

## **Finding the best homeowners insurance: How to protect your home *and* your pocketbook**

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### **The importance of homeowners insurance**

If you take out a loan to buy your home, your lender will require you to have homeowners insurance. That's because your home is collateral on the loan your lender gave you – if you default on the loan, the lender gets your home; so the lender wants to protect your home from anything that would reduce its value – a fire, a windstorm, a car crashing into the living room, a volcanic eruption, etc. But even if you own your home outright, homeowners insurance is important. Because you want to protect your home, too, right?

In addition, homeowners insurance policies offer you added protection for your belongings – to cover their worth in the case of a fire, a windstorm, a car crashing into the living room, a volcanic eruption, etc. Also, homeowners insurance can include protection of your assets in case someone is injured in your home and needs medical care or sues you for liability.

To get quotes from a variety of leading insurance companies, and to find out what type of homeowners insurance is best for you, [click here](#).

### **Things you can do to lower your homeowners insurance rates**

Finding the best homeowners insurance policy is a delicate balancing act: you want to go with the most reliable, service-oriented company; you want the best coverage for your home and your belongings; *and* you want the lowest monthly premium. There are a few things you can do to help get all three.

First, educate yourself about the types of homeowners insurance coverage that exist. Know what type of coverage is right for you.

Next, understand the kinds of discounts you may be eligible for. Don't expect the insurance company to offer the discounts; take the initiative to educate yourself about which ones you qualify for and let the insurance company know you're on the ball.

Finally, shop around. No matter what you're buying, taking the first deal you're offered is usually not the path to the best deal. Shop around.

### **Types of homeowners insurance coverage**

Most homeowners, renters, and condo owners insurance policies cover 17 types of perils, including:

1. Fire or lightning
2. Windstorm or hail
3. Explosions
4. Riot or civil commotion

5. Damage caused by aircraft
6. Damage caused by vehicles
7. Sudden or accidental damage from smoke
8. Vandalism
9. Theft
10. Volcanic eruption
11. Damage by glass or safety-glazing material that is part of a building
12. Falling objects (damage from objects falling from the sky)
13. Weight of ice, snow, or sleet
14. Accidental discharge or overflow of water from plumbing
15. Freezing of plumbing
16. Sudden and accidental tearing, cracking, burning or bulging of a steam or hot water heating system
17. Electrical surge damage

Technically, even renters and condo owners insurance falls under the homeowners insurance category, though the coverage those policies offer will differ from a traditional homeowners insurance policy. There are six categories of homeowners insurance policies. The most common is HO-3, which covers more than 80% of all U.S. households, according to the National Association of Insurance Commissioners.

**HO-3:** This homeowners policy is the most common. It covers your home and your belongings (up to a specified value) from any of the 17 perils listed above, plus any peril not specified in the list of 17 except for flood, earthquake, war, and nuclear accidents. No homeowners insurance policy covers floods (except for flooding caused by burst pipes, overflow water, etc.), earthquakes, war, or nuclear accidents. Unfortunately, there's not much homeowners can do to protect against war or nuclear accidents, but if you live in an area prone to earthquakes or floods, you need to get special coverage for those perils.

**HO-1:** This is a bare-bones homeowners insurance policy that only covers your home and your belongings from the first 11 perils listed above. Under this policy, if your home catches on fire, you're covered. If your bathroom pipes burst and flood your home, you're not covered.

**HO-8:** This homeowners policy is for older homes that could not be replaced (e.g. homes with significant historical value). With the typical homeowners insurance policy (HO-3 or HO-1) if your home is destroyed by a covered peril, your insurance company will pay your home's replacement value (the cost for you to rebuild your home). With HO-8, your insurance company will cover your repairs or reimburse you the actual cash value of your home. That may not sound fair, but it's simply one of the risks of owning an older home with historical value.

**HO-2:** This homeowners policy is in between HO-3 and HO-1. It covers your home and belongings from all 17 perils, but not from any perils besides those 17.

**HO-4:** This policy is very similar to the HO-3, but is intended for renters, people living in homes that they do not own. This policy will cover your belongings from all 17 perils, but does not cover the dwelling (home, apartment, condo, etc.).

**HO-6:** This policy is also very similar to the HO-3, but is intended for condo owners, and only covers the parts of the dwelling that you own. If you own a condo in a high-rise, for example, the HO-6 policy would cover your four walls, floor, and ceiling, but would not cover anyone else's condo or building common areas.

To check out these different types of policies with a number of leading insurance companies, click [here](#).

### **Take advantage of all available discounts**

As with auto insurance, you may be eligible for a number of homeowners insurance discounts that could save you \$100s per year.

You may be eligible for discounts if you:

1. Are a member of a club or association that partners with an insurance company (AAA, AARP, and many alumni associations do)
2. Have security features in your home (including deadbolt locks, a security alarm, a live-in employee, closed-circuit TV cameras, or outside motion detectors)
3. Have fire safety features in your home (a sprinkler system, smoke alarms, or heat sensors)
4. Have an auto insurance policy with the same company that writes your homeowners insurance policy
5. Choose a higher deductible
6. Have a new home
7. Have a home that's constructed of fire-resistant materials (like brick or concrete)
8. Don't smoke
9. Are older (seniors are home more often, making their homes less susceptible to fire damage and theft)

On the flip side, there are some things you might be doing that will actually make your homeowners insurance rates *higher*, including:

1. If you live in an area prone to disasters (like floods and earthquakes)
2. If you have a pool or a trampoline (which increase the risk of liability damages)
3. Live in an area with high crime and/or fire rates
4. Don't maintain your home in good repair (a home in disrepair is more susceptible to damage)
5. Own mean pets, pets that are unleashed, or those with a history of aggressiveness (some insurance policies actually refuse to write policies for homeowners with certain breeds of pets)
6. Have a wood burning stove

7. Have a history of claims filing (if you've filed a lot of claims in the past, you're more likely to file claims in the future)

To check out homeowners insurance companies and the kinds of discounts you could receive to save you money, [click here](#).

### **Finally, shop around**

The best way to make sure that you're getting a good deal on your homeowners insurance is to shop around. Get quotes from a variety of different companies, and then look into those companies' histories: how they treat their customers, their claims record, and their industry standing.

To start shopping homeowners insurance companies, [click here](#).

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