

## **10 Things You Should Know About Purchasing Home Insurance**

### **1. You Need Home Insurance**

Homeowners need to purchase home insurance to protect their homes and personal property. Tenants need insurance to protect their furniture and other personal property. Everyone needs protection against liability for accidents that injure other people or damage their property.

### **2. Decide How Much Coverage You Need**

The better your coverage, the less you will have to pay out of your own pocket if disaster strikes. In some cases, your lender decides how much coverage you need and may require you to buy a policy that covers at least the amount of the mortgage. It is important to note that the amount of coverage you buy for your house, contents and personal property will affect the price you pay.

### **3. Compare Deductibles**

The deductible is the amount you have to pay out of pocket on each claim and applies only to coverage on your house and personal property. Make sure when choosing a policy that you are comfortable paying the deductible if you make a claim.

Remember, a policy with a \$100 deductible will cost more than one with a \$250 deductible. Higher deductibles may be available at a reduced price.

### **4. Replacement Cost or Actual Cash Value?**

You have the option to choose to insure your home and belongings for either replacement cost or actual cash value. Replacement cost is the amount it would take to replace or rebuild your home or repair damages with materials of similar kind and quality, without deducting for depreciation. It is important to insure your home for at least 80 percent of its replacement value. Actual cash value is the amount it would take to repair or replace damage to your home *after* depreciation.

### **5. Shop Around Before You Buy**

You are not required to purchase insurance from the company your lender recommends. There are a number of unbiased sources available to find out what different insurers charge for identical products and services, including your state insurance department, consumer publications and your public library.

### **6. Ask Your Agent About Discounts**

In some states, insurers offer lower prices for such things as insuring your home and car with the same company, installing deadbolt locks or alarm systems or replacing the roof.

### **7. Basic Coverages Available**

Whether you own or rent, there are different packages of home insurance offered to protect your home and belongings. Each package protects against a specified number of events that cause damage to property. Three examples are fire, windstorm and theft. In addition, each package policy usually contains four additional types of coverage: property damage, additional living expenses, personal liability and medical payments.

### **8. Where to Shop**

Check the newspaper and yellow pages of the telephone directory for companies and agents in your area. In addition, ask your neighbors, relatives and friends for

recommendations on insurance companies and agents. Remember to shop around to get the best price and service.

**9. Read Your Policy Carefully**

You should be aware that a home insurance policy is a legal contract. It is written so that your rights and responsibilities as well as those of the insurance company are clearly stated. When you purchase home insurance, you will receive a policy. You should read that policy and make certain you understand its contents. Keep your policy in a safe place and know the name of your insurer.

**10. Review Your Home Insurance Needs Every Year**

Check with your insurance agent at least once a year to make sure your policy provides adequate coverage. The addition of a room, new insulation or remodeling add value to your home, therefore may increase replacement cost.