

To Bundle or Not to Bundle Insurance: A Few Things to Consider

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It seems like a slam dunk.

Taking out policies on your home, car, motorcycle and boat with one company, or “bundling” is the topic of many a TV commercial. You can simplify your life and get big discounts, according to the ads.

Aside from savings, getting everything on one bill is an enticing reason to bundle.

“In today’s world where companies are striving to be ‘paper free’ and push people into paperless statements, it’s more common for people’s insurance to lapse due to non-payment because they missed a digital notice or email that they would have caught if it came in the mail,” says Amy Bach, executive director for San Francisco-based consumer advocacy group, United Policyholder. “In theory, bundling could help you catch a lapse/missed payment and avoid gaps in protection.”

But before you jump on the bundling bandwagon, there are several things to consider.

To the casual observer, it seems easy and logical. Buying in bulk equals discounts, right? After all, customers holding multiple policies with a single home insurer cite both higher satisfaction and likelihood to recommend their carrier, according to a recent survey by J.D. Power. That same study also shows that one-fifth of customers who pay for both home and auto insurance don’t bundle them.

So, why wouldn’t they? A few reasons separate policies might be the best choice:

- Specialization

You may have a solid homeowners insurance company with a great claims record. But if nobody has ever heard of their auto line, you may want to think twice. And vice versa. Just like in the health care industry,

specialties exist for a reason.

- Choice

In some cases, a home insurer uses a “partner” company to handle your auto insurance. In truth, they’ve taken what could be an important decision out of your hands. That secondary company may or may not be as reliable as the company you would have picked, Bach says.

- Price

In some cases, insurers compete more aggressively for auto customers than they do home customers, Bach says, “so they may give you a great price on your car insurance, but a crappy price on your home insurance.”

BUNDLING TIPS

If you do opt to consolidate your policies, here are a few steps to make sure your insurance bundle is one of joy.

1. Shop for a discount. “Duh,” you are saying. Discounts are the most obvious reason for bundling, but you should still get out a piece of paper and do the math. Are you really getting a good deal compared to your separate policies?
2. Evaluate each policy on its own merit. You may save 20 percent, but are you covered as well as through your old policies? Is the company partnering with other carriers to bundle insurance? If you get an individual quote from this partner company, is it a better deal?
3. Prioritize. Ensure that your largest assets are the best protected ones. Don’t skimp on your \$250,000 home insurance to get a cheaper policy on your \$15,000 car.
4. Shop around — regularly. Check out new policies at least annually — and do it well before your current policy comes due for renewal. Bundling can result in an initial savings, but it also can make it easier for individual policies to creep up on you over time.

“Regardless of your wealth level, the ideal is to work with one trustworthy broker/agent to try and make sure all your assets are insured to value with a reputable company,” Bach says.