

Ten tips to trim homeowners insurance costs

By Erin K. Witt

Across the nation, many homeowners are getting a shock in the mail: they are learning that their homeowner's insurance costs are skyrocketing. In some parts of the country, consumers are even being unexpectedly dropped by insurance providers and forced to find new coverage.

In the United States, the price tag of insuring homes rose 6 percent in 2001, and a similar increase is expected after 2002 is evaluated, says the Insurance Information Institute (III), a non-profit organization supported by the property and casualty insurance business.

III attributes the increases to the mounting number of catastrophes, terrorism threats, the high cost of home repairs, and the emergence of mold claims.

Hundreds of smaller disasters stemming from tropical storms, tornados, wildfires, hail, ice and snow are driving costs up. And III points out that the cost of home repairs is rising by more than 7 percent a year—three times faster than the rate of inflation.

Luckily, there are some options homeowners can use to help keep insurance rates reasonable. III and *Better Homes and Gardens* offer the following saving tips:

Tip #1: Decide what coverage is needed. The standard homeowners policy pays for a lot—but excludes or limits a lot, too. For instance, if your home is near water, flood insurance may be a good idea. Some mortgage lenders will even require it on homes within designated flood zones, at an additional annual cost of around \$400. Some computers, valuable jewelry, electronic gear, or works of art in a home may exceed a standard policy's payout limits and require an additional policy. But rates change all the time—and so will your lifestyle and possessions. Even subtle changes can affect a homeowner's policy, so it is important to review your policy and the value of your possessions regularly. If you sold that pair of diamond earrings or other valuable for which you have a floater policy—additional coverage for items not covered by a standard homeowners policy—be sure you're not paying for the extra insurance.

Tip #2: Raise your deductible. The deductible is the amount a homeowner pays toward a loss before the insurer starts to pay. Deductibles on homeowner's policies typically start at \$250. By increasing the deductible to \$500, you could save up to 12 percent. Raise it to \$1,000, and you could save up to 24 percent, says III.

Tip #3: Get all your coverage from one insurer. Some companies that sell homeowners, auto, and liability coverage will cut 5 percent to 15 percent off your bill at least two policies are purchased through them.

Tip #4: Buy a newly constructed house. Because a new home's electrical, HVAC, plumbing systems, and overall structure are likely to be in better shape than those of an

older house, insurers may offer a discount of as much as 15 percent below what is normally charged to cover an older home of similar value. Buying the “right” type of construction can also equate to savings. For example, brick homes can earn a discount on the East Coast because they’re less susceptible to wind and hurricane damage. Likewise, frame homes are better able to withstand earthquake damage possible in western states.

Tip #5: Disaster-proof your property. Make your home more resistant to damages—and save in insurance costs—by adding storm shutters and shatterproof glass, or by reinforcing your roof. Consumers living in an older home should also consider modernizing heating, plumbing, and electrical systems to reduce the risks of water and fire damage.

Tip #6: Create a “home safe home”. Communities with neighborhood watch programs are often rewarded with lower rates. Some insurance companies also offer a discount of at least 5 percent for installing security measures like smoke detectors, burglar alarms, and dead-bolt locks, and many will offer a discount if you install a sprinkler system and a fire and burglar alarm that rings at police, fire, or other monitoring stations.

Tip #7: Quitting smoking isn’t just good for your health—it is good for homeowner’s insurance premiums, too. According to *Better Homes and Gardens*, smoking accounts for more than 24,000 residential fires a year. Some insurers offer to reduce premiums if no one in the house smokes.

Tip #8: Be a loyal customer. Some insurers will trim their rates if a consumer has been with them for a certain number of years—sometimes up to 10 percent if you’ve had your policy for more than six years. But don’t let loyalty blind you to a better deal elsewhere. Be sure to regularly compare prices against other companies.

Tip #9: Inquire about any potential discounts. For example, some insurers offer lower rates to those 55 and older.

Tip #10: Consider group coverage. Some alumni, fraternal, and business organizations may offer group coverage that’s cheaper than your individual coverage.