

The Ever Changing Homeowners Insurance Marketplace

Minimizing Your Premiums and Future Claims



Confused about your homeowners insurance policy? You're not alone. There have been significant changes in the homeowners marketplace as of late – in both coverage and premium. Let's look at a few of the more significant changes that we've been seeing and what we might expect in the future.

Market Value vs. Replacement Cost

Do you wonder why the home value of your homeowners policy is higher than the market value? Construction cost indices have risen by an average amount of 3.0% primarily due to fluctuating energy costs, increased costs for construction materials due to supply chain constraints, increased costs for skilled labor as well as construction codes and standards changes that are required by local, state and federal authorities.

One additional factor that increases the replacement cost of a home is the cost of debris removal. If a home is damaged, there are costs that will be incurred with the demolition and removal of the damaged portions of the home. **This cost is included in the replacement cost value of a home.**

Homeowners Inspections

All of our companies perform exterior home inspections after a new homeowners policy has been issued. The objectives of the inspection are to:

- Determine if the replacement cost amount on the policy is correct;
- Determine the condition of the property; and
- Identify and verify the updating information for the property.

Homes valued at \$500,000 or more may require both an exterior and an interior inspection. The inspections are normally performed by a company representative or an outside

firm that has been contracted by the insurance company. Once the inspection is complete, the company will then notify our office of any potential changes that may be needed with the policy.

Underwriting Changes

In the last few years, companies have significantly tightened their homeowners underwriting criteria. Many of these changes are directly related to an insurance company's past loss experience. New guidelines stipulate that certain systems within a home (i.e. roof, plumbing, electrical and/or heating) **must be updated or replaced within a 15-20 year period.** In addition, all companies now require that a home's electrical system be equipped with a circuit breaker panel that has a minimum of 100 amps. Older homes with knob and tube wiring, 60 amp systems, or fuses **are not only no longer eligible for standard homeowners insurance coverage, but are also no longer considered "up to code"** in most municipalities.

New and/or Expanded Coverage Endorsements

There are many new and/or improved endorsements that are now available on many homeowners insurance policies. Let's explore some of them here:

Personal Cyber Liability Coverage – We live in a technological society. Smart phones, personal computers, tablets, and free Wi-Fi signals are everywhere. Banking and bill payments are routinely performed online. Credit and debit cards are used at much greater rates than cash these days. Homes new and old have now become more technologically advanced with the advent of Ring/Nest doorbell and other home security systems, home theatres, and "Nanny Cams" and/or baby monitors. Many homes (both new construction and existing) are now "Smart Homes" that have computer centers that operate many of the systems in the home from the door locks to the appliances to the home's heating and cooling systems.

Moreover, with identity theft/fraud, hacking, cybercrime and cyberstalking on the rise, you need to protect yourself in this ever-evolving digital world. Many companies now have personal cyber liability endorsements that you can add onto your policy for an additional premium that will give you access to professionals to help you restore your online identity.

Service Line/Buried Utility Line Coverage - One day, you are out mowing the lawn and all of a sudden, you hear a "squish" from below your shoes. You look down to see that you are standing in a puddle of sewage that has bubbled up from beneath your lawn. Upon further inspection, the city tells you

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that you have a crack in your sewage line and that you will need to dig up your lawn and have the line replaced with a cost of \$8,000 to \$12,000! This is covered under your homeowners policy, right? Well, the answer to that question is most likely “yes” if you have elected to add the Service Line/Buried Utility Line coverage to your policy. This coverage can also be obtained from many municipalities in your sewer/water bill for an additional monthly charge, but we have found that in most instances, the coverage is much less expensive on your homeowners policy.

Sewer/Water Backup Coverage - Water that backs up through sewers and drains in the home and causes damage to the structure or personal property can be covered under a Sewer/Water Backup endorsement to your homeowners policy. Coverage limits and deductibles vary by company, but most companies will provide up to \$50,000 per occurrence for this coverage. This coverage is especially important if you have a finished basement/lower level. **NOTE:** This endorsement will not provide coverage for general exterior water inundation that comes into the home from walls and windows or that seeps into the home through cracks in the foundation. Exterior water inundation is considered to be a flood exposure that would require a separate flood insurance policy.

Premium Increases

Many homeowners have seen significant increases in their premiums over the last two years. Insurance companies have had to increase their rates due to the number of catastrophic claims caused by wind, hail and ice dam losses that Minnesota has experienced in the last five years as well as the increased cost to repair or replace a home once it has been damaged or destroyed. **Minnesota currently ranks fourth in the country for hail losses¹.** Unfortunately, many climatologists are indicating that our weather patterns may be with us for a while.

Preventing Future Claims

The best way to prevent future claims is through regular home maintenance.

- If your roof, furnace or water heater are older than 15 years, consider having them replaced.
- Install a sump pump and drain tiles in your home.
- Have a professional clean out your dryer vent.
- Check and replace any plumbing that might be older and in need of repair.
- Trim back bushes and/or trees that might be in contact with your home.

Many of our companies have indicated that additional rate increases and changes in underwriting guidelines may be necessary. Some companies have adopted an “actual cash value” provision for roofs which will reduce the overall homeowners premium, but will no longer provide for the full replacement of the roof (replacement cost can be re-added to the policy once the roof has been replaced).

If you have questions about your homeowners or other insurance policies, would like to discuss and/or purchase any of the coverages listed above, or would like to schedule an appointment for a full annual policy review, please do not hesitate to call or email us. We take great pride in being your Trusted Choice!



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Roberta specializes on advising clients on their personal insurance needs including home, auto, recreational and other personal insurance coverage needs. With over 30 years of experience, Roberta ensures that her clients find the right protection.