

Note from Walton & Associates:

The below article includes examples of some ways you could save money in today's economy however this list is not inclusive. Before making changes to any of your insurance policies, we recommend that you first review them with your insurance agent to discuss potential negative impact the change(s) could have.

Walton & Associates encourages you to have an "Insurance Check-Up" at least once per year to review potential savings and insurance coverage options for your insurance needs. Please contact us today for your FREE Insurance Check-Up at (408)265-2800 or service@waltoninsurance.com.

Potential Insurance Savings in Today's Economy

By Charles Scutt

Northern California Homes, June 2009

With the economy in a downturn, smart homeowners are scrutinizing their discretionary dollars carefully and looking for ways to trim the fat from their budgets. One area for potential savings they may be overlooking is insurance – including homeowners, auto and supplemental policies – say the experts.

In fact, based on results of a recent survey by the Independent Insurance Agents & Brokers of America, nearly 39 million homeowners – or one quarter of all American households – indicate that they've already revised their insurance coverage due to the battered economy.

Before making hasty cuts to your coverage that can leave you vulnerable, however, it's essential to thoroughly analyze all of your insurance policies. Celia Santana, CEO of Personal Risk Management Solutions, New York, says there are two important reasons to carefully examine your policies now. "First, in today's economy everyone is looking for ways to save money, and a careful review can generate a savings," says Santana. "Secondly, now more than ever, people want to make sure they have the right coverage so that there is no surprise in the event of a claim."

The most important policy to fine-tooth-comb is your homeowner's insurance, says Santana. "Ask yourself, is your homeowner's coverage enough to rebuild your house or condo in the event of a claim? And in the event that you were sued personally, is your liability limit adequate?" says Santana. In regards to the former, "you want to make sure that your dwelling coverage limit will be adequate to rebuild your home," says Mario Morales, manager of corporate underwriting, MetLife Auto & Home, New York. The minimum coverage recommendation is to insure your property to the value of any encumbrances or liens that are on the property, says Kendra Thomas, founding partner with Newport Beach, Calif., law firm Thomas & Associates.

A quick way to save cash on your insurance premium is to increase your deductible, Morales says.

One area where you should NOT consider making cuts is in your homeowner's policy's dwelling coverage limit, says Morales. While your home's market value may have declined in the current recession, market value "is independent of replacement cost. The cost of labor and building materials continues to increase, so lowering your dwelling coverage limit is not a good idea."

Ultimately, "in this economy, many people are looking at their budgets to try to trim the fat," says Thomas. "In some instances, they are trying to decrease their monthly premium. However, by decreasing the premium, they may be decreasing coverage. The fundamental problem is that in times of loss they find themselves inadequately insured."

When it comes to life insurance policies, Thomas does not recommend cashing them out to breathe a little easier: "Often times, life insurance policies carry special tax treatment. However, if the policy is cashed out, the policyholder will pay tax on the profit built up at an ordinary income tax rate. The tax consequences can be overwhelming to someone expecting the full value of their life insurance policy."