

HOMEOWNERS INSURANCE

A GUIDE FOR FIRST-TIME HOMEBUYERS



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WHAT IS HOMEOWNERS INSURANCE?

Homeowners insurance provides financial protection against disasters to your home, property and liability. If something damages your house or if someone gets hurt on your property, homeowners insurance will help protect you.

Buying your own home is most likely one of the biggest investments you'll ever make. Protecting that investment

just makes sense, especially considering your home is where you and your family live! While homeowners insurance can't keep bad things from happening to your home, it can help you protect yourself and your family from the financial losses associated with damage to your home, as well as costs associated with your liability.

Buying a home involves more associated costs than you probably expected, and homeowners insurance may feel like another one to add to the bill. Before trying to skip on this cost, consider what homeowners insurance offers. If something were to happen, be it an injury on your property or damage from winter weather, homeowners insurance can help pay for legal costs and repairs that could otherwise be financially devastating.

Even if you are tempted to pass on purchasing this valuable coverage, that may not be allowed. For many homeowners, homeowners insurance isn't optional. If you've taken out a mortgage to finance your home, your mortgage company likely requires that you purchase homeowners insurance. Since your mortgage company is helping to pay for your house by lending you the money for it, they want some sort of guarantee that the house will be protected in the event of damage (since it is the collateral on the loan). By requiring you to get homeowners' insurance in order to take out a mortgage, both the mortgage company and you are financially protected from any mishaps.

For homeowners, insurance is a valuable tool for protecting their finances in the event of a covered disaster. We never know what the future holds and homeowners insurance can provide financial protection for your investment.

WHAT DOES IT COVER?



STRUCTURE OF YOUR HOME

Your homeowners insurance policy will cover the cost to repair or rebuild your home should it be damaged by fire, hurricane, hail, lightning or other disasters that are listed on your policy. Be aware that homeowners insurance usually excludes damage caused by flooding, earthquakes, and regular wear on the structure.

PERSONAL BELONGINGS

Homeowners insurance provides protection if your personal belongings are stolen or damaged by a covered peril. This can include furniture, clothing, sports equipment, and other personal items. It can also apply to belongings that are located off of your property, like in your car or a storage unit, but oftentimes there is a special limit on the amount of coverage that can be applied to items outside your home. Certain rare, expensive or valuable items are covered, but only up to a certain amount. Consider getting additional coverage for your valuables because your homeowner's policy may not cover them up to their full value.



WHAT DOES IT COVER?



LIABILITY PROTECTION

Liability protection covers the bodily or property damage you or your family members may cause to others. This means if your son or daughter accidentally breaks something in a neighbor's house, you'll be covered. However, it does not cover damage you do to your own property. It also can provide medical coverage if someone else gets hurt on your property. Liability protection applies to pets as well. If Fido bites the mailman, then your homeowners insurance can help cover those expenses.

ADDITIONAL LIVING EXPENSES (ALE)

In case you are unable to live in your home due to a covered natural disaster, then your insurance policy can help cover the additional expenses you incur during this period. For example, if a fire destroys your home and you need to temporarily live in a hotel, the additional living costs can be covered. ALE expenses have coverage limits and sometimes time limits as well.



WHERE CAN I FIND HOMEOWNERS INSURANCE?

Where you buy your homeowners insurance is a matter of personal preference. There are several options to choose from, so it is important to prioritize what's important to you when it comes to deciding where to get homeowners insurance.

INDEPENDENT AGENCY VS. CARRIER

The first decision you should ponder is whether you feel more comfortable going directly to insurance carrier or would rather speak with an independent agent who can recommend a carrier for your home's coverage needs. An independent agent isn't obligated to sell only one company's insurance policy. They are their own separate entity. By going through an independent agent, you may be able to get a better deal on insurance as they can check rates from many different insurance companies.

Agents are also insurance specialists, so if you do not know something, they are there to assist you through the insurance process. And, if you need more than just homeowners insurance, like an auto or umbrella policy, they are able to help you sort through that as well.

On the other hand, you can get insurance directly through the carrier. This cuts out the middle man and you may be more familiar with a carrier from advertisements than an agent. By going directly to a carrier, you are limiting yourself to the products of that one insurance company. You may or may not get a better rate for your insurance by looking at just the insurance company, which has direct control of the price you are being offered. Going through a carrier may mean that they have better understanding of the product, since it is their own. They specialize in their company's insurance so they may know the ins and outs of their coverage better than an independent agent.

REGIONAL OR NATIONAL COMPANIES

You should also consider what type of company you'd like to do business with – on both the agent and carrier side. Some insurance companies will offer insurance policies anywhere in the country. Other insurance companies focus on local areas. When deciding where to get your insurance, think about which best suits your needs.

A local agency or regional carrier will know your area and its unique risks better. Local companies are more aware of the issues that are common to where you live and how to best protect against them. Since they are usually smaller, a local insurance agent will be able to get to know you better during the process.

National companies and agencies have their advantages too. Because they are usually larger, they sometimes can offer better rates. They also may be able to provide more policy options because they deal with so many more people and areas. And though a national insurance company may not personally know you, they typically have good service. Neither option is better than the other. It solely depends on what you prefer and what you need.

INSURAMATCH

You can find homeowners insurance from us at InsuraMatch. To get a homeowners insurance quote, just give us a call at 855-244-7671. Our licensed agents are here to help match you to the insurance that best suits your needs and provide advice to help you find the best coverage. They can also help you find discounts!

ASK FAMILY AND FRIENDS

If all of these options seem overwhelming, you can always turn to your network. Family and friends are a great resource for finding homeowners insurance. Since most people have homeowners insurance, they are likely able to give you a recommendation and offer insight into their past insurance experiences. As we know well here at InsuraMatch, different people have different preferences when it comes to what they're looking for in an insurer and an insurance policy. It's a good idea to ask around to

see what your friends and family like about their insurers. Reading reviews online is another way to find good options available to you, too.

PURCHASING HOMEOWNERS INSURANCE

Getting homeowners insurance is a necessary step in the home buying process. It helps protect you financially for any damages that may happen to your home, the personal property in your home and your liability. Since every home and homebuyer are unique, insurance policies and rates can vary depending on various factors. Calling an insurance agent can be useful in helping you understand the coverage, and if you are adhering to a budget don't be

afraid to discuss the cost of insurance for your prospective house. In order to get the right amount of coverage and the most suitable policy for your future home, there are a couple of things that you will need before purchasing homeowners insurance:

TAKE A HOME INVENTORY

Taking a home inventory can help you figure out the correct amount of contents coverage insurance that you need. You can start by making a list of your possessions. Keep note of where you bought the item and its make and model. Record serial numbers, if applicable. Keeping receipts can also be handy. Taking photos or videos of your things can be a quick and easy way to document your belongings.

After taking an inventory of your things, make sure to keep a copy somewhere secure. Give the list to a close family member or friend, or store your inventory in a location outside of your home, or save the video or photos to an account in the cloud. That way, if something were to happen to your house or belongings, like your laptop, your inventory is still accessible.

HOUSE LOCATION AND OTHER SPECIFICS

The location of your home can affect insurance costs. Homes that are closer to fire hydrants or fire departments are usually cheaper to insure. Keep in mind that factors such as proximity to the coast, age of the home, and risk of natural disasters can affect the cost of your homeowners insurance. Also be aware that homeowners insurance does not cover damage caused by flooding or earthquakes, so you may need to buy a separate policy to protect against those excluded disasters.

PROFESSIONAL INSPECTION

You should also consider getting your house professionally inspected before buying. This is often a standard procedure during the home buying process, but it can be valuable in helping you determine the correct insurance for your new home. Professional inspections can reveal major flaws in the home and can make you aware of future claims that are waiting to happen. Revealing these could affect the price of your insurance policy, and it can even help determine how much coverage you may need.

For help getting an accurate homeowners insurance quote, check out our inventory and information worksheets on pages 18 & 19.

PAYING FOR HOMEOWNERS INSURANCE

Homeowners insurance can feel expensive on top of all the other costs of becoming a homeowner. Paying for your homeowners insurance has some nuances that you should evaluate before your policy goes into effect. The good news is some of these nuances can save you money!

First, determine whether your insurance costs are included in your monthly mortgage payment via an escrow account. Some mortgage lenders use escrow accounts, a type of savings account, to help borrowers with the costs of homeownership: the mortgage,

property taxes and homeowners insurance. These can all be large annual costs. With the escrow system, you won't have to worry about paying for your homeowners insurance separately or all at once in a large annual sum. Your monthly payments will include a sum of money to be put toward homeowners insurance that will be saved in the escrow account, then your mortgage company handles paying out the money as property taxes, mortgage payments and homeowners payments arise. Whether or not you can pay for your homeowners insurance with an escrow account depends on your mortgage company. Check with them to see if they roll your insurance into your monthly payment.

If you do not have (or want) the option to pay for homeowners insurance through your mortgage company, most insurance companies will offer you the option to make an upfront payment in full or pay for your insurance in monthly installments. Oftentimes, insurers will offer a discount for paying for the policy in full, which can be attractive to homeowners.

THINGS THAT CAN AFFECT THE PRICE OF YOUR HOMEOWNERS INSURANCE

Homeowners insurance policies can vary in cost from home to home... even from company to company! The features of your home, its location, the amount of coverage you need, the company and more can all affect the price of your insurance. There are two things that homeowners should take into consideration when purchasing homeowners insurance that could affect your rates: the claims history of the house and the policy's deductible.

Before buying your first home, try to check on the

number of claims that have previously been made against the house. You can find them by requesting a CLUE (Comprehensive Loss Underwriting Exchange) Home Seller's Disclosure Report. If many claims have been previously filed on your new home, then it could affect your rates since it signals to the underwriting company that your home is at higher risk of damage. This report is also useful because it can help you determine some of the home's vulnerabilities that the inspection may not have caught. Since you're a first time homeowner, you won't have to worry about previous claims of your own affecting your rates, but be aware that filing a claim for your first house can affect your homeowners insurance rates for your second house.

Another factor that can affect your homeowners insurance rates is the policy's deductible. The deductible is the amount you pay out of pocket for a claim before your insurance will kick in and cover the rest. The amount is determined when you purchase your policy, and raising your deductible higher can result in a lower premium. If you choose to go with a higher deductible, it may not make sense to file claims for smaller repairs.

Since most homeowners have to have insurance, you may be tempted to use it any time an issue arises. However, this isn't always the best use of your policy. Homeowners insurance is designed to help you pay for catastrophic losses, and not minor repairs, seasonal maintenance or smaller costs associated with owning a home. In fact, many of these more minor damages may not even qualify for coverage or meet your deductible, and most claims will raise your premium. If the cost of repair does not exceed your deductible, then it typically doesn't make sense to go through your homeowners insurance.

DISCOUNTS

Homeowners insurance can be expensive, especially with the rising cost of living. Insurance companies understand this and will often offer ways to reduce the cost of your homeowners insurance. There are a number of ways to save on insurance.

A common way to reduce your homeowners' insurance premium is to make your home less vulnerable to potential damage. For example, by strengthening your home by adding storm shutters, reinforcing the roof, retrofitting an older home to resist earthquakes, and updating your utilities, you can reduce insurance costs. If you live in a hurricane-prone area, you may qualify for discounts through wind-mitigation improvements to your home. You can also improve your home security with smoke detectors, burglar alarms, and deadbolts.

Getting the right insurance policy is also important. Don't overpay by getting coverage that is irrelevant to you. You may also consider raising your deductible in order to lower your premium, but be careful in doing so. You don't want to find yourself unable to afford a critical repair because you can't cover the deductible cost.

You can also talk to your insurance agent about excluding the value of your land from your policy. You're more likely to need coverage for your home, contents, and other structures on your property than for the actual land.

Your possessions could affect your insurance costs. A pool, tree house, or trampoline can drastically increase your premium. They are notoriously dangerous. The CPSC estimates that in 2014 there were 104,691 emergency room visits associated with trampolines. In fact, some insurance

companies may deny you coverage if you own one of these items. You may save some money (and injuries) by getting rid of these items.

Owning a dog can also drive up your homeowners' insurance costs. Your homeowners insurance covers liability associated with your pets. Certain dog breeds are deemed "aggressive" and may increase your insurance costs. Some insurance companies will even refuse to cover some breeds!

Besides making changes to your home or lifestyle, there are other ways to save on insurance. Many companies will offer discounts for homeowners insurance. Some common ones are multi-policy, claim-free history, paid-in full, and loyalty. By talking to your insurance agent, you can determine if you qualify for any discounts. Also make sure to shop around for insurance. Rates can vary from company to company. Do some digging around to see if you can get cheaper coverage.

Keep in mind that not all insurance policies are equal. Be wary of insurance companies that offer you reduced rates but aren't clear about what is included in the policy. While you may save a bit, you may find you don't have enough home insurance to cover you in a major disaster. Also ask about the length of coverage. Sometimes you may think that you're getting a terrific rate but it's actually a six-month policy and not an annual one.

HOW TO TAKE A HOME INVENTORY

Knowing the value of your belongings will help you and your insurance agent determine the amount of coverage you need should your property be damaged.

YOU'LL NEED:

- Camera (an iPhone will do!)
- Computer
- USB Flash drive or external hard drive
- Access to an account in the cloud



CREATE YOUR INVENTORY:

- Walk through your house and document your personal property in each room
- Take a photo of each item or create a video of items as you go through each room
- Record each item's value when purchased, year of purchase and any serial numbers, if possible
- Supplement with receipts and other relevant documents, when possible
- Don't forget to document what's in your closets, garage, attic, etc.
- Save photos, video and lists to a secure account in the cloud

HOMEOWNERS INSURANCE QUOTE WORKSHEET

To get the most accurate quote possible, you'll want to have the right information on hand when speaking to an insurance agent. You'll need to know:

Year your home was built _____

Square footage of living area _____

Type of roof and the age _____

Style of home (ranch, 2-story, etc.) _____

Type of flooring _____

Exterior material (ex: brick, laminate siding, etc.) _____

Kitchen and bath finishes _____

Swimming pools, trampolines, playhouses on the property _____

Home systems and their ages (plumbing, electrical, air conditioning, heating, septic, well, sump pump, etc.) _____

Supplemental heating sources (fireplaces or heating stoves) _____

Protective devices (smoke detector, carbon monoxide detector, deadbolts, alarm and security systems, etc.) _____

Distance from fire hydrant _____

Personal property inventory value _____

Call InsuraMatch now for your free quote:

855-244-7671

NOTABLE EXCLUSIONS

Though homeowners insurance is meant to help protect you against damage, there are some notable exceptions to the insurance policies. For certain things, your homeowners insurance may not offer coverage. Or, there may not be an adequate amount of coverage if something were to happen. In these cases, you will need to buy a separate policy. Additional policies may come in the form of specialty insurance or an umbrella policy.

When purchasing your homeowners insurance, be sure to

note these exclusions and consult an agent for additional coverage if these are risks that are likely in your area:

FLOODING

Homeowners insurance does not cover damages associated with floods. If the home you are purchasing is in a high risk area, you may be required to get a separate flood policy. Even if you are not required to purchase flood insurance, it may still be a good idea to get coverage. Flooding can happen anywhere, not just by the water. A storm could roll in and cause thousands of dollars in damages and losses. If you incur damage caused by flooding, but do not have flood insurance, then you could be paying out of pocket for repairs.

VALUABLE ITEMS

If you have valuables, you may want to consider getting additional or specialty insurance for those items. Many homeowners policies put a cap on coverage limits for specific valuable items, like fine jewelry, antiques, musical instruments or collectibles.

There are options for insuring these items, whether it is specialty insurance policies or adding a rider to your existing homeowners insurance. Depending on what you're insuring, evaluate your coverage options or ask an insurance agent for guidance on the best type of supplemental insurance. Without having the proper policy for your valuable items, if your valuables are damaged or stolen, the cost of replacement or repair may be outstanding.

Even if your items can be covered by your homeowners insurance, it is important that you take an accurate inventory to determine your limits to ensure

that your belongings are covered. If you face a loss and your homeowners' insurance policy's limits are reached, you could be losing money.

EARTHQUAKES

Earthquakes are not an eminent threat to all of the United States. In some states, an earthquake would be an anomaly while in other states, earthquakes are much more common. If you live in an area where earthquakes could potentially cause damage to your home, it's a good idea to get an earthquake insurance policy, as they are typically not covered by homeowners insurance.

Earthquakes are notorious for causing a tremendous amount of damage. If your house sustains damage caused by an earthquake, having an insurance policy to help you pay for repairs and replacing your belongings.

Be sure to speak to an agent if you need coverage for any of these things, or if you wish to purchase more coverage. If you are ever unsure about what your homeowners insurance does or does not cover, an agent can help clarify. Don't let misconceptions about insurance cause unforeseen financial situations.

SPECIAL CASES

HOMEOWNERS INSURANCE FOR FIXER UPPERS

A fixer upper may help you save on purchase costs, but be aware that it could be more expensive to insure. Upgraded electrical and plumbing systems, updated roofing and modern fire technology are just some of the things that can help lower homeowners insurance premiums because they make your home less risky to insure. However, these features are not often found in fixer uppers.

Because a fixer upper is fraught with more risk and hazards, having proper insurance coverage can be even

more critical since things could be more likely to go wrong. Because of this risk, getting insurance for a fixer upper can be difficult. Finding a policy could require some shopping around.

Depending on what you intend to do with your new fixer upper home, your insurance needs can change. If your fixer upper has only a few basic repairs, then you may be able to get a conventional homeowners insurance policy. If there are some major renovations that need to happen, then you may need specialty coverage. A home inspection can help you determine how much work needs to be done, and an insurance agent can advise you what type of policy you'll require based on the inspection.

Don't forget - as you renovate and upgrade your fixer upper, you can check with your agent to see if the newer parts of your home will lower your insurance premiums. Over time you may find your homeowners insurance becomes less expensive as your fixer upper becomes an updated home!

HOMEOWNERS INSURANCE FOR FORCLOSURES

Similar to a fixer upper, a foreclosed home is an insurance risk. Oftentimes, foreclosed homes have not been well maintained and others sit vacant for months before sale. This neglect can create issues in the home that lead to more risk for homeowners and insurers, driving up homeowners insurance rates. Though you'll save on the home, you'll likely pay more for homeowners insurance for a foreclosure than you would if you were buying a regular home sale.

Getting your home inspected is the first step in getting homeowners insurance for a foreclosure. This will give you and your insurance agent a better idea of the home's condition. Antiquated electrical and plumbing systems as well as an older roof will drive up homeowners insurance rates, as will visible signs of neglect.

The longer the home has been vacant, the bigger the risk for the insurance company. For this reason, it can be difficult to find insurance. Shopping around and consulting an agent can help. You may also need to get a special policy if there are extensive renovations or repairs that need to be done.



RELATED COVERAGES

HOMEOWNERS INSURANCE VS. A HOME WARRANTY

When you buy a home, you may have the option to obtain a home warranty. Though this coverage may sound similar to homeowners insurance, they are not the same. Before you make a coverage purchase, make sure you are clear on what each covers and offers.

Homeowners insurance and a home warranty cover different things. An insurance policy will help cover costs associated with accidental damage to your home. It covers the interior and exterior, theft, loss or damage, and

general liability, such as someone falling and getting injured. Insurance is a financial safeguard against misfortunes.

Meanwhile, a home warranty is a contract that provides repair or replacement of major appliances when they fail due to regular wear and tear. The home warranty may apply to kitchen appliances, a washer/dryer, electrical system, plumbing, etc. Home warranties are often purchased by sellers to make their home more competitive. For the future buyer, home warranties are a reassurance that if any major system fails, they won't need to pay out of pocket for repairs. Home warranties have different policy and coverage so it is important to know read up on their coverage.

Homeowners' insurance and home warranties are two different products that cover entirely different things. Homeowners insurance is usually mandatory, especially if you have a loan. Having a home warranty is not a requirement, but it is still a good idea to have.

TITLE INSURANCE

Now that you are almost through this guide, you may be feeling like a home buying insurance expert! There is one more type of insurance you may hear about during the home buying process. Before you get thrown for a loop at the closing table, here's a quick scoop on title insurance.

Title insurance is an insurance policy that protects you in case there are discrepancies or changes in property lines. If there is a clerical error, or fraud, or even if an heir emerges, title insurance will help protect you if your right to the property is challenged. Title insurance will help pay to defend your right to ownership in court, and will also offer a payout to compensate your equity if you lose the

case. Title insurance is completely different from homeowners insurance. Title insurance deals with the rights to the land you own, while homeowners insurance pertains to protecting your home from accidents. Like homeowners, it is valuable coverage in the event that your right to your home is challenged. Hopefully it is unlikely, but you never know!

Ready to protect your new home
with homeowners insurance?

FIND YOUR MATCH.

855-244-7671

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I N S U R A M A T C H

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The contents of this guide are meant for informational purposes only. For insurance advice, please consult a licensed insurance agent.

ADDITIONAL SOURCES

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