# Make a New Years Resolution to Save Money on Your Auto and Homeowners Insurance In 2014

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**NEW YORK, December 31, 2013**? Trimming ongoing expenses is a popular New Year?s resolution for many people. While there are smart ways to save on homeowners and auto insurance, making the wrong choices can result in being dangerously underinsured, according to the Insurance Information Institute (I.I.I.).

?There are simple steps you can take to cut the cost of your home and auto insurance while continuing to be financially protected against a catastrophe,? said Jeanne M. Salvatore, senior vice president and consumer spokesperson for the I.I.I.

Following are five insurance mistakes that consumers should avoid, along with practical suggestions for ways to save money:

- **1. Insuring a home for its real estate value not rebuilding cost.** The amount for which you can buy or sell a home can fluctuate for many reasons. But insurance is designed to cover the cost of *rebuilding* your home, not the sale price. Make sure you have enough coverage to completely rebuild your home and replace all your belongings in the event of a disaster.
- A better way to save on homeowners premiums: Raise your deductible. An increase from \$500 to \$1,000 could save up to 25 percent on your annual premium. And don?t forget to ask your insurer about all available discounts.
- **2. Selecting an insurance company by price alone.** You want an insurance company that offers the type of policy and coverage that you are looking for; it should also be financially sound and provide excellent customer service.
- A savvier way to pick an insurer: Ask friends and family for recommendations. Get the names of local agents and/or insurance companies that provided helpful information and a satisfactory claims filing experience.
- **3. Dropping flood insurance.** Damage from flooding is not covered under standard homeowners and renters insurance policies. Even though the cost of flood insurance is rising, don?t be tempted to drop this coverage. Ninety percent of all natural disasters involve some form of flooding. Flood insurance is available from the National Flood Insurance Program (NFIP), as well as from some private insurance companies.

A smarter way to lower flood insurance costs: Before purchasing a home check with the NFIP to see whether the house is located in a flood zone. If so, consider buying a home in a less risky area. If you already own a home and it is in a flood zone, you still have some options: increasing your deductible; and elevating the structure. There may be grants available to help you with the costs of elevation?to find out more, talk to your community officials. You may also want to talk to your community officials about joining or improving their status in the Community Rating System. This is a FEMA program that offers flood discounts to communities that adopt standards that are higher than those required to join the National Flood Insurance Program.

- **4. Purchasing only the legally required amount of liability for your vehicle**. 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. The insurance industry and consumer groups generally recommend a minimum of \$100,000 of bodily injury protection per person and \$300,000 per accident.

  \*A less risky way to cut auto insurance costs: Consider taking a defensive driver class that would offer a discount on insurance cost. You can also raise the deductible on comprehensive and collision coverage. If you are driving an older vehicle (worth less than \$1,000) you may want to think about dropping one or both of these coverages.
- **5. Neglecting to buy renters insurance.** The average renters insurance policy is less than \$200 per year (\$187 dollars a year) or about \$22 per month. For the price of a couple of fancy coffees a week, you can insure the contents of your apartment, as well as get liability protection in the event someone is injured in your home and decides to sue. Lastly, renters insurance policies also provide coverage for additional living expenses?so if you can?t live in your home because of a fire or other disaster, you would get the money to live elsewhere temporarily.

A good way to cut the cost of renters insurance: Look into multi-policy discounts. Buying several policies with the same insurer, such as renters, auto and/or life insurance, will generally provide savings.

The I.I.I. website has consumer information on insurance, as well as more tips for saving money on homeowners and auto insurance.

Jeanne Salvatore is author of the Fine Print Blog

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Back to top	