

# Insurance Checklist - A Guide for Home Buyers

Shopping for your dream house? It's important to keep insurance in mind throughout the home buying process. Most lenders won't provide a mortgage without insurance coverage. Your insurance company or agent, together with your Realtor, can help you get what you want – a good home that is properly protected.

## **EVEN BEFORE YOU START LOOKING FOR A HOME**

Put yourself in the best possible position to afford a home, receive the lowest possible mortgage rate and get insurance for your new house. This takes preparation on your part.

### **Check your home insurance claim-filing**

Check your home insurance claim-filing history. Get a copy of your loss history, such as a [CLUE Report](#) from ChoicePoint or an [A-PLUS report](#) from Insurance Services Office (ISO). This is a record of home insurance claims you have filed. If you have not filed any insurance claims in the past five years, you won't have a loss history report. And, depending on the property you ultimately buy, you will most likely not have any trouble getting insurance. The better your claim record, the less you may pay for insurance. Make sure the report is accurate and report any discrepancies immediately to your insurer or the database company. This can also be important if you are selling the home you are currently living in. A past claim does not have to be a problem. Repairs or improvements, if done properly, can make a property more attractive to buyers and insurers.

### **Renters insurance**

If you are currently renting, it's important to have insurance for your personal property. You can't assume that your landlord's coverage will cover the things you own. If you haven't owned a home before, it might be helpful to have a history of insurance when you go to buy your first home.

### **Check your credit rating**

Good credit helps you in many ways, including getting a mortgage at a good rate. Depending on the state and the insurer, it may also help you save money on your homeowners insurance. Get a copy of one or all of your credit reports. Make sure they are accurate and report any mistakes immediately. The credit report helps you see how your credit standing compares to others. If your credit is not as good as it should be, begin now to improve it.

## **HOUSE HUNTING**

As you look at homes, remember that the house you want to purchase – what it is, where it is and the kind of shape it's in -- these characteristics can send your insurance rates up or down:

### **Construction of the house**

If you are buying in a seismically-active region, look for newer homes built to current codes, or older homes that have been bolted to their foundations. They are better able to withstand earthquakes. If you plan to live near the Atlantic or Gulf coasts, consider a brick home because it is more hurricane resistant.

- Age of the house**

Older homes sometimes have features such as plaster walls, ceiling molding and wooden floors that could be costly to replace. Such special features may raise the cost of insurance slightly. Make sure you get replacement cost coverage in your insurance policy if it is available. Also, an older home that has been updated to comply with current building codes is typically less expensive to insure than an older home that is not up to date.
- Condition of roof and home**

If you are considering a “fixer upper,” you may pay more for insurance until clear improvements are made. In particular, check out the condition of the roof. A new roof in good repair will be attractive to insurers and will save you money and aggravation.
- Plumbing, heating and electrical systems**

These systems can wear out, become unsafe with age or become dated as safer technologies are introduced. Recent upgrades make your home safer and less likely to suffer fire or water damage.
- Safety devices**

Homes equipped with smoke, fire and burglary alarm systems that ring an outside service may get sizable discounts. Strong doors, dead-bolt locks and window locks may also reduce insurance costs.
- Pool, wood-burning stove, etc.**

You will need higher property and liability coverage if you are buying a home with these features. With a pool, consider getting added protection, such as an umbrella or excess liability policy.
- Quality and proximity of the fire department**

Homes near a fire station, those with a hydrant close by and those located in communities with a professional rather than volunteer fire department will cost less to insure.
- Location, location, location**

Homes near the coast can be more expensive to insure, because of the increased risk of wind, water and hurricane damage. In many states, you will pay the first few thousand dollars in damage before your insurance kicks in. You also need to think about the threat of floods or earthquakes. You will need separate insurance for these risks and it can be costly. Also, around the country, there are high risk areas vulnerable to hurricanes, brush fires or crime that might not qualify for private insurance. To make insurance available, there are state-sponsored Fair Access to Insurance Requirement (FAIR) plans. FAIR plans, however, can be expensive and provide less coverage.

## **PLACING A BID**

You have looked at a number of properties and are narrowing your search to a few homes. Now get more specific information on the house and its insurability. You should take the following steps:

- Check the house’s loss history report**

Ask the current homeowner for a copy of the house’s insurance loss history report. This will provide information regarding claims filed during the last five years and answer two questions that any savvy homebuyer should ask. Are there any past problems in the home? If damage has occurred, was it properly repaired? Prior claims are not barriers to getting insurance, but you should know the history of the home before you go to closing.

**Get the house inspected**

A thorough inspection of the home is very important. The inspector will check the general condition of the home; show you where potential problems might develop; double-check that past problems have been repaired; and suggest upgrades or replacements that may be needed. If a house has been well-maintained, you should have no trouble getting insurance. However, if the inspector raises questions, your insurance company will as well. In particular, have the inspector check for water damage, termites and other types of infestation. Special attention should be paid to the electrical systems, septic tanks and water heaters. Find out if there is an underground oil storage tank, as many insurers will not provide policies for homes with them.

**Contact your insurance professional**

Don't wait until the last minute to think about insurance. Ask your current insurance professional if the house will qualify for insurance and an estimate of the premium. The sooner you act, the smoother the process will be. Get recommendations from family and friends. Your insurance agent or company representative will be an advisor for many years, so select someone you know and trust.

**Shop around for the best coverage**

Most people spend months looking for a house, but spend five minutes insuring it. Insurance companies sell insurance in different ways – some through their own agents, others through independent agents or brokers and still others directly by phone or over the internet. Select the arrangement that you are most comfortable with. Get the names of several highly regarded insurers. The higher the financial rating, the stronger they are and better prepared to be there if a real disaster strikes. Then compare prices. It could cut hundreds of dollars off the cost of your bill.

## **PURCHASING THE HOUSE AND INSURANCE**

Congratulations, you are set to purchase your new home. Now you want to be sure you are getting the right insurance coverage at the lowest possible price. You should consider the following to get the most value for your insurance dollar:

**Take the highest deductible you can afford**

The higher the deductible, the lower the premium. Since most people only file a claim every eight to ten years, you will save money over time and preserve your insurance for when it's really needed.

**Ask about available discounts:**

- Multi-policy (home, car or more with the same company)
- Smoke detectors
- Fire extinguishers
- Sprinkler systems
- Burglar and fire alarms that ring at an outside service
- Deadbolt locks and fire-safe window grates
- 55 years old and retired
- Long-time policyholder
- Upgrades to plumbing, heating and electrical systems
- Wind-resistant shutters

**Get enough insurance**

Take the time to properly insure your home. You want to make sure that you have enough coverage to:

- Completely rebuild the house in the event it is destroyed by fire or other insured disaster
- Replace everything in it
- Protect your liability in case someone is injured on your property and sues you

**Ask about additional coverage for**

- Replacement cost for possessions
- Extended or guaranteed replacement cost coverage for the structure
- Building code upgrades
- Sewer and drain back-ups
- Inflation-guard
- Umbrella coverage for a pool or other high risk item
- Special rider for jewelry, collectibles and expensive items

**Flood, earthquake and windstorm risk**

Damage caused by flooding and earthquakes are not covered by standard homeowners insurance policies. Instead, homeowners will need to pay an additional premium for coverage that is provided through the government's National Flood Insurance Program (NFIP). To get flood insurance, your community must participate in the NFIP program. Earthquake insurance is offered by private insurance companies. In California, the California Earthquake Authority, a state program, as well as the private market provide earthquake insurance. It can be expensive and comes with a high deductible. Policies for coastal properties will have a sizeable windstorm deductible, which means the homeowner may be responsible for thousands of dollars in damage before insurance kicks in. It pays to know what is in your policy.

**AFTER YOU PURCHASE YOUR NEW HOME**

**Properly maintain the house**

Adopt the same mentality regarding your home that good drivers have with scheduled maintenance for our car. Every year, there are important things you can do to reduce the chance that you will experience water damage, fire or other insured loss. Insurance does not pay for routine maintenance, or damage resulting from neglect. The cost for proper care should be calculated into your overall budget. It's your responsibility to be the "risk manager" for your home. If you do your part to reduce insurance losses, not only will your home be safer, it will also save you money on your insurance bill.

**Keep insurance up-to-date**

Let your insurer know about alterations, additions and improvements to our home. Major purchases and lifestyle changes such as an aging parent who comes to live with you should trigger a call to your insurance professional. This way, you can maximize your insurance dollars by not being either under or over insured.



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