# Looking For Ways to Save Money on Insurance? Don?t Make These Five Mistakes!

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**NEW YORK, November 20, 2014**? While there are many smart ways to save money on insurance, there are also mistakes that can result in being dangerously underinsured, according to the Insurance Information Institute (I.I.I.)

?Asking about available discounts and comparison shopping is an excellent way to cut insurance costs,? says Jeanne M. Salvatore, senior vice president and chief communications officer at the I.I.I. ?However, consumers who try to save money by reducing or dropping necessary coverage could be left dangerously underinsured.?

Following are the five biggest auto, home, flood and renters insurance mistakes consumers can make, along with suggestions for some better ways to save 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 house. 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**. Many homeowners are unaware they are at risk for flooding, but in fact 25 percent of all flood losses occur in low risk areas?and damage from flooding is not covered under standard homeowners and renters insurance policies. Coverage is available from the National Flood Insurance Program (NFIP), as well as from some private insurance companies. Keep in mind that the significant snow fall this winter may cause spring related flooding to be particularly severe.

<u>A better way to save</u>: 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, consider mitigation steps that can reduce your risk of flood damage.

**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.

<u>A better way to save</u>: Consider dropping collision and/or comprehensive coverage on older cars worth less than \$1,000. When it comes to liability, 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.

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

### **Related Links**

- What Is Covered by a Basic Auto Insurance Policy?
- What Is Covered by a Standard Homeowners Policy?
- Flood Insurance
- Video: Avoiding Insurance Mistakes: Five Tips

The I.I.I. has a full library of educational videos on its You Tube Channel. Information about I.I.I. mobile apps can be foundhere.

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