

Home Buyers Insurance Checklist

14 things every house-shopper should do before signing on the dotted line?



Shopping for your dream house? There are many considerations when looking at real estate, such as property taxes, school district, available recreational opportunities in the neighborhood, to name a few.

But an important and often overlooked consideration is the *insurance implications* of your purchase.

You will be paying insurance on your home for as long as you own it, which is why you need to do your homework before you decide to make an offer. Why? Thinking through all the costs associated with buying a home will make the process run more smoothly, and it may also save you money.

So here are some important tips to help make all phases of your home search easier and more worry-free.

Before House Hunting:

1. Check Your Credit Rating

A good credit history helps you in many ways. Good credit makes it easier to get a mortgage at a competitive rate, and it may also qualify you for a good credit discount on your insurance. Get a copy of one or all of your credit reports. Make sure they are accurate and report any mistakes immediately. If

your credit is not as good as it could be, take steps now to improve it [1].

2. Protect Yourself with a Renters Insurance Policy

If you are currently renting a house or apartment, protect yourself financially with a renters insurance policy [2]. In the event of a disaster, renters insurance [3] can help protect the down payment you're building to buy your new home, as well as provide useful a insurance history to your prospective homeowners insurer when you go to buy your first home.

While House Hunting

As you search for your new home, remember that the physical characteristics of the house?its size, location, construction and overall condition?can affect the cost, choice and availability of home insurance. Following are some factors to consider when shopping for a home:

3. Quality and Location of the Fire Department

Houses that are located near highly-rated, permanently staffed fire departments usually cost less to insure. This also holds true for homes that have a hydrant nearby.

4. Proximity to the Coastline

Houses located on or near the coast will generally cost more to insure than those further inland. There will also likely be a separate hurricane or windstorm deductible [4].

In some coastal communities, private homeowners insurance coverage may not be readily available. Instead, you may need to purchase insurance through a state-run insurance program, which can provide less coverage, and in some cases be more costly, than private insurance.

5. Age of the Home

A stately, older home can be quite beautiful?but they can also cost more to insure. Ornate features like plaster walls, ceiling molding and wooden floors may be costly to replace and can raise the cost of insurance. And, plumbing and electrical systems can become unsafe with age and lack of maintenance. If you are considering buying an older home find out how much it will cost to update these features and factor it into the cost of ownership.

6. Condition of the Roof

Always check the condition of the roof. A new roof matters to insurers and keeps you and your family

safer. Depending on the type of roof and whether or not you use fire and/or hail resistant materials, you may even qualify for a discount.

7. Is the Home Well-Built and Up to Code?

Find out whether the house has been updated to comply with current building codes. Homes built by careful craftsmen and those built to meet modern engineering-based building codes are likely to better withstand natural disasters.

8. Risk of Flooding

Damage from flooding is NOT covered by standard home insurance policies. If you are buying a home in an area at risk from flooding, you will need to purchase separate insurance. Insurance for flooding is available from the federal government's [National Flood Insurance Program](#) ^[5] (NFIP), and from a few specialty insurers.

9. History of Earthquakes

While earthquakes are most frequently associated with California, they occur in the majority of states and, like flooding, are not covered under standard home insurance policies. Earthquake insurance is available from private insurers as an endorsement to a homeowners policy, and in California from the [California Earthquake Authority](#) ^[6]. Check rates with your insurance professional?the cost of earthquake insurance differs widely by location, insurer and the type of structure being covered.

10. Swimming Pool or Other Special Feature

If the house has a [swimming pool](#) ^[7], hot tub or other special feature, you will likely need more liability insurance. You may also want to consider purchasing an [umbrella liability policy](#) ^[8] to provide added protection in the event someone gets injured on your property and decides to sue you.

Before You Place a Bid on the Home

11. Check the Loss History Report

Ask the current homeowner to obtain a copy of the loss history report on the home. Homeowners can obtain either a [Comprehensive Loss Underwriting Exchange](#) ^[9] (C.L.U.E.) report, which is available from LexisNexis, or an [A-PLUSTM](#) ^[10] property report from ISO®. These reports provide a record of the type of loss on the home, the date of the loss and the amount and status of each claim?going back five years. If the report indicates there has been damage to the house, have it checked by a professional.

A home claim history can provide extremely valuable information and should prompt questions from the buyer. For instance, if there was a claim for water damage on the home, it is important to find out the source of the damage (such as a burst pipe) and whether it has been properly repaired. On the other hand, if there was a claim for wind or hail, which resulted in a new roof, this makes the home stronger and is very attractive from an insurance perspective.

12. Get the House Inspected

You'll need to have the house *properly* inspected in order to get your mortgage approved. Accompany the inspector and make sure he/she does a thorough inspection of the home. The inspector should:

- Check the general condition of the home
- Look for water damage, termites and other types of infestation
- Review the electrical system, plumbing, septic tank and water heater
- Show you where potential problems might develop
- Double-check that past problems have been repaired
- Suggest important upgrades or replacements

If the inspector raises questions, your insurance company will as well. And, be sure to find out if there is an underground oil storage tank, as many insurers will not provide policies for homes that have one.

13. Estimate How Much It Will Cost to Maintain the House

Routine maintenance is your responsibility as a homeowner. Losses caused by failing to properly care for your home are not covered by standard homeowners insurance policies. So make sure you factor these costs into the overall price of owning the home.

14. Call Your Insurance Professional

Don't wait until the last minute to think about insurance. Ask your insurance professional if the house will qualify for insurance, and get an estimate of the premium. The sooner you act, the smoother the process will be. Don't be shy about asking for estimates on more than one house. Insurance is an important consideration when purchasing a home. If you are uncomfortable with the cost of insuring a particular house, keep looking for one that better fits your financial situation.

For more about insuring your new home: [Homeowners Insurance Coverage](#) [11]

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Links:

- [1] <https://www.consumer.ftc.gov/articles/0058-credit-repair-how-help-yourself>
- [2] <http://www.iii.org/articles/can-i-get-insurance-if-i-rent-my-home.html>
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