

US Drivers, Homeowners Cutting Back On Insurance

-By Lavonne Kuykendall, Dow Jones Newswires , April 17, 2009

Insurers used to suggest that home and auto insurance policies were fairly recession-proof, with drivers and homeowners typically maintaining the same coverage each year, no matter what.

Not anymore.

Auto-insurance coverage quotes obtained online at insurance-shopping Web site Insurance.com dropped an average \$100 in March from six months ago, the result of drivers who are doing everything they can to cut their coverage to the bone, said one of the site's operators.

Drivers "are making tough decisions about how much coverage they buy," said Sam Belden, Insurance.com's vice president of strategic alliances. "People are creatures of habit, and they are changing their habits."

Around 22% of the 616 visitors to the site in the last month who responded to a survey said the trigger to go insurance shopping was getting an insurance-renewal bill that looked too high. That is a traditional reason for insurance shopping.

But the trend in recent months goes beyond price-shopping, with customers raising deductibles, lowering liability limits and looking for even more drastic ways to cut coverage.

Belden said that 26% of 616 visitors to the site in March who answered a survey said they planned to drop their comprehensive and collision coverage.

States generally set coverage minimums, and some do not require coverage that protects the driver's own car. But Belden said he recommends drivers "protect themselves," by raising deductibles rather than cutting back on liability.

Belden said 31% of drivers surveyed raised their deductible to as high as \$1,000, and 25% of those surveyed bought less liability coverage, which covers damage a driver may do to other cars or drivers.

Drivers are also putting fewer miles on their cars and taking public transportation more often, and they are asking for rates to reflect that.

Insurers are seeing the results of the cutbacks. On Wednesday, auto insurer Progressive Corp. (PGR) reported that its personal auto insurance policies in force grew 4% in the first quarter, while its premiums were flat. Other insurers have launched advertising that offers to help customers find ways to reduce their premiums.

Homeowners are cutting back too. A survey conducted in November of 1,021 homeowners for the Independent Insurance Agents & Brokers of America association found that 24% of respondents said they planned to reduce their homeowners coverage.

Something's gotta give.

This time, it's insurance.