



Cost Trend

# Auto Insurance Rate Hikes Show No Signs of Slowing

**A** NUMBER OF factors including surging inflation are converging to drive up the cost of auto insurance.

Nationally, car insurance rates are increasing by an average of 4.9%, according to approved rate filing data from S&P Global Market Intelligence. And the website *insurify.com* predicts rates will increase on average 12% next year.

The latest rate increases are in part due to a larger trend of climbing claims costs over the past decade and fallout from the COVID-19 pandemic. Here's a look at what's driving rate hikes:

**More accidents** – When more people returned to the office and kids returned to school, driving picked up in 2021 and 2022. Accidents surged. There was a 7% increase in fatal crashes in the first quarter of 2022, compared to the same period the year prior, according to the National Highway Traffic Safety Administration.

Additionally, distracted driving due to smartphone use has been on the increase over the past decade, resulting in fatal car accidents increasing 30% during the period, according to the NHTSA.

**Cost of repairs** – The cost of repairs has been climbing over the past decade as carmakers have incorporated more and more technology into their vehicles. But the COVID-19 pandemic spawned supply chain issues that have resulted in a shortage of replacement parts, and higher prices for those parts.

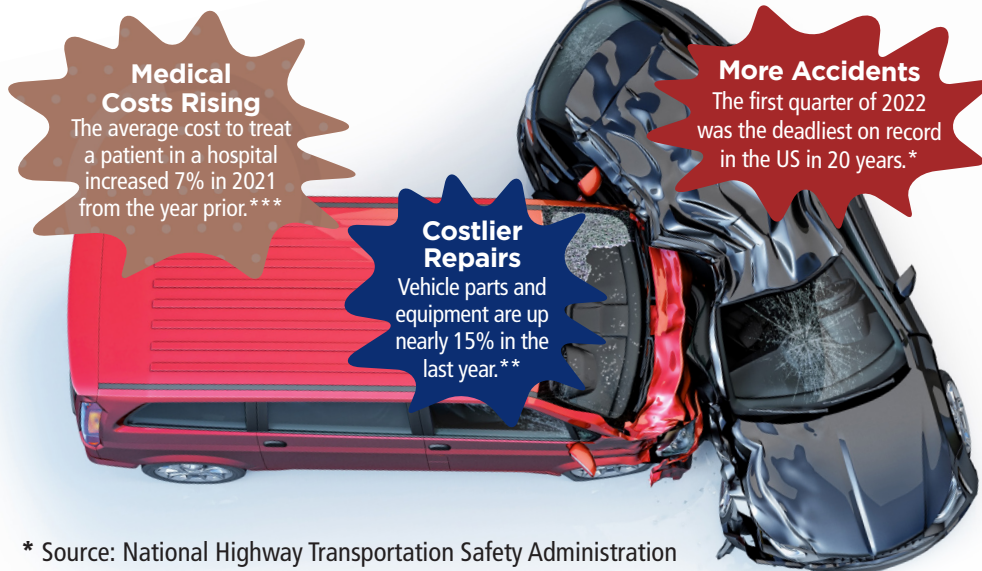
Due to supply chain issues snarling vehicle production worldwide, the cost of both new and used cars has also pushed prices higher. The price for new cars and trucks rose by 11% between June 2021 and June 2022, while the used car and truck market saw a 7% increase.

**Cost of medical care** – The cost of health care is also a major factor in car insurance rates since coverage pays for injuries caused to third parties.

The Centers for Medicare & Medicaid Services reports that health care spending increased 4.2% in 2021 and 9.7% in 2020.

This means that when someone is injured in a car accident, the resulting medical costs are greater than what they were in previous years.

See 'Discounts' on page 2



\* Source: National Highway Transportation Safety Administration

\*\* Source: Department of Labor

\*\*\* Source: PricewaterhouseCoopers' Health Research Institute

## WELCOME TO OUR NEWSLETTER

The Turner Hicks Agency and The Lacy England Agency are pleased to present you with the first edition of our newsletter.

We hope the articles in this and future editions will provide insight into an array of insurance topics, and we urge you to contact us with questions and comments.

Our goal is to provide excellent service, competitive pricing, and products tailored to meet the special needs of each client. Thank you very much for your business.

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# Homeowner's Policy May Not Fully Cover Valuables

**H**OMEOWNER'S INSURANCE policies include personal property at a fixed amount based on the replacement cost of your home.

However, coverage amounts may be limited for certain types of personal property and if any of those items are stolen or damaged, your policy may not cover the loss fully.

## Stuff that has limited policy coverage

- Jewelry
- Musical instruments
- Guns
- Furs
- Artwork
- Cash and coins
- Stamps
- Sports cards
- Other collectibles
- Silver and gold
- Business property
- Wine collection

These coverage limitations help keep policy premiums affordable. Without these sub-limits, homeowners with less than the included values of the above items would end up paying for more coverage than needed.

If you have more than a few of any of the above items, other collectibles or items that are of special value to you, discuss them with us.

We can tell you how much coverage you have and exactly what is insured. Learning that a treasured possession is only partially covered, or not covered at all after a claim occurs, is most unpleasant.

### The 'floater'

The good news is, there are several options to cover your valuables, and some insurers may even allow you to increase your coverage without an appraisal.

Most insurance companies offer what is called a "floater" on an "all-risk" form, which will cover your personal items regardless

of the cause of loss (with few exceptions).

Even if your main homeowner's policy doesn't cover things like earthquake and flood, scheduling valuables on this all-risk form may include losses caused by these types of incidents.

While most companies will require an appraisal when a special schedule floater is added, properly documenting the item is a good practice that will help you out at claim time.

### The takeaway

Losing valuables is an unpleasant experience and while insurance may not restore your unique, treasured collectibles, it can give you the comfort of being able to replace those items.

If an item was damaged by a covered peril, your coverage will give you the funds to repair the damage.

Don't make the mistake of assuming your valuables are covered. Discuss your needs with us to make sure your property is properly insured.❖



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## Most Insurers Offer Discounts for Bundling Coverages

### What about me?

Your individual premium is based on your personal rating factors, so if you're considered a good driver and live in an area with fewer accidents, you may see a lower rate increase than others.

But if you are facing an increase, there are a few steps you can take:

**Revisit your current policy** – Read your policy to understand the various coverages you have, deductibles, the limits for liability and damage, and any discounts you may be getting.

One way to reduce your premium is to increase the deductible. But understand that whatever the deductible is, that's what you'll have to pay out of pocket if you are found at fault in an accident.

You may also find that you have purchased coverages that you may not need, such as a towing package. If you are already paying for a AAA membership and you have a towing package,

you may want to eliminate the latter to reduce your premium.

**Look into discounts** – Many insurers offer good-driver discounts, discounts for the kind of car you drive (minivan drivers have lower rates, for example) and discounts to good students.

Also, many people are driving less than they used to, especially those who are now working from home. Check with your insurer about a possible discount for driving less.

**Bundling** – If you have your homeowner's insurance with one company and your auto insurance with another, you may consider placing them both with the same carrier. Most insurers offer discounts for customers who bundle their coverages with them, potentially earning you discounts on all of the bundled policies.

**Switch carriers** – If you want to explore other options, give us a call and we can solicit quotes from a number of other insurance companies that may have lower pricing.❖



# Is Your Coverage Keeping Up with Rising Costs?

**T**HE COST of buying and installing home building supplies is going through the roof, and it may leave you without enough insurance to rebuild should disaster strike.

Lumber and other construction material prices have skyrocketed since the COVID-19 pandemic started, and so has the cost of labor and a manpower shortfall. These issues are adding significantly to the cost of repairing and rebuilding homes, so much so that some homeowner's policy limits may not be enough to pay for it all.

## MATERIAL COST INCREASES\*

- Copper Pipe and Tube – 88%
- Plywood – 74%
- Fuel Oil/Gasoline – 72%
- Steel Pipe/Stainless Steel – 60%
- Lumber – 54.6%
- Structural Steel 52.1%
- Asphalt Shingles -33.5%
- Cement/Concrete-22.9%

\* Building material prices Jan. 1, 2020 - Oct. 1, 2022

Source: US Bureau of Labor Statistics

Labor costs for construction and repairs are also increasing and contractors who build or remodel homes are in high demand.

### The effect on your coverage

Even if you are not building or remodeling a home, these cost increases can be a problem for you.

Every homeowner's insurance policy shows a dollar amount (known as a "limit of insurance"), which is the most the company will pay for loss of or damage to the home. (This limit is typically designated as the limit for "Coverage A – Dwelling" on the policy's information page.)

This limit is based on the estimated cost of rebuilding or replacing the home should it be destroyed. But, an estimate made even a year ago may be insufficient to cover the new material and labor costs.

You may have insured your home for \$600,000 in 2019, but today it may cost \$700,000 or more to rebuild. Your insurer is obligated to pay the policy limit (minus your deductible), which would leave you to come up with the rest.

You may not be able to borrow that much on top of your mortgage. You may also have a deductible you'll have to foot the bill for as well.

### What you can do

If you're concerned, contact us. We can review your policy to see if your current coverage is sufficient.

While you're at it, this is a good time to ask us questions about your insurance:

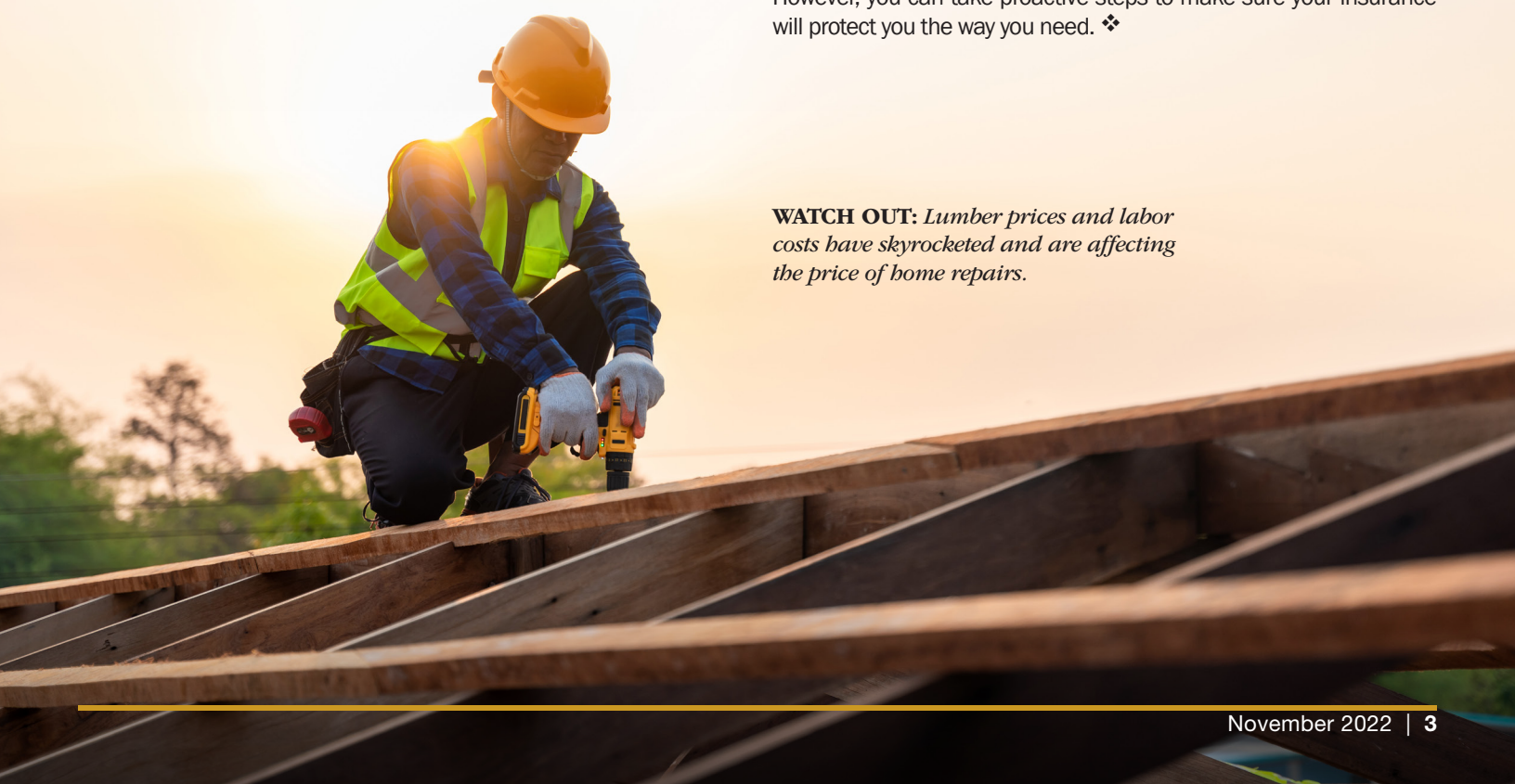
- Does it provide coverage for rebuilding or replacing the home, or only for its cash value?
- Does it cover you for the increased cost of meeting new building codes?
- Does it fully cover you if you're operating a business from your home or a detached garage?

It is important to get the answers before a loss occurs.

If you remodel or add on to the home, it is essential that you notify us or your insurance company. Your limit of insurance is based on the way your home was, but the home is no longer the same. Your carrier needs to know about changes before it can properly insure you.

There is not much you can do about rising construction costs. However, you can take proactive steps to make sure your insurance will protect you the way you need. ❖

**WATCH OUT:** Lumber prices and labor costs have skyrocketed and are affecting the price of home repairs.



# Homeowner's Liability That Goes Beyond Your Home

**O**NE MISCONCEPTION about homeowner's liability insurance is that it only covers incidents in the home.

But the coverage under the comprehensive personal liability portion of your homeowner's insurance policy is not limited by location. It is, however, limited by the liability caps on your policy. We can show you where that is stated.

## Covered Off-Premises Scenarios

- Sports incidents. For example, you are playing golf and you drive a ball that hits someone in the head. They require immediate medical attention, which causes them to miss weeks of work. Your policy would likely cover this.
- After shopping, you accidentally drop a bottle of olive oil in the parking lot, and it shatters. Another shopper slips and seriously injures themselves on the pavement. While the assumption is the injured party will take action against the market, the typical practice of attorneys is to go after everyone associated with the incident, and that includes you.
- You are on vacation at a hotel, and you are so excited to leave the room to enjoy a sightseeing tour that you forget to turn off the faucet. The running water causes significant damage to the hotel structure. The hotel decides to go after you for damages. Your policy will defend you and may pay out damages if you are found liable.
- Your kid lends his skateboard to a friend, and the friend, who may not be experienced with the board, gets seriously injured trying to make a maneuver. Parents can be held liable for this injury, but there is a very good chance this will be covered by the personal liability portion of your policy.
- If your dog bites a stranger at the park, your policy will cover you as the responsible party for the dog, as long as it does not exclude coverage for your dog breed. Some policies exclude coverage for "dangerous" breeds such as pit bulls.

Additionally, the liability portion will usually extend coverage for incidents when you are using the following items, even if an accident happens away from the insured premises:

- Trailers that are not attached to a motor vehicle.
- Motorized golf carts.
- Watercraft that do not have a motor or are not more than a specified horsepower.
- Sailboats below a certain length.
- A vacation residence; however, certain conditions may apply.
- Non-motorized bikes.

Your homeowner's policy would not cover liability arising from:

- Incidents when driving your car.
- Incidents when driving your recreational vehicle.
- Any incident related to business.
- Intentional acts.

Policies vary, so it is important to review yours to see what may or may not be covered.

Additionally, some policies allow you to endorse a coverage that may not be on the policy.

This is why it is so important to sit down with us to address additional risks you may have and make sure coverage for those risks is addressed.

## The takeaway

Liability coverage is perhaps the most important coverage you should have, simply because most of these cases involve attorneys and, if coverage exists, the insurers provide for your defense, as well as any settlement for up to the limits of your policy. ❖

