

INSURANCE

How to Buy Homeowners Insurance

Planning to buy homeowners insurance for the first time? Here's what you need to know and how to get started.

Are you buying a home? Congratulations. That's a huge milestone. With it comes the need to protect this new asset for the years ahead. How to protect it? You'll need homeowners insurance.

Unfortunately, home insurance rates are high. Rates have increased 11.5% since 2022 and now cost \$2,728 per year, or \$227 per month on average, according to MarketWatch. So you'll want to shop around to ensure you get the best price.

But before you can start comparing quotes, you'll need to decide how much and what type of coverage to get. A home's insurance value is based on the cost to rebuild the house, not the market value.

You can get an estimate of the home's rebuilding cost at [AccuCoverage.com](https://www.AccuCoverage.com), which asks many questions about the house's size, building materials and additional details. It then uses the same building-cost database that insurers use. Or you can work with an agent or the insurer to come up with an estimate.

Here's what you need to know about buying homeowners insurance.

What is covered when you buy homeowners insurance?

Homeowners insurance provides coverage for your possessions based on a certain percentage of your home's insurance value — 75% is typical. So if your home is insured for \$200,000, you'll also likely have up to \$150,000 of coverage for your possessions.

It's important to note, homeowners insurance policies usually have lower limits for certain kinds of items — such as \$2,000 or \$3,000 for all of your jewelry, for example. If you have any particularly valuable possessions — such as jewelry, artwork or special collections — you may want to get extra coverage for those items.

What is not covered when you buy homeowners insurance?

Homeowners insurance offers a wide range of protection, but it's a good idea to get familiar with what it generally doesn't cover. Damage resulting from neglect, mold, pest infestations, or lack of regular maintenance is commonly excluded.

For example, if you live in a flood-prone area, adding flood insurance may be wise, as standard policies rarely cover flood-related damage. Similarly, in regions prone to earthquakes, consider purchasing earthquake coverage, either as a rider to your policy or as a separate stand alone plan.

Being aware of exclusions allows you to plan for any additional coverage you may need, giving you greater peace of mind.

How do you get a quote on homeowners insurance?

Once you have an estimate on how much coverage you'll need, you should then begin comparing quotes. Start by getting a price quote from the company that handles your auto insurance — some providers give a discount on your auto and home insurance if you have both policies with the same company.

Also, if you have an auto insurance agent, find out whether they work for one company or are an independent agent who works with several companies. An independent agent can give you price quotes from several insurers. On the other hand, you may also want to contact a few big insurers separately, such as State Farm, which doesn't sell through independent agents.

And if you have any military connection in your family, it's worthwhile to contact USAA, too (see USAA's page for a list of who is eligible). If you don't have an independent agent, you can find one in your area through the Independent Agents and Brokers of America agent search.

However, before you settle on an insurance company, check out the insurer's complaint record through the National Association of Insurance Commissioners Consumer Information Source. Saving a few dollars in premiums can backfire if your insurer ends up hassling you about claims.

NYSUT NOTE: Need a quote on homeowner's insurance? Endorsed by the NYSUT Member Benefits Corporation, members can get competitive prices for stand-alone coverage from the [Farmers Insurance Choice](#) platform offered by Farmers GroupSelect. Even better, you can get multi-policy discounts. Bundle home and auto or get specialty insurance for your boat, snowmobile or recreational vehicle!

How do you choose a deductible?

You'll also need to choose the deductible amount. One good way to lower premium costs is to choose a deductible of at least \$1,000. That will reduce your premium and discourage you from filing small claims that could get you dropped by the insurer or cost you a claims-free discount. Just be sure to keep enough money in your emergency fund to cover the deductible, in case you need to file a claim.

Should you get flood insurance?

If you're concerned about flooding, which isn't covered by homeowners insurance, go to

www.floodsmart.gov to see the home's risk of flooding and get prices for flood coverage through the National Flood Insurance Program.

You can buy flood insurance through most homeowners insurance agents. Your mortgage company may require flood coverage if you live in a high-risk area, but it can be worthwhile to get the coverage even if it's not required in some areas of the country.

Should you conduct an inventory when you first move in?

When you move into your new home, it's the perfect time to conduct an inventory, which will streamline the claims process if you have to file a claim in the future. Take photos or a video of every room, keep receipts for valuable items, and keep a copy of the file somewhere away from home so it's easy to access if needed.

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*As the "Ask Kim" columnist for Kiplinger's Personal Finance, Lankford receives hundreds of personal finance questions from readers every month. She is the author of *Rescue Your Financial Life* (McGraw-Hill, 2003), *The Insurance Maze: How You Can Save Money on Insurance -- and Still Get the Coverage You Need* (Kaplan, 2006), *Kiplinger's Ask Kim for Money Smart Solutions* (Kaplan, 2007) and *The Kiplinger/BBB Personal Finance Guide for Military Families*. She is frequently featured as a financial expert on television and radio, including NBC's Today Show, CNN, CNBC and National Public Radio.*

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