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Five Insurance Mistakes to Avoid… And Still Save Money

We are all concerned with saving money and it is important to shop around when looking for insurance coverage. However, simply reducing your coverage or dropping important coverages altogether can leave you dangerously underinsured in the event of a disaster.

Following are the five biggest auto, home, flood and renters insurance mistakes consumers can make, along with suggestions to avert those pitfalls while still saving money:

1. Insuring a home for its real estate value rather than for the cost of rebuilding. When real estate prices go down, some homeowners may think they can reduce the amount of insurance on their home. But insurance is designed to cover the cost of rebuilding, not the sales price of the home. You should make sure that you have enough coverage to completely rebuild your home and replace your belongings.

A better way to save: Raise your deductible. An increase from $500 to $1,000 could save up to 25 percent on your premium payments.

2. Selecting an insurance company by price alone. It is important to choose a company with competitive prices, but also one that is financially sound and provides good customer service.

A better way to save: Check the financial health of a company with independent rating agencies and ask friends and family for recommendations. You should select an insurance company that will respond to your needs and handle claims fairly and efficiently.

3. **Dropping flood insurance**. Damage from flooding is not covered under standard homeowners and renters insurance policies. Coverage is available from the National Flood Insurance Program [1] (NFIP), as well as from some private insurance companies. Many homeowners are unaware they are at risk for flooding, but in fact 25 percent of all flood losses occur in low risk areas. Furthermore with the significant snow fall this winter, spring related flooding may be particularly severe, thus increasing the importance of purchasing flood insurance.

A better way to save*:* Before purchasing a home, check with the NFIP to determine whether the property is situated in a flood zone; if so, consider a less risky area. If you are already living in a designated flood zone, look at mitigation efforts that can reduce your risk of flood damage and consider purchasing flood insurance. Additional information on flood insurance can be found at www.FloodSmart.gov [2].

4. Only purchasing the legally required amount of liability for your car. In today?s litigious society, buying only the minimum amount of liability means you are likely to pay more out-of-pocket if you are sued?and those costs may be steep.

A better way to save: Consider dropping collision and/or comprehensive coverage on older cars worth less than $1,000. The insurance industry and consumer groups generally recommend a minimum of $100,000 of bodily injury protection per person and $300,000 per accident.

5. Neglecting to buy renters insurance. A renters insurance policy covers your possessions and additional living expenses if you have to move out due to an insured disaster, such as a fire or hurricane. Equally important, it provides liability protection in the event someone is injured in your

home and decides to sue.

A better way to save: Look into multi-policy discounts. Buying several policies with the same insurer, such as renters, auto and life will generally provide savings.

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[1] http://www.floodsmart.gov/
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