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NEWS RELEASE

Lowering Policy Limits Can Leave Homeowners Vulnerable

Reducing to save can be a costly mistake in light of surging construction costs

HARTFORD, Conn., April 6, 2009 – While home prices continue to fall, home repair costs across the country are on the rise, prompting insurance experts to caution consumers against reducing [homeowners insurance](#) policy limits. The caution comes with a reminder from Travelers (NYSE: [TRV](#)) that the cost to rebuild a home is generally not the same as the sales price, or market value, and lowering policy limits could leave homeowners underinsured.

Home repair costs increased approximately 4 percent countrywide in 2008¹, despite the downward trend in the economy. That means, the cost to rebuild a home has gone up, even though that same home may now be worth less because of current market conditions.

“As property values continue to fluctuate, consumers might be tempted to lower their policy limits,” said Elaine Baisden, vice president of national property for Travelers, a leading provider of [homeowners insurance](#). “But it’s important to remember that the market value of your home is not a reliable indicator of the amount of insurance you need. The best way to determine your individual needs is to consult your independent insurance agent or carrier to make sure you have the right level of insurance protection to return your home to its original condition should something happen.”

Reconstruction costs – or the cost to rebuild a home – are generally more expensive than building new because reconstruction often involves the removal of damaged materials and the need to work around existing landscaping, power lines and other buildings. Reconstruction also factors in the current cost of building materials such as concrete, wood and steel. Some building experts say it costs up to 30 percent more to rebuild a house than to build it from scratch².

By comparison, market value includes the cost of the land, which will still be there even if a home is destroyed. Market value is also influenced by other factors such as location and quality of schools.

“Home insurance limits are in place to financially protect your family should something go wrong,” added Baisden. “If there’s a fire or a significant weather event, you want to make sure you have enough coverage to rebuild your home in its entirety.”

Rather than lowering policy limits as a way to save and possibly creating an exposure to your finances, Travelers suggest the following ways to [reduce annual homeowners insurance costs](#):

- **Ask about money saving discounts.** There are many discounts including a discount for having protective devices like security systems in your home.
- **Consider increasing your deductible.** After evaluating the amount that could be afforded in the event of a claim, potentially raising the deductible amount could yield significant savings.
- **Insure multiple policies with one insurance provider.** Travelers offers a multiple policy discount for customers who have both their home and auto policies insured with Travelers.

Visit [Homeowners 101](#) at www.travelers.com for more information about homeowners insurance, [money saving discounts](#) and home safety tips.

About Travelers

The Travelers Companies, Inc. (NYSE: [TRV](#)) is a leading property casualty insurer selling primarily through independent agents and brokers. Travelers understands that life and business are inherently dynamic and that the best way to serve customers is to deliver insurance in-synch with evolving risks. The company’s diverse business lines offer its global customers a wide range of coverage in the [auto](#), [home](#) and [business](#) settings. Travelers is a Fortune 100 company, with 2008 revenues of approximately \$24 billion. The company has 33,000 employees. For more information on being in-synch, visit www.travelers.com.

1 Xactware
2 Marshall & Swift/Boekh

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