

## [Shop Smart - Tips on Insuring Your Home](#)

### **When shopping for home insurance, aim for adequate coverage...not just low price**

UP spends a lot of time helping people whose homes have been damaged or destroyed. We see the coverage gaps and insurance problems that undermine people's ability to repair, replace and recover. Our goal here is to help you shop smart - which means, shop for the best price **and** adequate insurance coverage.

#### **1. Don't blindly trust that your insurer or agent has you fully covered.**

In most cases, insurance sales reps will ask you a few questions then run your address through a computer program, calculate your policy limits and give you a fast premium quote. Their main objective is to sign you up as a paying customer. Surveys show that 2/3 of wildfire victims find themselves underinsured. So while it's reasonable to assume an insurance professional is right-sizing the policy for you, that isn't always the case. Here are some of the ways you can adequately insure your home:

- Get a specific commitment from your insurance company to calculate your home's current replacement cost. Some insurers send an estimator out in person to do this calculation, ask them to do that.
- Pay an Home Replacement Cost Estimator to do it for you.
- Spend at least a half hour inputting information about your home into an online program such as [E2Value](#).
- Get a local contractor to come out and estimate the replacement cost of your home

Most insurers use the label "Coverage A" for the benefits category related to your dwelling. Coverage for other items, (Contents, Loss of Use, etc.) are often set at percentage of the dwelling amount, so it is important to get that dwelling number right. Aim to insure for the amount it would cost to rebuild your home, not its sale/real estate value. These are two very different things. And, don't just insure up to the amount of your loan/mortgage.

## 2. Get customized coverage

The quick quote process that many insurers and agents use are based on generic/tract homes and national average construction pricing. They don't factor in unique features, custom construction, 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 coverage. If you want to protect the financial investment you've made in your home, you need to spend time insuring it to value. Short-cuts almost always result in an underinsured home.

## 3. Cover your local risks

Are you in an area considered to be high risk for floods, wildfires, hurricanes or earthquakes? If you're not sure, enter your zip code at [www.DisasterSafety.org](http://www.DisasterSafety.org). To find out if you're in a flood zone, go to [www.floodsmart.gov](http://www.floodsmart.gov). For earthquake zone info go to <http://earthquake.usgs.gov/> Avoid buying a policy that excludes your local risks. This may be easier said than done. Homeowners in certain parts of the country now have to have as many as five different policies to be fully covered.

## 4. Aim for insurance assurance

Your best bet is to buy an "All Risks" policy and opt for Guaranteed or Extended Replacement Cost ("ERC") dwelling coverage. GRC and ERC help you avoid being underinsured due to inflation or other construction cost increase factors. Buy the biggest "extended replacement cost" rider you can afford - they're usually sold as an extra 25-100% of coverage. ERC coverage is generally a bargain well worth the price. It comes in handy if you suffer a large loss and it turns out your Coverage A isn't enough to cover it. Only buy "actual cash value" (ACV) coverage if you have no other choice. If you can afford them, buy all the extras ("riders" or "endorsements") that make sense for your situation.

## 5. Shop for price *and* coverage

You may be able to buy a home insurance policy in 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 pennywise 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.

## 6. Consider options, endorsements and “scheduling” valuables

Ask your agent about options and endorsements that add or extend coverage. Actual Cash Value or Replacement Cost are common options. Sewer and drain backup endorsements are generally a good idea. Business property, valuables, collections, art and jewelry may need to be scheduled (listed separately). Flood damage is NOT covered by standard HO policies, same goes for earthquakes. Visit the Buying Tips section at [www.uphelp.org](http://www.uphelp.org) for specific advice on flood and earthquake insurance.

Standard HO policies typically cover your home's contents (Coverage C), Loss of Use, Landscaping, and Trees and Shrubs. Depending on the value of your collections, such as jewelry and art, it may be wise to purchase special, extra coverage.

**DEDUCTIBLE ALERT: Choosing a high deductible is the best way of keeping your premium affordable, but it's a tradeoff. A high deductible means smaller claims won't be covered, and you'll need to cover the first portion of a large loss out of pocket.**

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