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MONEY

5 Ways to Reduce Your Homeowner's Insurance Bill

And 4 reasons you might want to pay more



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By Patricia Amend, AARP

Jun 08, 2022

If you're like most folks, you seldom think about homeowner's insurance until you have a claim — or your premium jumps. You pay it annually, or monthly along with your mortgage, and it protects your residence, personal belongings and other assets in the event of a disaster.

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Homeowner's insurance premiums have been rising, largely due to [inflation](#) and a recent spate of [natural disasters](#). The U.S. Bureau of Labor Statistics reports that the cost of building materials has risen 22.5 percent since last year, making the cost of replacing a home after a disaster much higher.



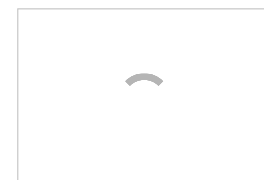
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One way to offset the rising cost of homeowner's insurance is to take advantage of discounts for steps you take to protect your home and reduce your liability if someone is injured on your property. But don't be underinsured.

You'd be wise to revisit your policy now. According to one estimate, some 80 percent of the more than 1,000 homes lost or damaged in the Marshall fire in January, the most destructive in Colorado's history, were underinsured. "There's a greater risk of exposure than ever before," says DeDe Jones, a certified financial planner (CFP) at Innovative Financial, LLC, in Lakewood, Colorado. "While it's good to manage your insurance costs, be sure to balance that with the appropriate coverage."

Which factors affect your premium the most? Do you have enough coverage? A careful review may reveal ways to qualify for discounts, as well as any coverage

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gaps you may have.

HOW YOUR POLICY PROTECTS YOUR HOME

An analysis by NerdWallet of 150 insurance companies in every state and the largest cities in the country shows that the average homeowner's insurance premium is \$1,784 a year. That's for \$300,000 in dwelling coverage and \$300,000 in liability, with a \$1,000 deductible. Dwelling coverage applies to [damage to your house](#), while liability pays for injuries to other people while on your property. The deductible is the amount you must pay before the insurance company does.

Typically, standard homeowner's policies cover damage from fires and/or smoke; lightning strikes, wind or hailstorms; power surges or explosions; heavy snow or ice; and theft or vandalism. Coverage may extend to other events, including dog bites, tree removals, mold, water damage, foundation issues or roof leaks.

Standard homeowner's policies don't cover earthquakes, floods, acts of arson, pests or problems with your home due to age or routine wear and tear. Pay attention to the details in your policy's statement of coverage. Should your pipes spring a leak, you may be covered for water damage but not for pipe repairs. Insurance generally covers damage that is sudden and accidental; damage from long-term wear and tear usually isn't covered.

Your premium could jump for several reasons. As the cost of rebuilding rises, dwelling coverage limits must increase to keep pace with rising prices. That's especially true in states that are prone to, or have already experienced, disasters. Insurance companies have sustained losses in recent years due to hurricanes, tornadoes and wildfires, as well as the severe, unexpected cold snap in Texas in February of 2021. To make up for losses, they raise their rates.

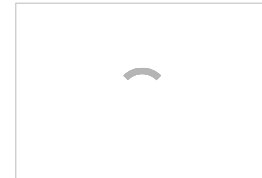
HOW TO REDUCE YOUR PREMIUMS

1. Keep up with repairs

If after an inspection your insurance company determines that your home needs new electrical work or plumbing, your premium may go up. The same may be true for your roof. Dennis Nolte, a CFP at Seacoast Investment Services in Winter Park, Florida, says the roof on his 85-year-old father's home was more than 12 years old, and his insurer threatened to drop his policy. After spending \$16,000 on a new roof, he was dropped anyway, despite a successful inspection. "My dad found new coverage for \$2,300 a year, significantly more than the \$1,600 for the previous year."

2. Let your insurer know of any improvements

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You may be shocked at the price of a new roof – the average cost is about \$11,500 – but you may be able to get a discount on your homeowner’s insurance for it. How much of a discount depends on the type of roof and the insurance company. Insurance agency Clovered estimates that you can get at least a 20 percent discount on your homeowner’s insurance for a new roof.

3. Add security

Homeowner’s insurance protects you from theft losses, and a security system can earn you a discount on your insurance policy, according to Policygenius, a site that allows you to compare insurance policies. A security system can save you up to 15 percent on your homeowner’s policy, especially if you have features like 24/7 professional monitoring.

4. Avoid things insurers hate

Your kids or grandkids will love a

trampoline. Your insurance company?
Not so much, because of liability issues.
Have you filed several big claims?
Insurance companies don't like that,
either. An in-ground pool? According to
ValuePenguin, insurance companies
consider pools an "attractive nuisance,"
which means property that could attract
and endanger a child.

5. Bundle your policies

Marguerita Cheng, CFP, CEO of Blue
Ocean Global Wealth in Gaithersburg,
Maryland, suggests saving on premiums
by bundling your auto and home policies
with one carrier, and by purchasing
insurance through affinity groups such as
alumni associations.

If you want to reduce your insurance
premium, you can also raise your
deductible — provided you have an
emergency stash to cover any costs
associated with a claim. "I've also been
asking my clients if they still need

mortgage insurance. If not, freeing up those funds may enable them to increase that deductible,” says Cheng.

You may hate your insurance premiums, but you don’t want to be uninsured, either — especially if you don’t have an emergency fund.

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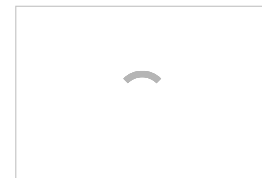
WHY YOU MIGHT WANT TO INCREASE YOUR COVERAGE

1. Your home’s value has increased

The [housing market has been red-hot](#), and if you bought your house five years ago, it’s probably worth a lot more than what you paid for it. Remember that you only insure the value of your home — not the land it sits on.

2. Replacement cost coverage may be worth it

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Unless you have the assets to cover losses, you may want to pay a higher premium to cover the replacement of goods that have been damaged. Typically, insurance will pay you the depreciated value of your property, not the amount it would cost to replace it.

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3. Additional riders might make sense

What about personal property? Let's say that your policy has a maximum coverage of \$250,000, which includes \$1,500 for jewelry, antiques or other valuables. If your valuables exceed that value, you'll want to add a rider to cover their appraised value should they be damaged by a fire, stolen, lost or misplaced. "A recent survey showed that 60 percent of the respondents had no additional coverage for jewelry, and 90 percent had none for artwork," says Rob Greenman, CFP, chief growth officer at Vista Capital Partners in Portland, Oregon. "Separate protection for these valuables is often a few hundred dollars for \$100,000 of

coverage.”

Riders for other things include water damage from a backed-up drain; the cost of bringing your dwelling up to building code; business property damage; identity theft; and for improvements such as renovations or landscaping. What’s more, if your mortgage is backed by the government and you live in an area at risk for floods, your lender probably requires flood insurance.

4. Umbrella insurance

This provides additional liability coverage over and above typical homeowner and auto liability coverage, says Frank Summers, a CFP at Cetera Investors in Charlotte, North Carolina. “It’s relatively inexpensive, yet it can provide a huge benefit.” An umbrella policy makes sense if you have substantial assets to protect; must guard against a lawsuit; are a landlord; have a pool or trampoline or hold frequent parties at home; coach

kids' sports or participate in sports where you may injure others; or own guns or certain breeds of dogs.

In the end, it may be smart to work with an agent, Summers says. A good one will survey the condition of your roof, ask about your personal possessions, reconsider your deductible and check whether your credit score has improved, help you navigate the claim process, and refer you to contractors they know and trust. "Mine increased my coverage while lowering my premium," Summers adds.

Catherine Valega, a CFP at Green Bee Advisory in Winchester, Massachusetts, recommends asking your agent to review your policy every year. "Are your kids or grandkids older, so you can get rid of that high-risk trampoline? Did you make any home improvements that should be covered? Being proactive will safeguard your protection — and save you money."

Patricia Amend has been a lifestyle writer