

What Is Your Homeowners Insurance I.Q.?

Homeowners insurance is something you'll hopefully never need to use. But the reality is that accidents happen, and never at an ideal time. Being prepared is a must and the time to become educated about your homeowners insurance policy is not during a crisis. The following are some important things to consider when it comes to protecting your home.

Read all provisions in your policy.

Reading the "fine print" of insurance policies is not much fun, but it is important to understand the scope of your coverage from the beginning to avoid headaches down the road. For example, there may be dollar limitations on certain types of claims or exclusions for specific types of property damage and instances that require liability insurance. Your homeowners insurance policy generally covers accidents that happen to other people on your property, including medical care and court costs. Some insurance companies, however, may refuse to provide coverage for liability claims resulting from swimming pools, trampolines, and certain types of dog breeds or other perceived "risk factors." Policy restrictions will vary.

Do not assume that your policy includes flood coverage.

One of the most common misconceptions among home owners is that their policy automatically covers flood damage. Depending on the policy, some types of water damage are covered if flooding results from an incident that is covered by your policy. (For example, a tree falls on your house during a major storm and water comes in as a result.) In some locations flood insurance is required by the lender, which is determined by whether or not the house is located in a "flood plain." Verify with your insurance carrier what types of water damage are covered by your current policy and whether you need separate flood insurance.

Understand insurance claims databases and their impact on your insurability.

Most insurance companies use claims databases when determining what individuals and properties to insure. A company will seek information about the person(s) and the property. Previous claims on a property can mean higher insurance rates or an outright denial of coverage, despite the fact that they were filed by the seller. The most commonly used claims database is the Comprehensive Loss Underwriting Exchange (CLUE), which houses claims information dating back five years. If you plan to sell your home, it's a good idea to pull your report to confirm its accuracy. You may obtain a CLUE report for a nominal cost by going to www.choicepoint.com. Only the property owner may request a copy of the CLUE report; third parties are not allowed to do so. As a buyer, you may request a report from the seller although they are not legally obligated to provide it.

Refrain from filing minor claims when at all possible.

While they may seem small to you, filing numerous claims may be a big deal to your insurance company. A rise in claims can mean steep premiums or may cause the insurer

to drop your policy when it comes up for renewal. Sometimes it is better to absorb the cost than to put your insurance policy in jeopardy.

Search for ways to lower your homeowners insurance costs.

- Raise your deductible. If you can afford to pay more toward a future loss, your premiums will be lower.
- Investigate discounts from “bundling” insurance policies. You may qualify for a discount when buying your homeowners and auto policies from the same company.
- Make your home less susceptible to damage by staying on top of routine maintenance. Keep roofs and drains in good repair and retrofit your house to protect against natural disasters common to your area.
- Make your home safer by installing smoke detectors, burglar alarms and dead-bolt locks. Many of these could earn you a rate discount.
- Be certain you insure your home for the correct amount; remember that you’re covering replacement cost, not market value.

Your home is a valuable asset, and you need to protect it from the unexpected. For more information about your rights as a policyholder, you may visit the State Corporation Commission web site at <http://www.scc.state.va.us/consinfo.htm>.