

Make Sure You Have the Right Insurance for Your New Home

When looking to buy your first home, don't forget to factor in homeowners insurance. You'll need to examine what types and how much coverage you need to properly protect your investment. Here are some important things to remember as you begin searching for the right insurance for your dream home:

Start Shopping Early for Homeowners Insurance

When you're in the process of buying a home, most mortgage companies want to see that you have insurance prior to closing¹, and not having protection lined up could cause a delay.

- Contact your independent insurance agent sooner rather than later². It's ok to ask for insurance estimates on a few houses, get information on the coverages you need, and see if the house or houses you're inquiring about will even qualify.
- Buying a home involves many factors. If you don't think you can afford the insurance on a certain house, look for one that's closer to your price bracket³.
- While homeowners insurance isn't always required by law as car insurance may be, most banks or mortgage lenders require it⁴, to protect their investment.

What Will Be the Cost of My Insurance, and How Much Do I Need?

While a number of factors determine how much you pay for home insurance, the amount comes basically from the insurance company wanting to know how much it would cost to rebuild your home⁵.

- This amount is determined by the insurance company based on the cost to rebuild the dwelling, construction type, its location, the coverage selected, the person's credit score and claims history.
- Another factor is the home's location. An area with many tornadoes or windstorms may have a higher rate compared to an area without such regular events⁶.
- Check with your agent to see if bundling your auto and home rates may make both cost less⁷.
- Choose the right deductible. It is often suggested to have the deductible as large as you can handle with your savings, and file a claim only when a needed repair is higher than the deductible⁸.
- Look for replacement cost coverage⁹. This coverage gives you enough to rebuild, regardless of the cost. Make sure the policy also comes with an inflation guard, to make sure that your coverage rises as rebuilding costs rise.

Have the Home Inspected Before Signing Any Paperwork

- By having a home inspector assess the property, you know what to expect and can avoid surprises. A good inspector can help you identify problems before they become your responsibility. Your home inspection may also give you tips on how to improve your residence in ways that may give you discounts on your insurance costs¹⁰.

What Isn't Covered

- Remember, there are things NOT covered by a standard homeowners policy, such as floods and earthquakes.
- Policies usually cover events such as fire, theft and storm damage.
- Additionally, problems that could be alleviated by regular home maintenance such as replacing an old leaking roof would not be covered, whereas roof damage from a falling tree in a windstorm would be covered. Homeowners insurance is for large catastrophic losses and isn't for simple repairs or upkeep.

Sources:

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4. The Simple Dollar, <https://www.thesimpledollar.com/insurance/home/how-to-pick-your-first-homeowners-insurance-policy/>

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