



Cost Trend

# Auto Insurance Rate Hikes Show No Signs of Slowing

A number of factors are converging to drive up the cost of auto insurance, and the website Insurify.com predicts that rates will jump 12% on average in 2023 from this year's level.

Rate increases vary from state to state and some are seeing higher hikes than others. The expected increase for 2023 builds on a trend that's been in play since 2010, with rates increasing an average of 36% between 2010 and 2020, according to the Insurance Information Institute.

Here's a look at what's driving rate hikes:

**More accidents** — Post Pandemic, with more people starting to head back to work and kids back in school, claims severity has increased since the beginning of 2021. The result: slightly less congested roads compared to pre-Covid, along with increased average driving speeds have increased the number and severity of accidents.

There has been an 18% increase in fatal crashes in the first six months of 2021, compared to the same period the year prior, according to the National Highway Traffic Safety Administration (NHTSA).

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. The technology and sensors in car bumpers and calibrating window replacement costs are new and increasing. COVID-19 supply chain issues have also resulted in a shortage of replacement parts along with 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 includes injuries. Medical costs associated with auto accidents increased 4.2% in 2021 and 9.7% in 2020.

**What about me?**

Your individual premium is based in part 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.

**Look into discounts** — Many insurers offer good-driver discounts, discounts for the kind of car you drive and discounts to good students.

**Bundling** — Combining your Auto and Home Insurance will likely save you money. Having these policies with different companies will cost more money.

Consider placing both your Auto and Home

See 'Most' on page 2



\* Source: National Highway Transportation Safety Administration  
 \*\* Source: Department of Labor  
 \*\*\* Source: PricewaterhouseCoopers' Health Research Institute

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## Homeowner's Insurance

# Repair Costs, Disasters Hit Insurance Premiums

**I**NCREASINGLY FREQUENT and extreme weather events, along with rising home repair costs, are combining to drive homeowner's insurance premiums higher.

Nationally, the average cost of a fire loss has increased 141% between 2019 and 2020. Hurricanes are also becoming more frequent and severe.

A record number of named storms (30) occurred in 2020, eclipsing the previous mark of 28 set in the Katrina year of 2005.

In 2020, 14 storms grew to hurricane strength, with Hurricane Laura alone generating more than 111,000 insurance claims costing \$8.3 billion. These national events all affect us in higher reinsurance costs for all insurance companies.

Locally, Minnesota suffered multiple large loss hail storms so far in 2022. Four of these storms each, individually, exceeded the single largest storm loss in Minnesota history that happened on June 11, 2017.

Minnesota has become the most catastrophe prone state in the US in terms of damage caused by hail and wind, excluding hurricanes.

### Higher repair costs

Adding to the effects of natural disasters are rising repair costs.

The price of lumber doubled in a four-month period from late 2020 to early 2021, with iron and steel prices rising at slower rates.

These price increases alone would have pushed up repair costs, but there has also been increased demand for contractors to make repairs.

There has been some relief lately in terms of lower material costs, but labor costs have only increased year over year.

### What you can do

There are things homeowners can do to combat rising premiums:

#### **Work with a professional independent insurance agent like us**

— We represent multiple insurance companies and know which ones offer lower rates and high-quality claim service.

**Consider increasing your policy's deductible** — Do this if you think you can afford it. The insurance company subtracts the deductible amount from the loss before calculating the amount it owes.

Because higher deductibles mean that insurers pay for fewer small losses, policies with higher deductibles cost less.

**Take steps to protect your home** — Trimming trees that overhang your roof is always good prevention.

Having your sewer drain cleaned and inspected every few years is a great preventative tool to reduce and avoid a horrible mess. Installing a sump pump with a battery back up will go a long way in preventing major cleanup after a storm and power loss. [You can find more tips here.](#)

Your home may be at risk from hailstorms and tornadoes. You can find a good list for [tornado preparedness here](#). This site has a handy page for [hailstorm preparedness](#).

The cost of home damage losses is rising, but you don't have to swallow increased premiums. You can soften the blow by taking these and other steps. ❖

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## Most Carriers Offer Discounts for Bundling Coverages

Insurance 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. ❖

# Umbrella Insurance Can Save You from Ruin

**U**MBRELLA POLICIES provide extra protection beyond standard coverage, and they are available in increments of a million dollars.

Sometimes known as excess liability or personal liability insurance, umbrella insurance doesn't stand alone. Instead, it

adds another layer of liability protection on top of the liability built into other policies you have, including auto, homeowner's or renter's insurance.

It's designed to kick in when the liability coverage limits on those policies have been exhausted.

For example, if a family member causes an accident while driving and the driver of the other car suffers life-changing injuries, the costs of their medical care can quickly surpass the liability limits on the auto insurance policy.

Umbrella policies that also include Uninsured/Underinsured (UM/UIM) coverage can also protect you from the negligence of another driver that causes injury to you.

There is a growing number of uninsured and underinsured drivers on the road. Protecting yourself is important.

Without umbrella coverage, all of those excess costs above the limit would have to be paid by you out of pocket.

If that injured driver requires lifelong care, you could be looking at millions of dollars in liability. You'd likely have to sell assets, drain your investments, bank accounts and maybe even lose your home to pay off this liability.

Umbrella insurance, in other words, protects your assets and future income from the effects of one catastrophic claim.

## What it costs

Most insurance companies offer these policies starting at \$1 million, and going up as high as \$10 million in some cases.

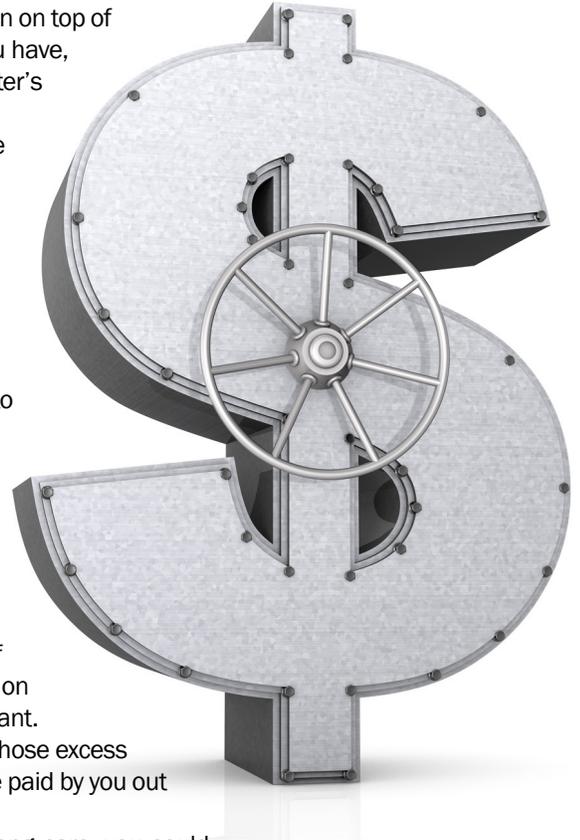
The majority of people who buy umbrella policies pick a standard \$1 million policy, but there are quite a few who choose policies totaling \$2 million for added protection.

The best part about umbrella insurance is how affordable it is. For the first \$1 million, the premium can be as low as \$130 per year for one car and one home.

## The takeaway

If you own a home and cars, you should seriously consider an umbrella policy to protect your assets in case of a serious event.

This is especially true for anyone who has sizable earnings, as they can count on being a target of the top liability attorneys if they are found at fault in an accident that injures a third party. ❖



## WHAT IT COVERS

**1. Bodily injury liability** – Umbrella insurance covers the cost of injuries to another person, and may include the cost of medical bills and liability claims that are the result of injuries to:

- Other people, due to a car accident where the policyholder is at fault.
- Other people, caused by a pet owned by the policyholder.
- Guests in the policyholder's home, due to a fall or some other accident.

**2. Property damage liability** – This covers the cost of damage or loss to another person's tangible property, and may include the costs associated with:

- Damage to vehicles and other property, resulting from a car accident for which the policyholder is found at fault.
- Claims incurred in connection with damage caused to third-party property.
- Accidental damage caused to school property by a child.

**3. Other personal liability** – This portion covers other actions a policyholder could be sued for, such as:

- Slander (an injurious spoken statement)
- Libel (an injurious written statement)
- False arrest, detention, or imprisonment
- Malicious prosecution
- Mental anguish or shock

**4. Legal costs** – The umbrella insurance will pay for the cost of legal fees, court costs as well as the cost of settlements and judgments (up to the policy limits) in relation to the above three items.

## Accident Liability

# Protect Yourself During a Home Renovation

**I**F YOU are planning any new remodeling work on your home, as a homeowner you have two main concerns in terms of your insurance and liability.

First, before a contractor starts work on your property, you have to make sure that you are appropriately insured and that the firm has both workers' compensation and construction liability insurance.

The second part concerns your property coverage, since most renovations will add value to the home and add to the cost of rebuilding, should you suffer damage to your home.

If you don't bolster your coverage before a renovation, you may find yourself underinsured should you have to file a large claim.

While it's always exciting at the outset of a new home upgrade or renovation, here are some tips to keep in mind before the first hammer falls.

### Verify your contractor's insurance

When hiring a general contractor, find out if the firm has workers' compensation and ask to see a copy of the policy.

Workers' comp pays for medical and rehabilitation expenses, and covers lost wages if the workers sustain injuries on the job. Injured workers may sue you if the contractor does not have proper insurance.

In most home improvement projects, the contractor subcontracts the builders, electricians and plumbers.

The workers hired may not be full-time employees of the contractor, and therefore not covered under the contractor's workers' compensation policy.

You should verify the insurance coverage of the contractor and the subcontractors. If the coverage is insufficient, you may need to fill in the gaps by extending the limits of the liability portion of your homeowner's policy.

Even if your current policy covers any injuries related to the renovation, we often recommend that homeowners carry umbrella liability coverage, which would cover a claim beyond normal limits.

It is also important to ensure that the contractor has construction liability insurance.

### Renovations mean higher value

In addition to liability issues, it is important that you increase your homeowner's coverage based on the added value to your home.

Kitchen and bathroom renovations are the most common types of remodeling jobs, and they tend to be quite expensive. At the same time, they substantially increase the value of a home.

You should use caution not to overinsure. Don't increase your insurance based on the cost of the remodel. You should determine how much it would actually cost to rebuild your home with the added improvements.

This replacement cost is the amount that needs to be insured. The cost to remodel also includes tearing out old materials. Therefore, in some cases, the cost difference to rebuild the home may be less than the actual renovation cost itself.

Don't make the mistake of waiting until an addition or extra room is completed to increase the insurance coverage on the structure of your home. If the new addition is destroyed or damaged before insurance coverage has been increased, you may be responsible for the cost of repairing or rebuilding the addition.

The most important thing to consider is to contact us to increase your limits before, not after, a renovation project. This will ensure that you are covered should any fire or damage occur during a renovation. ❖

**WANT TO KNOW MORE?**  
**CALL US! 651-714-5300**

