

Twelve Ways to Lower Your Homeowner's Insurance Costs

Insurance is a very competitive business and the price you pay for your homeowners insurance can vary by hundreds of dollars, depending on the insurance company you buy your policy from. Companies offer several types of discounts, but they don't offer the same discount or the same amount of discount in all states. That's why you should ask your company representative about any discounts available to you. Here are some things to consider when buying homeowners insurance.

1. BE SURE TO SHOP AROUND. It'll take a few phone calls, but they could save you a good sum of money. Ask your friends, check the yellow pages or call your state insurance department. Also check consumer guides, insurance agents and companies. This will give you an idea of price ranges and tell you which companies or agents have the lowest prices. But don't consider price alone.

The insurer you select should offer both a fair price and excellent service. Quality service may cost a bit more, but it provides added conveniences, so talk to a number of insurers to get a feeling for the type of service they give. Ask them what they would do to lower your costs. Check the financial ratings of the companies, too. Then, when you've narrowed the field to three insurers, get price quotes.

2. RAISE YOUR DEDUCTIBLE. Deductibles are the amount of money you have to pay toward a loss before your insurance company starts to pay according to the terms of your policy. Deductibles on homeowners policies typically start at \$250. By increasing your deductible to \$500, you could save up to 12 percent; \$1,000, up to 24 percent; \$2,500, up to 30 percent; and \$5,000, up to 37 percent, depending, of course, on your insurance company.

3. BUY YOUR HOME AND AUTO POLICIES FROM THE SAME INSURER. Some companies that sell homeowners, auto and liability coverage will take 5 to 15 percent off your premium if you buy two or more policies from them.

4. WHEN YOU BUY A HOME. Consider how much insuring it will cost. Because a new home's electrical, heating and plumbing systems and overall structure are likely to be in better shape than those of an older house, insurers may offer you a discount of 8 to 15 percent if your house is new.

Check its construction, too. Brick, because of its resistance to wind damage is better in the East; frame, because of its resistance to earthquake damage, better in the West. Choosing wisely could cut your premium by 5 to 15 percent.

Avoiding areas that are prone to floods can save you \$400 or so a year for flood insurance. Homeowners insurance does not cover flood-related damage. If you do buy a house in a flood-prone area, you'll have to buy a flood insurance policy, too.

Does your town have full-time or volunteer fire service? And is your house close to a hydrant or fire station? The closer your house is to firefighters and their equipment, the lower your premium will be.

5. INSURE YOUR HOUSE, NOT THE LAND. The land under your house isn't at risk from theft, windstorm, fire and the other perils covered in your homeowners policy. So don't include its value in deciding how much homeowners insurance to buy. If you do, you'll pay a higher premium than you should.

6. BEEF UP YOUR HOME SECURITY. You can usually get discounts of at least 5 percent for a smoke detector, burglar alarm, or dead-bolt locks. Some companies offer to cut your premium by as much as 15 or 20 percent if you install a sophisticated sprinkler system and a fire and burglar alarm that rings at the police station or other monitoring facility. These systems aren't cheap and not every system qualifies for the discount. Before you buy such a system, find out what kind your insurer recommends and how much the device would cost and how much you'd save on premiums.

7. STOP SMOKING. Smoking accounts for more than 23,000 residential fires a year. That's why some insurers offer to reduce premiums if all the residents in a house don't smoke.

8. ONCE YOU RETIRE. Retired people stay at home more and spot fires sooner than working people. Retired people have more time for maintaining their homes, too. If you're at least 55 years old and retired, you may qualify for a discount of up to 10 percent at some companies.

9. SEE IF YOU CAN GET GROUP COVERAGE. Alumni and business associations often work out an insurance package with an insurance company, which includes a discount for association members. Ask your association's director if an insurer is offering a discount on homeowners insurance to you and your fellow graduates or colleagues.

10. STAY LOYAL TO YOUR INSURER. If you've kept your coverage with a company for several years, you may receive special consideration. Several insurers will reduce their premiums by 5 percent if you stay with them for three to five years and by 10 percent if you remain a policyholder for six years or more.

11. COMPARE THE LIMITS IN YOUR POLICY AND THE VALUE OF YOUR POSSESSIONS AT LEAST ONCE A YEAR. You want your policy to cover any major purchases or additions to your home. But you don't want to spend money for coverage you don't need. If your five-year-old fur coat is no longer worth the \$20,000 you paid for it, you'll want to reduce your floater and pocket the difference.

12. IF YOU ARE IN A GOVERNMENT PLAN...If you live in a high-risk area, one that is especially vulnerable to coastal storms, fires, or crime and have been buying your homeowners insurance through a government plan, you should check with an insurance agent or company representative. You may find that there are steps you can take that would allow you to buy insurance at a lower price in the private market.