

Homeowner's Insurance

Lenders require that you have homeowner's insurance, to protect both you and them in the event of disaster, damage, or burglary. Just like shopping for your home, you need to shop around for the insurance plan that fits your exact needs. It may take you time, but the money you save will make it worth it. Ask your friends, check the yellow pages, or call your state's insurance department.

Don't consider price alone. The insurer you select should offer a fair price and deliver the service you expect if you need to file a claim. Consider checking the ratings of the companies with AM Best or Standard and Poor's.

Get the Best Price and Coverage

The price you pay for your homeowner's insurance can vary considerably depending on a number of simple factors. By following the tips below, you may be able to save hundreds of dollars.

Before buying a home, consider the cost of insurance. You may pay less for insurance if you buy a house close to a fire hydrant or in a community that has a professional rather than a volunteer fire department. It may also be cheaper if your home's electrical, heating, and plumbing systems are less than 10 years old. Choosing wisely could cut your premiums by 5 - 15%.

Increase your deductible. Deductibles are 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 you can save on your premiums. Today, most insurance companies recommend a deductible of at least \$500. If you can afford to raise your deductible to \$1,000, you may save as much as 25%.

Buy home and auto policies from the same insurer. Some companies that sell homeowner's, auto, and liability coverage will take 5 - 15% off your premium if you buy two or more policies from them. But make certain that this combined price is lower than buying the different coverages from different companies.

Make your home more disaster resistant. Find out from your insurance agent what steps you can take to make your home more resistant to natural disasters. You may be able to save on your premiums by adding storm shutters, 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.

Only insure rebuilding costs. The land under your house isn't at risk from theft, windstorms, fire, and the other threats covered by your homeowner's insurance. So don't include its value in deciding how much homeowner's insurance to buy.

Improve your home security. You can usually get discounts of at least 5% for a smoke detector, burglar alarm, or dead-bolt locks. Some companies offer to cut your premium by as much as 15 - 20% if you install a sophisticated sprinkler system, or fire and burglar alarms that ring at a monitoring station. Before you buy such a system, however, find out what kind your insurer recommends, how much the device costs, and how much you'd save on premiums.

Stay with the same insurer. If you've kept your coverage with a company for several years, you may receive a discount for being a long-term policyholder. Some insurers will reduce their premiums by 5% if you stay with them for three to five years and by 10% if you stay with them for six years or more.

Assess your policy and possessions every year. You don't want to spend money for coverage you don't need. If your five-year-old computer is no longer worth the \$2,500 you paid for it, you'll want to reduce the insurance coverage.