

Consumers Can Minimize Homeowners Insurance Non-Renewals, Rate Increases

More and more Americans are facing significant increases in their homeowners insurance—and complete coverage loss. But there are ways to avoid these situations.

A recent national survey determined that nearly 2.5 million households have lost their homeowners coverage in the last 24 months, and another 51 million households (about 42% of all American households) experienced homeowner insurance rate increases—some as high as 25% or more. To help avoid these costly and troublesome situations, we recommend the following tips:

- **Monitor your claim activity.** Be cautious and consult your insurance agent when filing smaller claims. Insurance companies track the number and type of claims you file. Frequent claim activity, no matter how small, can be grounds for non-renewal. If your claim exceeds your deductible by \$200 or less, consider withholding the claim and paying for the loss out of your own pocket. The out-of-pocket expense probably will be less than the premium increase you likely will pay. It also keeps your claim record clean and allows you to stay insured for major or catastrophic losses.
- **Raise your deductible.** The owners of a \$300,000 home with a pool should consider whether a low \$250 deductible makes sense. If someone steals the TV, it isn't going to break the bank. Those same consumers need lots of insurance for a total catastrophe, though, or if they get sued. Therefore, they may want to take a \$1,000 deductible and use the savings, which can be about 7% and buy an “umbrella liability” policy to give them \$1 or \$2 million of coverage in case they're sued.
- **Combine your coverage.** Many companies offer multi-policy discounts. It usually makes sense to insure your auto and home with the same company, which will save you about 10%.
- **Take advantage of any and all discounts.** Many consumers don't realize that they may qualify for reduced rates for living in gated communities, being a non-smoker, having an excellent insurance history, and owning smoke alarms or security systems. Ask your agent about every possible discount, especially if you've made some of these changes to your home or lifestyle since your last renewal.
- **Think twice about liability.** Carefully consider additions to your property that could be dangerous, because you are liable for anything that happens on your property. Understand that adding a pool, trampoline,

recreational vehicle, or even a vicious dog to your property significantly will raise your risk of an accident in your insurer's eyes.

- **Don't buy specific computer or high-tech equipment insurance policies.** Though this coverage may seem like a good idea, since so many people now have computers at home, a standard homeowners policy will cover most basic personal computer equipment. If you have a home with the structure insured for \$100,000, you typically have \$50,000 of personal property coverage, including computer equipment *not* used for business. If used for business, the home insurance policy typically provides \$2,500 of coverage for computers. Only people with home-based businesses, laptops used for business outside the home, or elaborate high-tech equipment need to consider extra coverage. But it's cheaper to buy an endorsement to the home or home-business policy rather than a separate computer policy.

- **Stick with one insurance company** and the company will be more likely to stick with you. An insurance company is more inclined to overlook a blemish on your claims record if you are a long-term customer rather than a new one. Hopping from one insurance company to another makes it difficult to build a relationship with any company.

- **Combine your home with other coverages.** Keeping your homeowners and auto policies with one company makes you a more attractive customer. An insurance company may think twice about dropping your home coverage if it also means losing your auto business. That bond can be further strengthened by having a personal umbrella policy—coverage that protects you from rare but potentially catastrophic liability claims and lawsuits. Umbrella policies are a bargain from a coverage and account stability standpoint, costing as little as \$150 per year. Furthermore, maintaining multiple policies with one company can lead to significant discounts.

- **Home improvements help.** Your home's wiring, plumbing, heating and roofing should be in good repair at all times. At least twice a year, walk through your home and inspect it for developing problems. Older houses immediately should be modernized. Your insurance company has the right to inspect your property. It can require repairs for continuity of coverage or decide against renewing coverage on a house considered hazardous. Initially, these fixes may seem costly, but if ignored can be dangerous and ultimately more expensive.

- **Buyer beware.** If you are shopping for a new home, learn about the house's claim history before you buy it. Ask for a disclosure report, which can be obtained from your real estate agent or the seller's agent. Insurance companies will be wary of a home with previous multiple structural or water-

damage claims. It can work against you, even if you were not the owner of the home at the time.

- **Consult your Trusted Choice® agent.** Working closely with a Trusted Choice® agent may be the easiest way to stay affordably insured. These agents are your advocates when you have a claim or other problem. They have relationships with many different companies and can shop around for the right coverage at the best value. The good counsel of a Trusted Choice® agent may be your best protection in the current homeowner's insurance market.

Granted, there is no full-proof way for homeowners to avoid a rate increase or being non-renewed by their insurance company, but heeding these precautions can help you become a more valuable policyholder.

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