

## **Shop Smart - Tips for Insuring Your Home**

### **Be pro-active when buying, and insure your home and “stuff” to value**

These tips aim to help you buy the right kind and amount of insurance for your property and make sure your current policy is adequate. If you don't take time to buy the right homeowners insurance, you can waste a lot of money and end up without full protection.

#### **1. Don't blindly trust that your insurance company has you fully covered**

In most cases, sales representatives will quickly gather basic info from you, run it through a computer program, calculate your policy limits and give you a fast price quote. Their main objective is to sign you up as a paying customer. Your objective should be to **“insure to value”** (buy enough insurance to replace your property at full value), protect yourself against local risks, and take advantage of competitive pricing and discounts.

The dollar amount of your “Coverage A” Dwelling limit should be as close as possible to what it would cost to rebuild your home if it burned to the ground. Here are some of the ways you can check your Coverage A limit:

- Get a specific commitment from your insurance company to calculate it for you. This can include sending a professional home replacement cost estimator out to your house. Many insurers offer this service to their high value homeowner customers.
- Pay a company like Castle Inspection Service \$275 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

Coverage for other items, (Contents, Loss of Use, etc.) will most likely be a percentage of the “A”

amount, so it is important to get that Coverage A 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, not a "Named Perils" policy, with Guaranteed or Extended Replacement Cost ("ERC") protection. Buy the most "extended replacement cost" protection you can afford - they're usually sold as an extra 25-100% of coverage above your "Coverage A" Dwelling limit. 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 ("endorsements" in insurance lingo) that make sense for your individual situation.

## 5. Shop around

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 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. Read the small print

Ask your agent about exclusions 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. For example, flood coverage is generally NOT covered by standard HO policies. Visit the Buying Tips section at [www.uphelp.org](http://www.uphelp.org) for specific advice on flood and earthquake insurance, both of which are excluded under most homeowners’ policies sold today.

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.

**Remember: Raising your deductible is the best way of keeping your premium affordable without reducing your protection.**

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