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Make A New Year's Resolution To Avoid Costly Insurance Mistakes And Save Money On Your Auto And Homeowners Insurance In 2012

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NEW YORK, January 4, 2011 ? Reducing 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 [2] (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 better ways to save:

1. **Insuring a home for its real estate value instead of for the cost of rebuilding.** With the real estate market in a slump and home prices down in many parts of the country, some homeowners may think they can reduce the amount of insurance on their home, too. But insurance is designed to cover the cost of rebuilding, not the sales price of your home. 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: Raise your deductible. An increase from $500 to $1,000 could save up to 25 percent on your annual premium.

2. **Selecting an insurance company by price alone.** Do not just choose a company with competitive prices. It is a good idea to also make sure the company 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 has a reputation for excellent customer service and 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 [3] (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.
A better way to save: Before purchasing a home check with the NFIP to see whether it is located in a flood zone. If so, consider buying a home in a less risky area. If you already own a home in a flood zone area, look at home mitigation [4] efforts that can reduce your risk of flood damage and consider purchasing flood insurance.

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 better way to save: Consider dropping collision and/or comprehensive coverage on older vehicles worth less than $1,000.

5. **Neglecting to buy renters insurance.** A renters insurance policy covers your possessions and additional living expenses if you have to move out of your home due to a disaster. 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.

The I.I.I. website [2] has consumer information on insurance, as well as more tips for saving money on homeowners [5] and auto insurance [6].

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National Flood Insurance Problem ? FloodSmart.gov [3]

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