

Does bundling your insurance policies really save you money?

When you buy an insurance policy of any sort — be it home, auto, renter’s or another type of insurance — your agent typically will ask whether you want to purchase other insurance products from the same company.

This tactic, known as bundling, is smart marketing for insurance companies. As a consumer, bundling your insurance policies may seem like a smart option, but it’s worth doing some research before making a commitment.

Bundling together your home and auto insurance could get you a discount.

Bundling is a way for insurers “to get more of your business and collect more premiums from you,” says Amy Bach, executive director of consumer advocacy group United Policyholders. “The larger insurance companies publicly admit that they prefer customers who have a lot of assets and purchase all of their insurance products through one company.”

Benefits of bundling

Typically, in order to get customers to bundle their insurance products, agents will offer incentives such as discounts on premiums and a combined deductible.

MetLife Auto & Home’s GrandProtect program, for instance, allows consumers who purchase multiple policies to pay only the highest deductible in the event that several of their insured assets are damaged by one event, such as a storm or hurricane. “If a consumer’s homeowner’s policy had a \$1,000 deductible and his boat policy had a \$500 deductible, we’d charge only the \$1,000 deductible,” says David Isaac, senior product consultant at MetLife Auto & Home.

If you have trouble keeping track of bills, bundling policies can prevent confusion, too. With a bundled package, you’ll receive a single bill for all of your insurance premiums. “It provides convenience for the customer,” Isaac says.

Bundling benefits insurance companies as well. Isaac says that customers who bundle policies are likelier to stay with a company for longer time. The process cuts corners as well. “If you have auto, home, boat and motorcycle insurance, an agent can review all of your policies at one time,” Isaac says.

Bundling isn't always the best deal

Still, bundling may not be for everyone.

J.D. Power and Associates' 2011 U.S. National Auto Insurance Study found that customers who had auto and home insurance policies with two different companies were more satisfied with what they're paying for auto insurance than customers who bundled their auto and home insurance policies.

That's because some companies that offer only auto insurance significantly undercut the auto insurance rates of companies that offer many types of policies. "The freestanding auto insurance price can be so much cheaper that it doesn't make sense to bundle," Bach says.

Auto-only insurance companies also may offer claims-free discounts, ticket forgiveness discounts and accident forgiveness discounts. These discounts have a greater effect on customer satisfaction than discounts for bundling do, according to the J.D. Power survey.

Nonetheless, Nationwide Insurance spokeswoman Elizabeth Stelzer says bundling policies "is a great way to save money on the overall cost of insurance." For instance, customers who insure their home and their car with Nationwide can receive a discount of more than 25 percent in some states.

Look at the details before making a decision

While some agents may want you to make an immediate decision about bundling policies, there's no rush. "You can add and take away products throughout the policy period," Bach says. That gives you time to research your options.

If you sign up for a multipolicy insurance package, look at the details to make sure you're not paying extra for coverage you don't really need. Bach says that when she purchased a bundled home and umbrella insurance package, her agent offered a jewelry endorsement for a reduced rate. "I thought it was a waste of money, because I don't have enough jewelry to warrant buying a policy," Bach says.

Talk with your agent before deciding to drop a product line from your package, or you may see your rates go up after opting out of an insurance product. In Bach's case, dropping jewelry coverage meant that she would lose her multipolicy discount, so the rates would have been almost the same. "It wasn't worth dropping the coverage," she says. In other cases, you may be able to realize savings by electing out of optional add-on product lines.

Comparison shop for the best coverage

Bach recommends comparison shopping on price to see how well bundling discounts match up compared to purchasing individual policies from several companies. "Working with a broker or agent will help you, because they are familiar with different companies' pricing and guidelines," she says. Bach stresses that it's important to work with an independent agent, rather than a "captive" agent who sells products for just one company, such as State Farm or Allstate.

“Just because a company says it’s giving you a discount on combined home and car insurance, you might still get a cheaper price on auto coverage without bundling,” Bach says, “but you’ll have to shop around a little.”