Don't be penny-wise and pound-foolish" applies here. Comparison shop on price and quality: Get price quotes from at least three different companies, but make sure you're comparing "apples to apples" in terms of what's covered and what's excluded.

Do not be shy about asking if there is anything you can do to lower your premiums without compromising your coverage goals.

- Ask if there are any adverse claims in your "CLUE" insurance rating report that are increasing your rates; you can request a copy of this report at consumer.risk.lexisnexis.com and review it to make sure it is accurate.
- Consider multi-line discounts by purchasing your auto, life, and/or liability umbrella insurance coverage from the same company.
- Avoid paying for coverage you don't need. Ask your agent to review the amount of "Other Structures" (if you don't have any), and "Contents" coverage to make sure they don't exceed your needs.
- Ask if there are any special membership-related discounts (AAA, Costco, Sams, AARP, etc.).
- Also look for discounts associated with monitored alarm systems and special resistant materials.
- Check out the Colorado Division of Insurance (DOI), Premium Comparison Tool <http://www.colorado.gov/dora/division-insurance> to find various insurers and link to their quote inquiry websites.

6. Read the small print - the devil and dollars are in the details.

- Generally, standard homeowners policies DO include coverage for “Contents/Personal Property – Coverage C,” “Loss of Use/Additional Living Expense,” “Other Structures,” and “Landscaping” to varying degrees. Discuss this with your agent and make a conscious choice.
- Land is NOT included in the coverage or the coverage value amounts.
- There are many hidden “limits” within “Coverage C” – be sure to review this with your agent.
- Depending on the value of your personal property, such as jewelry and art, it may be wise (or even required) to purchase special, extra coverage. Insurers often ask that these items be “appraised and scheduled” in order to be fully covered.

Raise Your Deductible to Lower Your Costs:

Raising your deductible to \$2,500 or even \$5,000 should make a big dent in the cost of your home insurance. And, carrying that higher deductible will prevent you from filing small claims that you’re better off paying out of pocket to avoid being put in a higher risk category that will cost you long term.