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# Finding appropriate insurance coverage at the right price

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Owners of homes like these in San Francisco may be paying for more insurance than they need.

You're probably paying too much for homeowners insurance coverage.

Each year, most Bay Area homeowners let hundreds of dollars — and, for many, over $1,000 — slip through their fingers because they buy coverage from major companies. Using reports issued by the California Department of Insurance, nonprofit consumer group Bay Area Consumers' Checkbook reported sample premiums from the area's largest insurers for several typical Bay Area homes.

• For a sample frame house in Berkeley, rates range from $756 with Mercury and $844 with Travelers to more than $2,300. The premium for State Farm, the state's largest writer of homeowners insurance policies, is $1,606. The premium for Farmers, the state's second-largest insurer, is $1,944.

• For a sample frame home in San Francisco's Nob Hill neighborhood, rates range from $823 with Mercury and $981 with Travelers to over $2,200. The rate for State Farm is $1,151; for Farmers, it's $1,547.

There are enormous opportunities for area homeowners to save because so many of the policies in the Bay Area are written by several large companies that often are not competitive on price.

Which companies will offer you the lowest rates depends on several factors. Your home and family's location and characteristics will differ from the sample profiles Checkbook used for its comparisons, so do some shopping on your own. And if you're considering an insurance switch, know that you don't have to wait until your policy term ends to sign on with an insurer offering a lower price. Although you might have to pay a small administrative fee to cancel your policy, this fee is usually much less than the savings you'll realize from the lower premium.

Even if you select a company that offers you a lower price, don't waste hundreds of dollars a year buying the wrong coverage. Some tips on minimizing premiums:

• Take a high deductible. You'll get a big discount, and it will make you less likely to file small claims that may generate future premium hikes. Keep in mind that the purpose of insurance is to protect you from losses that you can't afford to cover yourself. If you buy insurance for small losses, you pay insurance company overhead — sales, administrative, and claims handling costs — to deal with losses you could cover. You need to determine how big a loss you can incur without unacceptably disrupting your life, and then set your insurance deductible levels accordingly.

•Obtain an accurate estimate of what it will take to rebuild your home. Many homeowners do not maintain adequate insurance coverage, leaving themselves financially vulnerable in the event of a total loss. Don't count on your insurer to keep your homeowners policy up to date. Every few years, have your insurer re-estimate your home's replacement cost and then adjust your coverage as needed. But keep in mind that insurance agents may try to sell excessive coverage by providing inflated estimates of replacement costs. If you buy too much coverage, you're paying for insurance you can't use.

• Consider declining earthquake coverage, which can add from $500 to more than $3,000 to a typical homeowners policy for a house with frame construction, and usually three times as much for a masonry house. Since earthquake policies usually include a hefty 15 percent deductible, think about whether the added cost is worth the protection offered. Few homeowners in California bother buying it.

• 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 you — which will make it difficult and more expensive to get insurance elsewhere.

• Consider declining optional higher coverage limits and other add-ons. Raising limits for some types of coverage — such as liability — won't increase your premium much, and most people find the extra protection worth it. But be wary of agents and companies that try to tack on extras without discussing them with you first.

• Consider buying your homeowners and auto policies from the same company. Many companies offer dual-policy discounts to customers who insure both homes and cars with them, but such discounts are usually small. (Checkbook also evaluates auto insurance companies for quality and price.)

Keep in mind that what companies sell as their standard insurance policies varies, which makes direct cost comparisons more difficult. For example, some insurers estimate the amount of dwelling coverage needed and then automatically include an extra 25 percent or more of protection to make sure you're covered in the event of a total loss. Similarly, while coverage for increased living expenses is usually set at an amount equal to 30 percent of the dwelling coverage, with some companies there is no limit — they instead reimburse for actual living expenses for up to one year. And some companies automatically cover personal property using a replacement-cost provision rather than charging extra. Just make sure you're comparing prices for the same coverage.

What you get with basic coverage is particularly important if you own an older home. Standard policies promise to repair or replace what is damaged, but not to pay for an exact replica of what was lost. Also, with older homes, make sure you're covered in case there are additional costs to bring things up to code. Some insurers include this type of coverage for no additional charge, while others impose additional hefty premiums.

You'll want a company or agent that offers unbiased information and quotes accurate prices. Unfortunately, Checkbook's undercover shoppers often found many agents more interested in selling them too much insurance and unwanted options than dispensing solid advice and reliable price quotes. Often their information was incorrect, even dishonest. When shopping for insurance, speak with several companies and agents — and question price quotes that seem excessive or include unrequested coverage.

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