

Trim Your Home Insurance Premium

Kiplinger

Whether you stay with your current insurer or switch, you can lower your rate without sacrificing coverage.

Car insurance companies are falling all over themselves to grab your attention with clever TV ads, giving the impression that lowering your premium is as easy as picking up the phone. But when it comes to homeowners insurance? Crickets.

Yes, it's pretty quiet on the home insurance front. For years, insurance companies have played a game of chicken with policyholders who dare to use their insurance. They've threatened to raise premiums — or refuse to renew your policy — when you make too many claims. Just one claim can raise your premium if it's the "wrong" kind — say, for plumbing leaks. Even many homeowners with no claims on their record are too intimidated to shop for a new carrier.

Homeowners insurance rates typically rise a bit each year to keep up with inflation. When you file a claim — especially for an event unrelated to a widespread catastrophe, such as a hurricane or wildfire — you can expect your rate to go up even more for several years. Having one claim unrelated to a widespread catastrophe within the past three years on your record can knock you out of the running for many insurers; two claims in that time frame make it nearly impossible to switch, says Spencer Houldin, president of Ericson Insurance Advisors, in Washington Depot, Conn.

File multiple claims and you risk having your current insurer drop you when your policy comes up for renewal. In that case, you'll have to find coverage through a more expensive "surplus lines carrier," such as Lloyd's of London, which specializes in higher risks that standard insurers won't touch.

A slew of factors can affect your rate, many of which are out of your control. In the past, insurers considered building construction, protective features and claims history, among other factors, to set your premium, says Bill Wilson, CEO of InsuranceCommentary.com, an insurance-information website. They still consider those, but increasingly, "insurers are relying on big data, meaning there can be potentially hundreds of rating factors," he says. For example, your "insurance score" could blend your credit score with your claims history, your home's construction, its safety features and other considerations. Or a natural disaster that stretches an insurer's resources in one state can have an impact on the premiums

of policyholders in unaffected states.

Shopping around for a new homeowners policy is one way to save money. But a better deal on the surface may come at the cost of important coverages or useful perks. Before making the jump, explore other ways to lower your rate with your current insurer.

Save Without Switching

If you're happy with your current insurer, there are ways to trim your premium without switching to a new company. Start by choosing a deductible of at least \$1,000, or a higher one if you can afford it.

Raising your deductible from \$500 to \$1,000 often cuts your premium by up to 15%.

Ask your agent or insurer if you are getting every discount you are eligible for. For example, some insurance companies will reward you for retiring, living smoke-free, installing storm shutters or an impact-resistant roof, renovating your plumbing or electrical system, residing in a gated community, or holding a college degree. One of the most worthwhile credits you can get is for installing a central alarm system; the money you save on premiums often pays for the monthly monitoring costs, says Wilson. Some companies reward loyalty or the length of time you remain claims-free.

Bundling your auto and home policies with the same insurer is usually a good way to save about 15% — and sometimes more. But shop the policies separately as well, because sometimes a company will offer a lower rate on home than on auto, or vice versa, and the difference will outweigh the credit you get by bundling, says Cheryl Crews, director of operations at Turner & Associates Insurance, in Brunswick, Ga. Inflation guards are typically built into insurance policies, meaning your dwelling limit (the estimated cost to rebuild your home) will inch up about 2% to 4% each year to keep pace with building costs. Houldin recommends reevaluating this number every six years or so—sometimes homes end up overinsured, especially for those with a high dwelling limit to start, and you have room to trim your coverage. On the flip side, inform your insurer about any major renovation, in case that boosts the cost to rebuild and leaves you underinsured.

Staying loyal to one insurer — and to one agent for the long haul has its perks. “If you have two unexpected claims in one year after being claims-free for 10 years, the insurer will be a lot more lenient and likely to keep you as a client,” says Melanie Loiselle-Mongeon, vice president of Loiselle Insurance Agency, in Pawtucket, R.I. And if you have “guaranteed replacement cost” coverage with your current insurer, you may not be able to replicate it with another company. This coverage can come in handy in the face of rising construction costs—say, if your original estimates were off, or if a natural disaster destroys a swath of homes in your area and the cost to rebuild shoots up.

Agents may also go to bat for longtime clients to argue for repairs that go above and beyond the minimum needed to get your house back in shape. For example, if a tree falls on your roof and cracks

some of your old, faded shingles, your agent can more easily argue that a loyal client should get a new set of shingles across the entire roof for a uniform look.

When to Switch

A sharp jump in premiums — say, 15% or more — is one good reason to start shopping around, says Loiselle-Mongeon. It's also worth looking around after you've made substantial upgrades to your home, such as installing new safety features, or when you've undergone a major life change. Retiring or starting a new career, for example, could trigger discounts. Or maybe you live in an area prone to natural disasters and want better coverage, such as eliminating a high hurricane deductible.

Even if you've made claims within the past three years, you may be able to lower your premium with some insurers an independent agent can assess your chances). But be sure you are shopping for the same coverage. A lower premium could mean you are losing valuable riders or coverages embedded in your current policy, such as for tree removal or sewage backup, that aren't costing you that much. If you find a policy that offers similar or better coverage at a lower price, check that your new insurer has at least a B+ rating with rating agency A.M. Best you will need to register at www.ambest.com) before you switch. Also look up the insurer's complaint record at the National Association of Insurance Commissioners' Consumer Information Source. Type in the company's name and choose "property/casualty" in the drop-down menu, then click on "closed complaints" for the company whose five-digit NAIC code matches the one on your policy. Select "closed complaint ratio report" and then "homeowner." You'll see a ratio of the insurer's market share of resolved complaints to the share of homeowner premiums. The national median is 1.00; the lower the ratio, the better the insurer's track record.

Building a Solid Policy

In addition to the coverages listed here, all policies have a loss of use provision that will typically pay up to 20% of your dwelling limit for you to live elsewhere while your home is being repaired (you might want to increase this amount if you live in an expensive area). It's a good idea to take stock of your possessions with a home inventory tool, such as the free app or spreadsheet offered by advocacy group United Policyholders.

Dwelling

Your dwelling limit is based on the estimated cost to rebuild your home, not its market value or the value of your land). You can ask your agent to estimate this cost for you, or you can hire an independent appraiser or ask a local builder what it costs to build a comparable home. Your dwelling limit should be at least 80% of the estimated cost to rebuild. Rather than regular replacement cost, which will pay up to your dwelling limit, choose guaranteed replacement cost, which will pay the full cost of rebuilding your

home to the same level of construction and quality as before it will add about \$50 to \$100 to your premium), or extended replacement cost, which typically caps payments at 25% or 50% above your limits. Choosing an open perils policy rather than one with specific named perils means you'll be covered for a broader array of issues, such as water damage caused by rain entering an open window. It will likely cost an additional 15%. Ordinance or law coverage pays the extra amount needed to rebuild your home to comply with new building codes.

Personal Property

The limit on personal property, or contents, will typically be up to 50% or 75% of your dwelling coverage limit. Replacement cost is preferable to actual cash value, which pays only the depreciated value. It costs about 15% more. A scheduled personal property endorsement can add extra coverage for expensive items, such as jewelry, art, musical instruments or antiques, which are usually covered for less than their actual value and may have other limitations.

Other Structures

Detached structures, such as a garage, shed, fence or pool, are typically covered for up to 10% of your dwelling limit.

Liability

This will cover your financial loss if you're sued and found at fault for personal injury to others or for damages worldwide, not just on your home premises). Buy at least \$500,000 worth it should add \$40 or less to your premium). Check whether your insurer imposes lower limits for a pool, trampoline or certain breeds of dog or excludes them altogether). For liability coverage beyond what your policy provides, consider an umbrella policy.

How to Comparison Shop

You can start your research process online by gathering quotes from comparison sites, such as www.insurancequotes.com. A handful of states offer sample rates and price-comparison tools on their department of insurance websites. But the results will be limited and may assume lower limits than you want or need.

The best method is to contact an independent agent who works with multiple insurers. An agent can interpret jargon in policies and steer you toward appropriate coverage levels. A good agent will also reach out to you if your premium increases significantly and shop around for alternatives.

To find an independent agent, visit www.trustedchoice.com. Bill Wilson, CEO of InsuranceCommentary.com, suggests asking your current or prospective agent how he or she determines your coverage levels the agent should have a detailed list of questions), how you can fill gaps in your coverage for catastrophic events and how the agent finds competitive rates while making apples-to-

apples comparisons.

Some insurers, such as Amica Mutual Insurance, State Farm and USAA, sell directly to the public or exclusively through their own agents. Bob Hunter, director of insurance for the Consumer Federation of America, suggests calling these companies separately to compare quotes. The National Association of Insurance Commissioners' A Shopping Tool for Homeowners Insurance contains a comparison worksheet and questions to guide conversations with your insurer or agent.