



Consumers Can Free Up Income by Reducing Insurance Costs

One Way to Battle a Slow Economy and High Gas Prices, Says I.I.I.

INSURANCE INFORMATION INSTITUTE

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NEW YORK, September 2, 2008 — At a time of rising prices and economic uncertainty, consumers are looking for innovative ways to hold on to their cash. A good place to start is by reviewing homeowners and auto insurance policies, according to the Insurance Information Institute (I.I.I.).

The price you pay for your home and car insurance can vary by hundreds of dollars, depending on many factors. Here are some ways to help you save money:

Your Home

- **When choosing 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 the electrical, heating and plumbing systems in the house are less than 10 years old. If you live in the East, consider a brick home because it is 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 to 15 percent.

- **Ask for higher deductibles**

Deductibles represent the amount of money you pay before your insurance policy kicks in. By requesting higher deductibles, you can lower your costs substantially. On your homeowners insurance, 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.

- **Do not confuse what you paid for your house with rebuilding costs**

The land under your house is not at risk from theft, windstorm, fire and the other perils covered by your homeowners policy, so its value should not be a factor in deciding how much homeowners insurance to buy. If you do include the value of the land, you will end up paying a higher premium than you should. "Also, keep in mind that the real estate value of your home has nothing to do with the amount it would cost to rebuild your home," said Loretta Worters, vice president with the I.I.I. "Even with the decline in the housing market, homeowners need to make sure they have enough coverage."

- **Review policy limits and the value of your possessions annually**

While your policy should cover any major purchases or additions to your home, you do not want to spend money for unnecessary coverage. If your five-year-old fur coat is no longer worth the \$5,000 you paid for it, you should reduce or cancel your insurance floater (extra insurance for items whose full value is not covered by standard homeowners policies) and pocket the difference. If you have sold jewelry, antiques or art, do you still have insurance on those items? If so, notify your insurance company to cancel the coverage.

- **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 can be expensive and not every system qualifies for a discount. Before you invest in an alarm system, find out what kind your insurer recommends, how much the system would cost and how much you would save on premiums.

- **Make your home more disaster-resistant**

Take the time to research 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 and windstorms. In addition, consider modernizing your heating, plumbing and electrical systems to reduce the risk of fire and water damage. Taking these steps may make your house more insurable, and some companies may even offer mitigation discounts, but, most importantly, your home and your family will be safer as a result.”

- **Seek out other discounts**

Many companies offer discounts on homeowners insurance, but they do not all offer the same types of discounts, nor are the discount levels the same in all states. Ask your agent or company representative about specific discounts available to you. For example, if you are at least 55 years old and retired, you may qualify for a discount of up to 10 percent at some companies. If you have completely modernized your plumbing or electrical system recently, some companies may also provide a price break.

- **Stay with the same insurer**

If you have 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 have been a policyholder for six years or more. To ensure you are getting a good deal, shop around periodically to compare your premiums those offered by other insurers.

- **Ask about group coverage**

Does your employer administer a group insurance program? Check to see they offer a homeowners policy that 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.

Your Automobile

After several years of flat or falling auto insurance rates, the average annual cost of auto insurance rose by just \$8 to \$9 in 2007, which is less than one half of 1 percent, well below the rate of inflation as measured by the Consumer Price Index, according to the I.I.I. Drivers with safe driving records will continue to get the best rates.

- **When choosing a car, consider the cost of auto insurance**

Before you buy a new or used car, check into what it will cost to insure it as choosing the right car can help lower your premium. Premiums are based in part on the car's sticker price, the cost to repair it, its overall safety record and the likelihood of theft. Many insurers offer discounts for features that reduce the risk of injuries or theft. These include air bags, anti-lock brakes, daytime running lights and anti-theft devices. Some states even require insurers to give discounts for cars equipped with air bags or anti-lock brakes. Cars that are favorite targets for thieves cost more to insure. Information that can help you decide which car to buy is available from the [Insurance Institute for Highway Safety](#).

- **Ask for higher deductibles**

Increasing the deductible on your car from \$200 to \$500 could reduce the price of your collision and comprehensive coverage by 15 percent to 30 percent. Going to a \$1,000 deductible can save you 40 percent or more. Keep in mind that claims occur on average only once every 11 or 12 years.

- **Seek out safe driver discounts**

Companies offer discounts to policyholders who have not had any accidents or moving violations for a number of years, so if you have a good driving record ask your agent or insurance company representative whether this qualifies you for a reduction in your premium. You may also qualify for a cut if you have recently taken a defensive driving course.

- **Reduce coverage on older cars**

Consider dropping collision and/or comprehensive coverage on older cars. It may not be cost-effective to continue this type of insurance on cars worth less than 10 times the amount you would pay for coverage. As a general rule, it does not make sense to pay comprehensive or collision on a car worth less than \$1,000 as any claim payment you receive would not substantially exceed your premiums minus the deductible. Auto dealers and banks can tell you the book value of a car, or you can look it up online at [Kelley Blue Book](#).

- **Take advantage of low-mileage discounts**

Some companies offer discounts to motorists who drive a lower than average number of miles per year. Low mileage discounts can also apply to drivers who carpool to work taking public transportation.

- **Ask about group coverage**

If your company administers a group insurance program, check to see they offer an auto policy that 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.

- **Inquire about other discounts**

You may get a break on your insurance in some of the following situations:

- You are over 50

- There is a young driver on the policy who is a good student, has taken a drivers education course or is away at college—without the car and generally at least 100 miles away.

- You are insuring more than one car

Other Ways to Save

- **Shop around**

Prices can vary significantly from company to company, so when your auto or homeowners policy comes up for renewal, 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

Get quotes from different types of 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. Other companies sell directly to consumers over the phone or via the Internet.

But don't shop by price alone. You want a company that answers your questions and handles claims fairly and efficiently, so try to find an agent or company representative who takes the time to answer your questions. Ask friends and relatives for their recommendations. You can also contact your [state insurance department](#) to find out whether they make company consumer complaint ratios available. Check the financial health of insurance companies through [independent rating companies](#) and by consulting consumer magazines.

- **Buy your homeowners insurance and auto coverage from the same insurer**
Many insurers will give you a discount if you buy two or more types of insurance from them. Also you may get a reduction if you have more than one vehicle insured with the same company. Some insurers reduce premiums for long-time customers. Keep in mind that you may still save money by buying from different insurance companies despite the multi-policy discount, so you should always shop around.
- **Maintain good credit**
Your credit rating may affect what you pay for insurance, so keep a close eye on it. Using credit ratings can make insurance rates more accurate, fair and objective. While the use of insurance scoring varies from state to state and company to company, it is a fact that drivers with long, stable credit records have fewer accidents than drivers who do not. There are various Internet services that allow you to check your credit rating and provide tips on how to improve your score such as the myFICO [Credit Education Center](#).

More information on how to save money on your insurance can be found in the [Auto](#) and [name of link](#) sections of the [I.I.I. Web site](#).

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