Buying a Home Both You and Your Insurer Will Love

You're house hunting, and you've brought along a wish list of features that you consider important, such as a certain number of bedrooms, adequate storage, and an up-to-date kitchen. But does your list include features that will affect your homeowners insurance premium? Buying a well constructed home equipped with certain safety devices may allow you to qualify for a lower insurance premium and help you avoid future insurance claims.

Home traits that affect premium rates

Because a home's location, construction, and safety features can affect the premium you'll pay for homeowners insurance, you'll usually be asked to provide specific details about the home you're purchasing when you request an insurance quote. This information will be used, along with other factors, to generate an accurate quote and to determine the actual premium rate that will apply once you're issued a policy.

Keep in mind that premium rates may vary, because each insurance company sets its own underwriting guidelines in accordance with state regulations. But all insurers within a state may be required to offer certain premium discounts for homes with features that help reduce insurance claims. Other discounts are optional and will vary from one insurer to the next.

- Age. Newer homes often cost less to insure than older homes because they are built according to strict building codes, and the electrical, heating, and plumbing systems are likely to be in good shape, reducing the risk of fire and water damage.
- Construction. The construction materials used to build the home may affect your insurance premium. For instance, brick homes are more fire-resistant than wood frame homes so in some areas of the country they cost less to insure. Discounts may also be available if weather-resistant features such as hurricane shutters or impact-resistant roofs have been installed.
- Location. Insurance premiums are likely to be higher for homes located near the coast or in areas at high risk for a natural or weather-related disaster.
- Security devices and fire protection systems. Many insurers offer discounts for monitored alarm systems, deadbolt locks, smoke detectors, fire alarms, or sprinklers. More sophisticated devices usually qualify for higher discounts.
- Proximity to fire department. When setting premium rates, insurers generally consider the home's distance from the local fire department and whether a fire hydrant is nearby. Homes located in rural areas far from fire equipment may cost more to insure.

When it's time to buy homeowners insurance, ask about available discounts. And remember that flood and earthquake damage isn't covered by a standard homeowners insurance policy. You'll need to purchase separate insurance to cover these risks.

Spotting potential problems

As you walk through a home, keep your eye out for evidence of damage or defects. Although serious problems can be a lot harder to spot than a lack of cabinet space, spending time identifying potential defects up front may help you avoid future insurance claims.

- Look for signs of water-related damage or excessive moisture, especially in basements and attics, and on roofs and ceilings. Signs that drainage problems may exist include mud or sunken spots in the yard, or areas that slope towards the foundation.
- Visit the home more than once. Walk or drive through the neighborhood, too, preferably at different times of the day and in different weather conditions. And talk to the neighbors--they can be a good source of information about the neighborhood and the home you're considering.
- Ask the seller about past insurance claims. If your state requires sellers to provide written disclosure notices detailing known issues with the home, carefully review these before purchasing the property. But remember, sellers won't necessarily disclose every problem that exists.
- Ask questions. For instance, find out why many homes in the area are getting new siding or roofs. Or if the home is priced much less than similar homes in the area, are you getting a good deal--or inheriting someone else's problems?

Once you've decided on a home, make your offer or purchase agreement contingent upon a satisfactory professional home inspection. That way, you can try negotiating a price adjustment or even walk away from the sale if you find out that the home has significant defects.

And to avoid surprises, shop for homeowners insurance as early as possible in the home buying process. You don't want to find out too late that the home you've chosen will be expensive or difficult to insure.

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