

Housing Values Drop, But Insurance Rises?

Home prices are falling across the country, but many home owners are paying more to insure their homes. So why is insurance going up when a home's value is going down?

"The price of homeowners' insurance is based on the cost to repair or rebuild your home. The price of a home is based on the market value of that home and the land upon which it sits," Robert Hartwig, president of the Insurance Information Institute, told MSNBC.

But the cost of labor and materials needed to rebuild a home has not necessarily gone down, even though the home's price has, Hartwig said.

The premium for homeowners' insurance rose nearly 62 percent between 2000 and 2007. Prices did dip by nearly 4 percent in 2008 to \$791, according to the most recent data from the National Association of Insurance Commissioners. However, Hartwig attributes the dip to home owners dropping extra coverage options or increasing their minimum deductible.

The cost to rebuild a home actually could be more than what you could sell it for, and insurance usually has to cover how much is owed on a person's mortgage, even if it's more than the current value of the home, experts say.

In certain regions of the country, home owners may find their paying even more to insure their homes. For example, Louisiana and other places hit by hurricanes or other weather related disasters have seen increases in average premiums. Florida, Texas, and Louisiana are the most expensive states to buy homeowners' insurance.

Source: "[Home Prices is Down, so Why Not Insurance?](#)" MSNBC (Jan. 3, 2011)