



How can I save money?

The price you pay for your homeowners insurance can vary by hundreds of dollars, depending on the size of your house and the insurance company you buy your policy from. Here are some ways to save money.

Shop around

Prices vary from company to company, so it pays to shop around. Get at least three price quotes. You can call companies directly or access information on the Internet. Your state insurance department may also provide comparisons of prices charged by major insurers.

Check the financial health of insurance companies by using ratings from independent rating agencies and consulting consumer magazines.

Get quotes from different types of insurance companies. Some sell through their own agents. These agencies have the same name as the insurance company. Some sell through independent agents who offer policies from several insurance companies. Others do not use agents. They sell directly to consumers over the phone or via the Internet.

But don't shop price alone. You want a company that answers your questions and handles claims fairly and efficiently. Ask friends and relatives for their recommendations. Contact your state insurance department to find out whether they make available consumer complaint ratios by company.

Select an agent or company representative that takes the time to answer your questions. Remember, you'll be dealing with this company if you have an accident or other emergency.

Raise your deductible

A deductible is the amount of money you have to pay toward a loss before your insurance company starts to pay a claim. The higher your deductible, the more money you save on your premium. Consider a deductible of at least \$500. If you can afford to raise it to \$1,000, you may save as much as 25 percent.

If you live in a disaster-prone area, your insurance policy may have a separate deductible for damage from major disasters. If you live near the coast in the East, you may have a separate windstorm deductible, if you live in a state vulnerable to hail storms, you may have a separate deductible for hail, and if you live in an earthquake-prone area, your earthquake policy may have a deductible.

Buy your home and auto policies from the same insurer

Most companies that sell homeowners insurance also sell auto and umbrella liability insurance. (An umbrella liability policy will give you extra liability coverage.) Some insurance companies will reduce your premium by 5 percent to 15 percent if you buy two or more insurance policies from them. But make certain this combined price is lower than buying the coverages from different companies.

Make your home more disaster-resistant

Find out from your insurance agent or company representative what you can do to make your home more resistant to windstorms and other natural disasters. You may be able to save on your premiums by adding storm shutters and shatter-proof glass, reinforcing your roof or buying stronger roofing materials. Older homes can be retrofitted to make them better able to withstand earthquakes. In addition, consider modernizing your heating, plumbing and electrical systems to reduce the risk of fire and water damage.

Don't confuse what you paid for your house with rebuilding costs

The land under your house isn't at risk from theft, windstorm, fire and the other perils covered in your homeowners policy. So don't include its value in deciding how much homeowners insurance to buy. If you do, you'll pay a higher premium than you should.

Ask about discounts for home security devices

You can usually get discounts of at least 5 percent for a smoke detector, burglar alarm or dead-bolt locks. Some companies may cut your premiums by as much as 15 or 20 percent if you install a sophisticated sprinkler system and a fire and burglar alarm that rings at the police, fire or other monitoring stations. However, these systems aren't cheap and not every system qualifies for a discount. Before you buy one, find out what kind your insurer recommends, how much the device would cost and how much you'd save on premiums.

Seek out other discounts

Many companies offer discounts, but they don't all offer the same types of discounts or the same level of discount in all states. Ask your agent or company representative about discounts available to you. For example, if you're at least 55 years old and retired, you may qualify for a discount of up to 10 percent at some companies. If you've completely modernized your plumbing or electrical system recently, some companies may also provide a price break.

See if you can get group coverage

Does your employer administer a group insurance program? Check to see if a homeowners policy is available and is a better deal than you can find elsewhere. In addition, professional, alumni and business groups may offer an insurance package at a reduced price.

Stay with the same insurer

If you've been insured with the same company for several years, you may receive a discount for being a long-term policyholder. Some insurers will reduce premiums by 5 percent if you stay with them for three-to-five years and by 10 percent if you're a policyholder for six years or more. To ensure you're getting a good deal, periodically compare this price with the prices of policies from other insurers.

Review policy limits and the value of your possessions annually

You want your policy to cover any major purchases or additions to your home. But you don't want to spend money for coverage you don't need. If your five-year-old fur coat is no longer worth the \$5,000 you paid for it, you'll want to reduce or cancel your floater (extra insurance for items whose full value is not covered by standard homeowners policies) and pocket the difference.

Look for private insurance if you are in a government plan

If you live in a high-risk area—one that is especially vulnerable to coastal storms, fires or crime—and you've been buying your homeowners insurance through a government plan, find out from insurance agents, company representatives or your state insurance department which insurance companies might be interested in your business. You may find there are steps you can take that will allow you to buy insurance at a lower price in the private market.

When you're buying a home, consider the cost of homeowners insurance

The price you pay for homeowners insurance depends in part on the cost of rebuilding your home and the likelihood that it will be damaged by natural disasters or that it will burn down. You may pay less if you buy a house close to a fire hydrant or in a community that has a professional rather than a volunteer fire department. You may also pay less if your home's electrical, heating and plumbing systems are less than 10 years old. If you live in the East, consider a brick home because it's more wind-resistant. If you live in an earthquake-prone area, look for a wooden frame house because it is more likely to withstand this type of disaster. Choosing wisely could cut your premiums by 5 percent to 15 percent.

Remember that flood and earthquake damage are not covered by a standard homeowners policy. If you buy a house in a flood-prone area, you'll have to pay for a flood insurance policy that costs an average of \$400 a year. The National Flood Insurance Program provides useful information on flood insurance on its Web site at <http://www.floodsmart.gov>. A separate earthquake policy is available from most insurance companies. The cost of the coverage will depend on the likelihood of earthquakes in your area and the construction features.

If you have questions about insurance for any of your possessions, be sure to ask your agent or company representative. For example, if you run a business out of your home, be sure you have adequate coverage. Most homeowners policies cover business equipment in the home, but only up to \$2,500 and they offer no business liability insurance. For more information, see Business Insurance.