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NEWSBLAST
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Homeowner's, Renter's & Condo Insurance

Large Rate Hikes, Non-Renewals Hitting Policyholders

HOMEOWNERS, RENTERS and condo owners are starting to get hit by large insurance rate hikes, while more are receiving non-renewal notices from their insurers.

These increases and non-renewals come as the homeowner's insurance market struggles with years of losses after paying out billions of dollars each year for claims resulting from increasingly destructive wildfires in the Golden State, inflation and a host of other factors.

Many insurers have already pulled out of California, restricted how many policies they will accept or imposed strict underwriting criteria for homeowners, like requiring a defensible space around the home or using only non-flammable construction materials.

Reflecting the market turmoil, State Farm in May 2023 announced that it would stop accepting new policies in California, preceded months earlier by Allstate. A lesser household name, Amguard Insurance, informed agents that it would not accept new homeowner's policies in California.

All three companies cited the rising cost of catastrophic claims from wildfires, higher construction costs and volatility.

Why rates are climbing

Higher rebuilding costs: According to the U.S. and Canada Construction Outlook, construction material costs increased 16% in 2022, while construction labor costs rose 6.5%. The time needed to complete a project has also increased.

In turn, insurers have been increasing their replacement and repair cost estimates for homes, which has a knock-on effect on the final policy premium.

Reinsurance costs: Just like you mitigate your risks by buying insurance, your insurance company does the same by purchasing reinsurance. This coverage steps in to pay catastrophic claims, like those from wildfires, when they reach a certain level.

These reinsurers, which are international entities, have been losing money as the cost, number and scope of natural catastrophes worldwide have rapidly escalated.

More frequent natural disasters: The U.S. suffered 16 $1 billion-plus insured events in 2022, for a total estimated cost of $100 billion. In 2021, there were 20 such events, and 22 in 2020. The last three years were the top three most-expensive catastrophe years in U.S. history.

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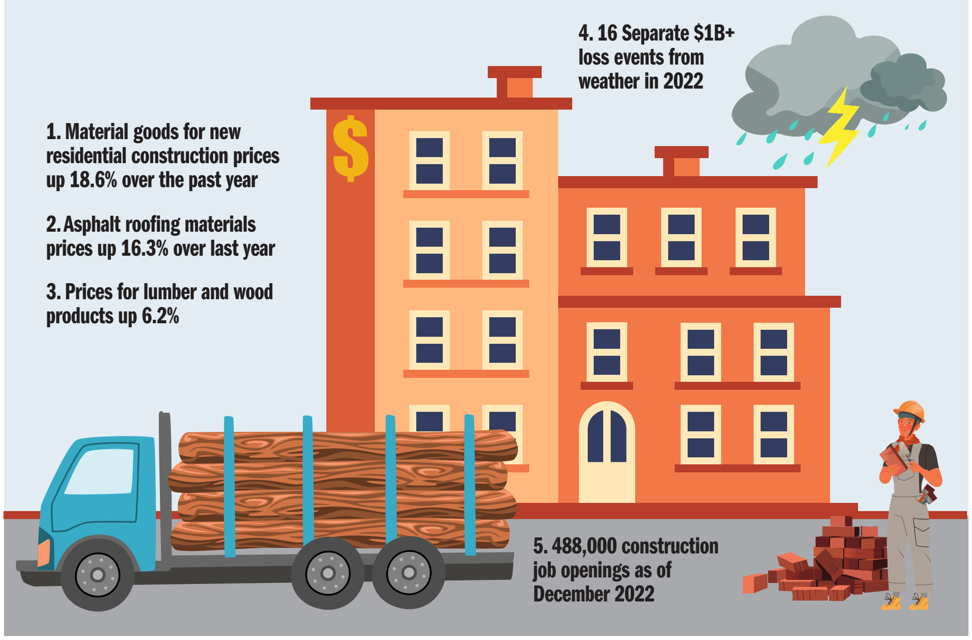
SOME OF THE FACTORS DRIVING INSURANCE RATES

Not only are claims more prevalent, repairs and replacements are more costly.



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Remind Your Kids About School Bus Safety

SCHOOL BUSES are back on the roads, shuttling millions of American children on round trips morning and afternoon.

While school buses are safer than personal vehicles for transporting kids to school, children are more at risk when approaching or leaving a school bus or waiting at the bus stop. To ensure your kids take precautions and avoid dangerous behaviors it's important that you teach them school bus safety.

The following are tips from the National Highway Safety and Transportation Board and the nonprofit Safe Kids Worldwide:

Before the bus arrives

- They should arrive at the bus stop at least five minutes before the bus arrives.
- They should always walk to the bus stop, not run.
- They should walk on the sidewalk, or if there is none, on the left side of the road facing oncoming traffic.
- Wait for the bus at least 10 feet — five giant steps — away from the curb.

Boarding and exiting

Before entering the school bus, your child should:

- Wait until the bus comes to a complete stop,
- The door opens, and
- The driver says it's okay to get on or off.

When entering and exiting the bus, younger children should use the handrails. They should also ensure that straps and drawstrings from jackets or backpacks don't get caught in the door.

It's important that your child never walks behind the bus.

On the bus

- They should stay in their seat when the bus is moving
- They should not hang out the windows or throw things.
- They shouldn't shout or act boisterously.

After exiting

If your child needs to cross the street:

- After exiting the bus, they should take five giant steps up the sidewalk so the driver can see them.
- They should make eye contact with the driver, and cross the street when the driver indicates it's safe to do so.
- Even though the driver has given them the go-ahead, teach your kids to look left, right and left again and cross when the road is clear, or when other cars have stopped.

DRIVING NEAR SCHOOL BUSES

When driving near a school bus be alert for:

- **Children** – If you see a school bus, either moving or pulled over, stay alert for children who may be trying to get to or from the bus.
- **Yellow flashing lights** – These indicate the bus is preparing to stop to load or unload children. You should slow down and prepare to stop your vehicle.
- **Red flashing lights and extended stop-arms** – These indicate the bus has stopped and children are getting on or off. You must stop your car and wait until the red lights stop flashing, the extended stop-arm is withdrawn, and the bus begins moving, before you can start driving again.

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Rate Hikes as High as 24.9% Have Recently Been Approved

Wildfires: More people have found their properties are in wildfire-prone areas as the threat of such events has widened. Wildfires are burning hotter and they are burning more acreage.

Effects on policyholders

If you haven't already, you are likely to be seeing substantially higher premiums for your homeowner's, renter's or condominium insurance when your policy comes up for renewal – even if you don't live in an area that's susceptible to wildfires or if you have never filed a claim.

Due to the restriction in an insurance reform law enacted in 1990, insurers have only filed annual increases of no more than 6.9%. However, in the last six months, the state's Department of Insurance has approved rate increases as high as 24.9% for some companies, as it clears its backlog.

If your insurer is raising your premiums, we'll search the market for better rates and, if you are non-renewed, we'll look for new coverage.

If you live in a wildfire-prone area, however, the odds of securing coverage are decreasing except through the California Fair Plan.

The Fair Plan is the market of last resort, which provides basic property coverage for your home and its contents in the case of a fire. But it does not have a liability portion to it. ❖

Evolving Trend

California Auto Insurance Market Grows Strained

A CONFLUENCE of events is roiling the California auto insurance market, which is seeing rates climbing fast as claims costs skyrocket and more insurers opting to leave the market, leaving fewer choices for policyholders.

The main issues facing insurers in California are the rising cost of wildfire claims both for homes and vehicles, and trouble getting the Department of Insurance to approve their rate increases. Other factors that are hitting auto insurers around the country include rapidly rising repair and auto parts costs, natural disasters, supply chain disruptions and more serious accidents.

The Insurance Department froze new auto insurance rate hikes when the pandemic started in 2020 because accidents dropped dramatically during COVID-19 lockdowns and through the slow economic activity that lasted into 2021.

It has only recently started approving rate increases of 6.9% for Allstate, Progressive, GEICO, Mercury and State Farm, as well as many other insurers that are not household names.

What's causing rate hikes

Higher repair costs – The average price of auto parts and equipment has risen 70% in the past 20 years due to inflation and supply chain disruptions from the pandemic and the Ukraine-Russia war, according to the Bureau of Labor Statistics.

A shortage of skilled mechanics has also driven up repair costs. As well, newer cars cost more to repair due to their increasingly sophisticated and expensive technology.

Natural disasters – Natural catastrophes like hurricanes, wildfires and floods are increasing both in number and scope.

More serious accidents – While car accidents are decreasing in number, per accident costs (property and personal injury) are rising at an annualized rate of 4%, according to a report by the Insurance Research Council. Also, from 2018 to 2022, the number of fatal accidents in the United States increased by more than 16% to 42,795.

What you can do

There are a few steps you can take that may affect your premium:

Tap discounts – Many insurers offer premium discounts for:

- Paying premium via automatic payments.
- Students maintaining good grades.
- Safe driving habits.
- Hybrid or electric vehicles.
- Anti-theft and safety features.

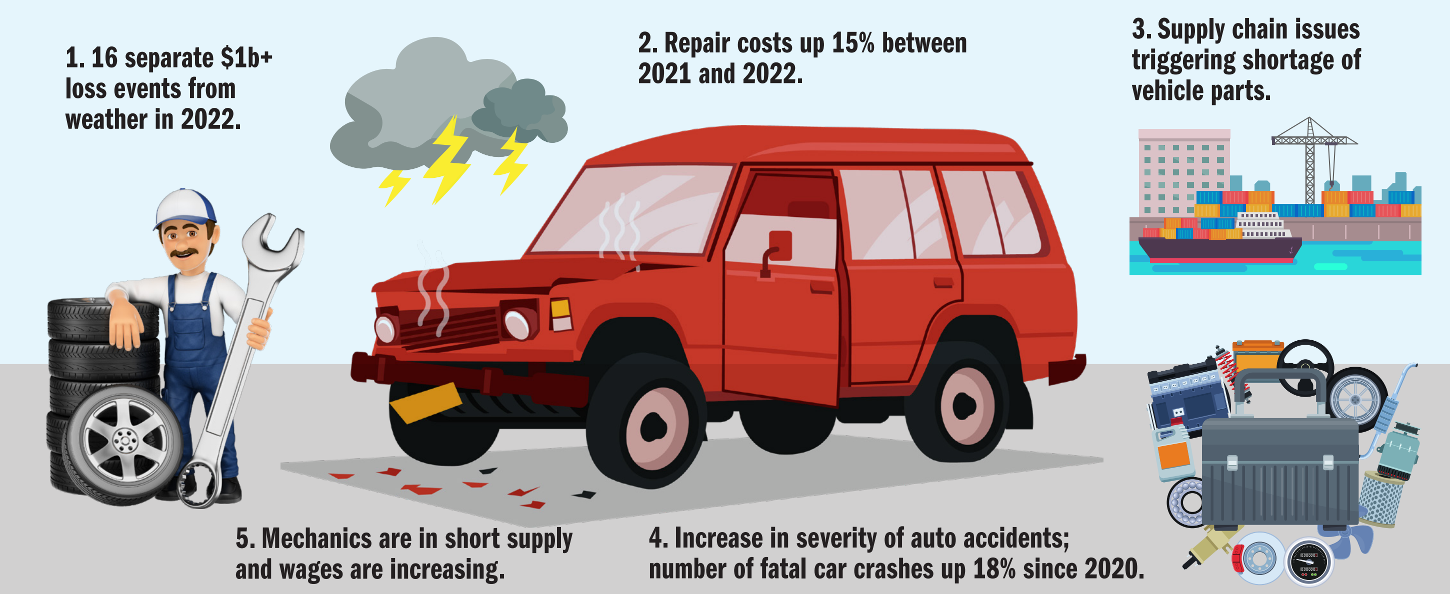
Bundling – Insurers often offer discounts to customers who bundle policies, like auto and homeowner's or renter's, as well as umbrella.

Raise your deductible – If you raise your deductible, the premium you pay will decrease. But be careful, the higher you raise it, the more you will pay out of pocket if you have an accident. ❖

HAVE QUESTIONS ABOUT YOUR AUTO INSURANCE? CALL US!

WHAT'S BEHIND HIGHER AUTO INSURANCE RATES

Here are some of the factors that may affect premiums moving forward.



Auto Insurance

Expect Long Accident Repair Times, Rental Issues

DUE TO supply chain issues, labor shortages and work backlogs, the time it takes to repair a vehicle has increased substantially in the last 18 months.

What used to take two weeks maximum can now take more than a month, and that leaves some people in a bind with their insurance.

The standard auto insurance policy will typically reimburse for rental car costs for up to 30 days after an accident, as long as the policyholder opted for car rental reimbursement.

But due to longer repair times, some people are exceeding their 30-day rental car coverage and having to pay out of pocket during the excess time it takes fix their vehicle. Depending on what kind of car they are renting, the costs can run into the hundreds or even thousands of dollars.

REPAIR DELAYS GETTING WORSE

Five Days Longer: It took five days longer to repair cars in Spring 2023 than it did in Spring 2022.

Eight-week wait times: More than 13% of shops are scheduling more than eight weeks out. Shops with three months of backlog are not uncommon.

Sources: Enterprise Rent-a-Car and CCC Intelligent Solutions.

WHAT'S CAUSING DELAYS

- Delays and backlogs in receiving parts due to global supply chain snarls.
- Shortage of skilled workers with body shop experience.
- Work backlogs with many shops receiving more work than they can handle.

Insurance implications

While most policies limit car rental reimbursement to 30 days, some insurers have different rules. For example, a policy may have a daily and overall dollar limit per claim.

The rental reimbursement rate could be, say, $35 per day/$1,050 per claim. Since there is a dollar limit per claim, if you know the car is going to take longer than 30 days to repair, you could opt for a less expensive rental car.

Remember too that rental reimbursement will only cover the cost of the rental, and not the security deposit, fuel and supplemental coverage you may choose to cover the rented vehicle.

You should also check with your insurance carrier whether you will pay for the rental up front and be reimbursed by the insurer, or if the rental company can bill the company directly.

Many insurers have relationships with car rental companies that can often arrange for direct billing.

One exception to the 30-day rule is if the accident was caused by another driver. In that case, the at-fault driver's insurer would pay for the rental vehicle for a reasonable amount of time as the car is being repaired or replaced, which may exceed 30 days.

At the same time, it can take longer to get reimbursed as the other driver's insurance company will need time to verify the claim before approving payment. ❖