

More Owners Take Middle Ground to Save on Insurance

Rather than drop property insurance altogether, some owners are choosing high deductibles to save money – a risky move that covers only catastrophic problems.

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NEW YORK – With the increases in insurance premiums straining pocketbooks of homeowners, some have decided to maintain coverage but increase their deductibles to lower their premiums.

However, that comes with some risk. It means when theft, fire or other damages occur to their property, policyholders will have to pay a larger portion of the repair or replacement bill.

Typically, homeowners have deductibles on standard policies that range from \$500 to \$1,000, but Matic Insurance found recently that some homeowners are opting for deductibles between \$2,000 and \$2,500 – triple the amount selected by policyholders between 2019 and August 2023. The number of policies with \$500 deductibles fell by about two-thirds during that time, according to the report.

Bankrate reports that the national average for home insurance premiums based on \$250,000 in dwelling coverage increased this year to \$1,428 annually, up 20% from 2022.

Raising insurance deductibles is one way that homeowners can reduce their premiums and maintain coverage, especially when higher construction costs and natural disaster losses make shopping around for lower costs among insurers difficult.

ValuePenguin.com estimates that raising a deductible to \$1,000 from \$500 could reduce homeowners insurance premiums by 6% on average, but Loretta Worters, spokesperson for the Insurance Information Institute, said it's not that simple. The savings will depend on the insurance company, where the policyholder lives and their claims history.

As of June 2023, 88% of owners carry homeowners insurance, down from 95% in 2016, as more homeowners drop coverage entirely, according to the Insurance Information Institute.

Worters also cautioned that earthquake and flood policies, which are purchased separately, often have their own deductibles. Hurricane deductibles, for example, are generally

higher than traditional dollar deductibles and usually take the form of a percentage of policy limits. Worters said homeowners may not be able to change those deductibles like they can with standard homeowners insurance policies.

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