

## [Save big on homeowners insurance](#)

CNN Money

Reviewing your homeowners policy may not rank high on our annual home-maintenance checklist. Yet following the five steps below will save you big bucks now and a lot of grief down the road.

After the recent slew of natural disasters, average annual premiums are expected to surpass \$1,000, with some owners likely to see double-digit rate hikes.

Haven't taken a close look at your policy lately? Then dust it off and make insurance your next project.

Step 1. Measure how much coverage you need.

Your No. 1 priority must be the house itself. "Possessions, living expenses and liability should all be secondary," says Amy Bach of United Policyholders, an insurance advocate group.

Don't base your coverage level, though, on the home's appraised value, which includes land costs.

Instead, says Kevin McCarty, president of the National Association of Insurance Commissioners, use the recent per-square-foot replacement costs in your area, available from your local homebuilders association. The difference can be sizable. In New York state, land makes up 9% of the average home's value, according to the Lincoln Institute. In Hawaii, it represents more than half.

Is your area prone to natural disasters? Price out extended or guaranteed replacement policies, which protect you from inflated labor and material costs following such catastrophes.

Step 2. Inspect what's not covered.

Don't assume that all "perils" are covered. As homeowners learned the hard way after Hurricane Irene last August, standard policies exclude damage from flooding, not to mention earthquakes and landslides.

"Most people aren't aware of what their policy does and doesn't cover until they file a claim," says Deeia Beck, executive director of the Office of Public Insurance Counsel, a state consumer agency in Texas.

If you live in a high-risk area for floods, you may be required to add supplemental coverage, which can cost \$1,700 to \$3,300 on a \$150,000 building and \$50,000 worth of contents.

Also, take note of common exclusions, such as those on mold and even broken pipes owing to lack of routine maintenance. You know which nuisances your home is susceptible to. Use that knowledge to beef up coverage by adding so-called endorsements.

Step 3. Recheck the deductible.

It may not be the same as it was a year ago. Many insurers are retooling deductibles from set dollar amounts to percentages, which can often represent a substantial change.

In general, you want to go for the highest deductible you can afford to lower your premiums. Beware, though, that not all insurers that are making this switch from dollars to percentages are cutting premiums at the same time. Also, be mindful that these deductibles are a percentage of the insured value of your entire home, not of what needs to be fixed.

So if you have a \$400,000 home, even a 5% deductible may be too steep a price to pay, and a reason to shop around.

Step 4. Hammer away at your premium.

Insurers don't always spell out how much your rates shot up on renewals. So dig out last year's documents and compare for yourself. If your rates rose 5% or more, make sure to call the company for an explanation.

Knowing whether the increase resulted from changes in your risk profile or from broad-based increases in the marketplace will help you negotiate and comparison-shop — which you should do at every renewal or at least every couple of years.

To shop around, get quotes for free through Insure.com or InsWeb.com. Want extra guidance or have an unusual property? Then work with an independent broker. You can find one at [iiaba.net](http://iiaba.net).)

In addition to bumping up your deductible, you can lower your premium by bundling together your home and auto insurance, which can shave off from 5% to 15%. Also, installing security systems, storm shutters, or a new roof can chip away another 15%. Before you make that commitment, though, check with your insurer to see if your installation qualifies, says Jeanne Salvatore of the Insurance Information Institute.

Step 5. Clean up your work area.

Finish your project by getting all your documents in place. If you haven't already done so, conduct a home inventory worksheets are available at [uphelp.org](http://uphelp.org)). Pair that with receipts, photos, or videos and then store all your paperwork along with a complete copy of your insurance policy — in a fireproof box. For extra protection, scan and store all of that information digitally on a flash drive, and remember to keep that off-site, says Bach. If disaster strikes, you don't want this critical information to be at risk too.