



Home Insurance Tips

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I'm not an insurance agent, and don't play one on TV. However, as a full service professional home inspector since 1994, I occasionally hear back from clients who say they can't get insurance due to the "CLUE report" or that the cost of insurance was too high. So, on my client's behalf, I have called insurance agent's to inquire why the home is not insurable. In every case so far, it has been due to the history of claims against the house for repairs that were needed, not anything I said on my inspection report. In each case, I've been able to successfully explain how the repairs made prior to my inspection (or after) has made the home safer, less prone to future damage and increased the home's insurability. The insurance agents and underwriting companies have been appreciative that a home inspector would help them understand how the home is really a good risk, and surprised that I would go the extra mile for my clients. So far, each insurance company has reversed it decision, insured the home and my clients got the home they wanted.

Homeowner's insurance can vary in quality of service, coverage, limitations, and costs, depending on the insurance company you buy your policy from. Here are some important things to consider when buying homeowners insurance, so you can close on that home of your dreams.

1. Check the CLUE (Comprehensive Loss Underwriting Exchange) report

Each home more than a year or two old has a CLUE report, which lists the insurance claim history made on that home. It is important to check the CLUE report of the home you are thinking of buying. These reports can help you judge if the home might have trouble being covered, what some of the problems the house has had, and what the cost of insurance is likely to be. Homes that have lots of claims may not even be insurable, because they are considered a high-risk for insurers. Remember that flood insurance and earthquake damage are not covered by a standard homeowners policy. If you buy a house in a flood-prone area, you'll have to pay for a flood insurance policy that costs an average of \$450 a year. The Federal Emergency Management Agency provides useful information on flood insurance on its Web site at www.fema.gov/nfip.

2. Shop around

It will take some time, but could save you a good sum of money. Start by forming a list of companies. Ask your friends, realtor, check the Yellow Pages or contact your state insurance department. Also check consumer guides, insurance agents, companies and online insurance quote services. Then narrow the list by elimination. For starters, we recommend choosing a large company with a national reputation. Second, assess service quality. Talk to a number of insurers to get a feeling for the type of service they give and how smooth the claims process is. The National Association of Insurance Commissioners (www.naic.org) has information to help you choose an insurer in Illinois, including complaints. Angie's list (online) also has ratings from customers. Check the financial stability of the companies you are considering with rating companies such as A.M. Best (www.ambest.com) and Standard & Poors (www.standardandpoors.com) and consult consumer magazines. When you've narrowed the field to three or four insurers, get price quotes. But don't consider price alone. The insurer you select should offer a fair price and deliver the quality service you would expect if you needed assistance in filing a claim. Ask them what they would do to lower your costs.

3. Raise your deductible

Deductibles are the amount of money you have to pay toward a loss before your insurance company starts to pay a claim, according to the terms of your policy. The higher your deductible, the more money you can save on your premiums. Nowadays, most insurance companies recommend a deductible of at least \$1000. If you can afford to raise your deductible to \$2,500, you may save as much as 25 percent. Remember, if you live in a disaster-prone area, your insurance policy may have a separate deductible for certain kinds of damage.

4. Get the home inspected

Many insurance companies will give a discount if the home inspector reported the home in good condition, or at least all the repairs the inspector mentioned are completed. Many insurance companies now require a home inspection, so they know what they are insuring. It is also becoming common for mortgage companies

to require a home inspection as well. It may also be cheaper if your homes electrical, heating and plumbing systems are less than 10 years old. Insurance for a brick home can be lower because it's more wind resistant. Almost never should an inspection report cause an insurance company to refuse coverage. If this happens, be sure they are reading the report properly and contact us for help. We will help you as much as we can, plus provide you with (home specific) information to help you save insurance costs.

5. Don't confuse what you paid for your house with rebuilding costs

The land under your house isn't at risk from theft, windstorm, fire and the other perils covered in your homeowner's policy. So don't include its value in deciding how much homeowners insurance to buy. If you do, you will pay a higher premium than you should.

6. Buy your home and auto policies from the same insurer

Some companies that sell homeowners, auto and liability coverage will take 5 to 15 percent off your premium if you buy two or more policies from them. But make certain this combined price is lower than buying the different coverage's from different companies.

7. Make your home more disaster resistant

Find out from your insurance agent or company representative what steps you can take to make your home more resistant to windstorms and other natural disasters. You may be able to save on your premiums by adding storm shutters, reinforcing your roof or buying stronger roofing materials. Older homes can be retrofitted to make them better able to withstand earthquakes. In addition, consider modernizing your heating, plumbing and electrical systems to reduce the risk of fire and water damage.

8. Improve your home security

You can usually get discounts of at least 5 percent for a smoke detector, burglar alarm or dead-bolt locks. Some companies offer to cut your premium by as much as 15 or 20 percent if you install a sophisticated sprinkler system and a fire and burglar alarm that rings at the police, fire or other monitoring stations. These systems aren't cheap and not every system qualifies for a discount. Before you buy such a system, find out what kind your insurer recommends, how much the device would cost and how much you'd save on premiums.

9. Seek out other discounts

Companies offer several types of discounts, but they don't all offer the same discount or the same amount of discount in all states. For example, since retired people stay at home more than working people they are less likely to be burglarized and may spot fires sooner, too. Retired people also have more time for maintaining their homes. If you're at least 55 years old and retired, you may qualify for a discount of up to 10 percent at some companies. Some employers and professional associations administer group insurance programs that may offer a better deal than you can get elsewhere.

10. Maintain a good credit record

Establishing a solid credit history can cut your insurance costs. Insurers are increasingly using credit information to price homeowners insurance policies. In most states, your insurer must advise you of any adverse action, such as a higher rate, at which time you should verify the accuracy of the information on which the insurer relied. To protect your credit standing, pay your bills on time, don't obtain more credit than you need and keep your credit balances as low as possible. Check your credit record on a regular basis and have any errors corrected promptly so that your record remains accurate.

11. Stay with the same insurer

If you've kept your coverage with a company for several years, you may receive a special discount for being a long-term policyholder. Some insurers will reduce their premiums by 5 percent if you stay with them for three to five years and by 10 percent if you remain a policyholder for six years or more. But make certain to periodically compare this price with that of other policies.

12. Review your policy once a year

You want your policy to cover any major purchases or additions to your home. But you don't want to spend money for coverage you don't need. If your five-year-old fur coat is no longer worth the \$5,000 you paid for

it, you'll want to reduce or cancel your floater (extra insurance for items whose full value is not covered by standard homeowners policies such as expensive jewelry, high-end computers and valuable art work) and pocket the difference.

13. Hydrant & Fire department discounts-

You may pay less for insurance if you buy a house close to a fire hydrant or in a community that has a professional rather than a volunteer fire department. Choosing wisely could cut your premiums by 5 to 15 percent.

TYPES OF COVERAGE-

The Homeowner's insurance policy is a package policy that combines more than one type of insurance coverage in a single policy. There are four types of coverage's that are contained in most homeowner's policy: dwelling and personal property, personal liability, medical payments, and additional living expenses.

Property Damage Coverage

Property damage coverage helps pay for damage to your home and personal property. Other structures such as a detached garage, a tool shed, or any other building on your property are usually covered for 10% of the amount of coverage on your house. Personal property coverage will pay for personal property including household furniture, clothing, and other personal belongings. The amount of insurance coverage is usually 50% of the policy limit on your dwelling. The types of loss listed in the policy also limit the coverage. The coverage only pays the current cash value of the item destroyed, unless you purchase replacement cost coverage. Your homeowner's policy also provides off-premises coverage. This means that the policy covers your belongings against theft even when they are not inside your home.

Personal Liability Coverage

Homeowner's policies provide personal liability coverage that applies to non-auto accidents on and off your property if you, a member of your family, or your pet, cause the injury or damage. The liability coverage in your policy pays both for the cost of defending you and paying for any damages the court rules you must pay. Liability insurance does not have a deductible that you must meet before your insurer begins to pay losses. The basic liability coverage is usually \$100,000 for each occurrence.

Medical Payments Coverage

Medical payment coverage pays if someone outside your family is injured at your home regardless of fault and in some limited circumstances when away from your home. This includes payment for reasonable medical expenses incurred within one year from the date of loss for a person who is injured in an accident in your home. The coverage does not apply to you and members of your household. Medical payments coverage limits are generally \$1,000 for each person.

Additional Living Expenses

If it is necessary for you to move into a motel or apartment temporarily because of damage caused by a peril covered in your policy, your insurance company will pay an amount up to 20% of the policy limit on your dwelling for these expenses. If you move in temporarily with a friend or relative and do not have any extra expenses, your insurance company will not pay you any additional living expenses.

Home Business

If you operate a home business full or part time you might be uninsured and not realize it. Many home business owners believe that their homeowner's insurance policy covers all of their home business needs. You should not assume that your homeowner's insurance policy would cover your home business. Your homeowner's policy may provide coverage but probably only a maximum of \$2,500 for business equipment in the home and \$250 away from the premises.

About the Author

In 1984 Tim Oglesby unknowingly bought a home with hidden defects. In 1994 he began Home Check America to assist new homeowners in NE Illinois. With degrees in business and management, trained as a home inspector with Carson & Dunlop Engineering, general contractor for ten years, a licensed home inspector and real estate broker; he is a sought after public speaker and author on issues important to property management and homeownership.

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