



Consumer Alert from the NAIC: Tips for Saving on Your Homeowners Insurance

It's important to protect the things you value. Life insurance protects your loved ones, auto insurance protects your car, health insurance protects your good health and homeowners insurance protects your possessions. As with any insurance purchase, it's important to evaluate coverage and research your options to find the best coverage for your dollar. Here are some tips from the National Association of Insurance Commissioners (NAIC) to help save money on your homeowners insurance.

1. Shop Around

Homeowners insurance can be costly, but necessary. The premiums charged for homeowners insurance vary widely from company to company, so it pays to take the time and effort to shop around to get the best value for your insurance dollar.

The cost of homeowners insurance depends on a number of factors including location; age and type of building; the use of the building, i.e., residence and/or commercial enterprise; local fire protection; choice of deductibles; application of discounts; and the scope and amount of insurance coverage you purchase.

2. Stick With the Company That Offers the Best Deal

Once you've considered the alternatives and chosen the company that fits your needs, consider multiple policies with that company.

Some companies offer what is called a multi-policy discount. If you purchase your homeowners and automobile policies from the same insurer, you may receive a small discount.

3. Pick Your Form

The five homeowners package forms offered to owners of single-family, owner-occupied homes are HO-1, HO-2, HO-3, HO-3 with HO-15 and HO-8. These policy forms insure your home and belongings against at least 11 named perils. The more perils your policy covers, the more you will pay for the policy.

4. Change Your Deductible

If your policy contains a standard "all peril" deductible, of \$250 for example, you would collect the amount of any covered property loss, less \$250. With a deductible, the premium cost of your policy is lower than if there were no deductible. In choosing the deductible amount, you bear the burden of loss up to the amount you feel you can afford. Deductibles save money because the first dollars of the insurance are the most expensive to buy. Contact your insurance company to see if they offer higher deductibles, such as \$500 and \$1,000, on your homeowners insurance coverage.

5. Discount Opportunities

You should also check with your insurance company to see if they offer premium discounts for the use of dead-bolt locks, smoke alarms, fire extinguishers, sprinkler systems and security systems.

Insurers in some states are required to offer premium discounts if a policyholder has installed hurricane/storm shutters and/or hurricane resistant laminated glass windows and doors. Check with your agent to find out what additional discounts are available under your policy.

6. Actual Cash Value Vs. Replacement Cost

One important factor to consider when shopping for your homeowners insurance policy is "actual cash value" vs. "replacement cost" coverage. While it may not affect your short-term premiums, it may make a large difference in your claim submission.

Actual cash-value coverage, as the name implies, will reimburse you for the cost of the property at the time of the claim, minus your deductible. It's important to account for depreciation when considering this coverage option. For example, if you lose an audio system that was purchased five years before the claim, you will be reimbursed for the current value of the system. This may result in a lower claim payment than you expect.

Replacement cost coverage, on the other hand, will reimburse the full value of the new audio system — after you purchase the new system and submit your receipts. While the up-front cost is greater, you are more likely to receive accurate compensation for your possessions.

7. Get More Information

For more in-depth information on homeowners insurance, order a copy of the "Consumer Guide To Homeowners Insurance" from the NAIC at www.naic.org/1pubcat/. If you feel you've been treated unfairly in shopping for homeowners insurance, please contact your state insurance department. You can link to your state insurance department's Web site by visiting www.naic.org. Click on "State Insurance Regulators Web Sites," then click on your state.

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