



InsWeb.com: Home Insurance Costs Have Not Declined Along With Falling Home Prices

SACRAMENTO, CA, Jun 17, 2009 (MARKETWIRE via COMTEX News Network) -- While home values have dropped significantly over the last two years, American homeowners have not seen their home insurance costs follow the same downward trend. This fact has been a source of frustration for consumers; many assume that since homes are now worth significantly less, the cost for an insurance company to fix or rebuild a home in the event of a disaster -- and therefore the price of insurance -- must be lower as well.

Unfortunately, that's simply not the case. Unless the recession drags on for years and deflation takes hold, the cost to repair or rebuild a home will likely remain about the same.

For many consumers this seems to defy logic. But the reasons for this lack of correlation aren't difficult to understand when you consider how "replacement cost" is defined.

A home's replacement cost is simply the amount of money it will cost a provider to rebuild an insured's home after a total loss such as a fire. The replacement cost of a home takes into account the cost of building materials, labor, debris removal and more. Replacement cost does not include land value.

Due to the relative stability of labor and materials costs, home replacement costs simply don't fluctuate at the same pace and to the same degree that home market values do. And because home replacement costs haven't declined, neither have insurance costs.

So what can consumers do to reduce their home insurance costs? Before asking that question, the experts at InsWeb.com recommend that consumers first make sure they are adequately covered. Some studies suggest that as many as two-thirds of American homeowners are underinsured.

Once homeowners have determined the type and amount of coverage they need, they can then focus on opportunities to save on their home insurance such as raising their deductible, combining home and auto insurance policies with the same insurer and comparing home insurance quotes at a site like InsWeb.com.

To learn more about ways to save on home insurance, visit the InsWeb.com Home Insurance Learning Center.

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