

## 5 Things to Understand About Homeowners Insurance

1. **Look for exclusions to coverage.** For example, most insurance policies do not cover flood or earthquake damage as a standard item. These coverages must be bought separately.
2. **Look for dollar limitations on claims.** Even if you are covered for a risk, there may a limit on how much the insurer will pay. For example, many policies limit the amount paid for stolen jewelry unless items are insured separately.
3. **Understand replacement cost.** If your home is destroyed you'll receive money to replace it only to the maximum of your coverage, so be sure your insurance is sufficient. This means that if your home is insured for \$150,000 and it costs \$180,000 to replace it, you'll only receive \$150,000.
4. **Understand actual cash value.** If you choose not to replace your home when it's destroyed, you'll receive replacement cost, less depreciation. This is called actual cash value.
5. **Understand liability.** Generally your homeowners insurance covers you for accidents that happen to other people on your property, including medical care, court costs, and awards by the court. However, there is usually an upper limit to the amount of coverage provided. Be sure that it's sufficient if you have significant assets.

## 10 Ways to Lower Your Homeowners Insurance Costs

1. **Raise your deductible.** If you can afford to pay more toward a loss that occurs, your premiums will be lower.
2. **Buy your homeowners and auto policies from the same company.** You'll usually qualify for a discount. But make sure that the savings really yields the lowest price.
3. **Make your home less susceptible to damage.** Keep roofs and drains in good repair. Retrofit your house to protect against natural disasters common to your area.
4. **Keep your home safer.** Install smoke detectors, burglar alarms, and dead-bolt locks. All of these will usually qualify for a discount.
5. **Be sure you insure your house for the correct amount.** Remember, you're covering replacement cost, not market value.
6. **Ask about other discounts.** For example, retirees who are home more than working people may qualify for a discount on theft insurance.
7. **Stay with the same insurer.** Especially in today's tight insurance market, your current vendor is more likely to give you a good price.
8. **See if you belong to any groups**—associations, alumni groups—that offer lower insurance rates.
9. **Review your policy limits and the value of your home and possessions annually.** Some items depreciate and may not need as much coverage.
10. **See if there's a government-backed insurance plan.** In some high-risk areas, such as the coasts, federal or state governments may back plans to lower rates. Ask your agent.