



Highlights: Homeowners Insurance

Most Bay Area homeowners will save more than \$500 a year by switching from their current homeowners insurance company to a lower-priced company; some will save more than \$1,000. And they can start saving NOW— there's no need to wait until the end of their current coverage period to make a change. Even among homeowners insured with lower-priced companies, many waste hundreds per year by buying excessive coverage or optional coverage that isn't worth much. **Bay Area Consumers' CHECKBOOK** (available at www.checkbook.org) steers consumers to the best-priced insurers, suggests ways to save with any company, and gives advice about getting adequate coverage.

CHECKBOOK gathered price information from the companies writing almost all the homeowners policies in the state and has made that information available to consumers so they can identify which insurers charge the lowest prices for their type of home and location. Shopping around can yield big savings:

- For a sample frame house in Berkeley, annual rates range from \$756 with Mercury to \$2,446 with Fireman's Fund. The premium for State Farm, the state's largest writer of homeowners policies, is \$1,606. The premium for Farmers, the state's second largest insurer, is \$1,944.
- For a sample frame house in Nob Hill, annual rates range from \$823 with Mercury to \$2,919 with Fireman's Fund. The rate for State Farm is \$1,151; for Farmers it's \$1,547.

CHECKBOOK offers the following advice for getting a good deal on homeowners insurance and ensuring you have adequate coverage:

- While many insurance companies market their policies as superior to their competitors', the coverage is generally comparable among companies.
- Because homeowners claims are relatively rare, you can focus mainly on price differences when shopping for coverage, rather than quality of service. If companies are close in price, it makes sense to consider service as well.
- Choose a high deductible. By taking as high a deductible as you are comfortable with, you will cut your premiums substantially and limit filing small claims that may result in future premium hikes or a policy non-renewal.
- Get an accurate estimate of the home's replacement cost. Many insurance agents try to sell excessive coverage by providing inflated estimates of homes' replacement costs. Worse, if your replacement cost is underestimated, you will not be fully covered in the event of a total loss.
- To ensure your home isn't underinsured, either purchase a guaranteed replacement cost provision, under which the insurer agrees to rebuild or replace your dwelling regardless of the expense, or purchase extended dwelling coverage, which provides a cushion of 20 or 25 percent beyond the policy's dwelling coverage limit.
- Consider declining earthquake coverage, which usually adds from \$500 to more than \$3,000 to a typical policy for a frame-construction home and usually three times as much for a masonry house. Since earthquake policies usually have a hefty 15 percent deductible, think about whether the cost is worth the protection. Few California homeowners bother buying it.
- Consider buying homeowners and auto policies from the same company. Many companies give dual-policy discounts for customers who insure both their homes and cars with them. But such discounts are usually small and won't make a high-priced company a good deal.
- Try to limit the number of claims you make. Filing a claim will result in higher premiums from most

insurers, and may cause an insurer to drop a client, thus making it difficult and more costly to get insurance elsewhere.

- Because pricing methods and premiums can dramatically change over time, shop around every other year or so.
- You can get discounts, generally one or two percent, for installing devices that protect your home, such as deadbolt locks and fire extinguishers. Home security systems that have alarms linked to a central-station monitoring service can typically garner a five to 10 percent savings.

The media may cite selected examples of top-rated homeowners insurance companies, as shown in the new issue of Bay Area Consumers' CHECKBOOK, and CHECKBOOK's editors are available for interviews. Please contact Jamie Lettis at 202-454-3006 or jlettis@checkbook.org to schedule.

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