

Ronald Dwyer Insurance Agent

Appointed through the Berkfield & Co Ltd./Waterford Insurance Agencies in Waterford MI



by: Ronald Dwyer

Why you shouldn't decrease the dwelling coverage on your home insurance

Don't Reduce Home Insurance Coverage
Reconstruction Costs Are More Important than Market Value

Falling house prices have meant that homeowners are scaling-down their property insurance. As reconstruction costs exceed market value, this may not be a good idea.

Homeowners are seeking to save money by reducing property insurance coverage. On the face of it, falling property prices provide a genuine opportunity to reduce the amount spent on home insurance. It is important to appreciate that reconstruction costs will be higher than the current market value of a home as further hidden costs are involved.

Lowering the Cost of Property Insurance

While it is possible to save money on property insurance, it is rarely sensible to reduce coverage as reconstruction costs are far higher than current market valuations. This means that it will not be possible to restore a house to its original state without an additional cash injection.

Reconstruction Costs Are Greater than Market Value

- Marshall & Swift, a leading expert on building-cost data, recently produced evidence showing that reconstruction costs can be as much as 30% higher than current market value of houses.

- Xactware's latest data shows that home repair costs are now 4% higher than they were just 12 months ago.

Market value and reconstruction costs are two totally different things. Lowering policy limits could leave you underinsured.

Why are Reconstruction Costs Higher than Market Value?

The cost of reconstruction is greater than market value because a homeowner must pay for the demolition, not to mention the disposal of damaged property. Market value has a completely different emphasis and tends to be based on localized, external factors- the cost of neighboring homes, schools, access to hospitals etc. Property insurance must take into account this difference in order that financial hardship isn't encountered should the worst happen

How to Save Money on Property Insurance

- Check credit reports for errors. Policyholders are scored based on their credit history so it is worthwhile correcting any errors before applying for home insurance.

- Avoid making small claims on property insurance. The more claims that are made, the higher the associated cost of home insurance. Avoiding nuisance claims can help customers save money.

- Perform research. A broker or online service should be used to trawl the market in order to achieve the most affordable deal.

- Higher deductibles. Increasing a deductible helps a consumer save money as they will receive a more favorable quote for coverage.

- Buying from the same provider. Several companies offer customers' the chance to make savings, provided that they are prepared to purchase several insurance products from them such as home and auto.

There are a number of ways homeowners can reduce the cost of property insurance, but basing coverage on market value rather than reconstruction costs isn't one of them. It is possible to save money on home insurance through the methods outlined above.

Call me today for a quote at 248-390-6345. As an independent agent I represent multiple companies and can find the right insurance company for your needs

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