

# What You Can Do About Rising Insurance Rates

## Your Insurance with Cathy Karas

The industry trend for many types of personal insurance is that rates are on the rise. I don't know why this comes at a surprise to many consumers since all you have to do is turn on the TV or radio or read the newspaper to hear of the volume of vehicle accidents involving distracted driving while texting, talking on a phone or changing controls on the dashboard, or wildfires, floods, or snow and rain damaging homes. There are some proactive measures you can take



to reduce your costs that I will discuss later in my article, but let's first understand the nature of what insurance is and the role the insurance companies play. Basically the idea of insurance is to "spread the risk" among a segment of the population and having the rates reflect an "average" cost for this group where the insurance company will have enough money to pay for losses that group will probably experience in the upcoming year, make a profit, but not raise their rates so high as to lose customers. Actuaries determine the chance of a loss for a projected year, based on past history of prior years for certain groups and come up with a premium. These actuaries look at prior year's experience for certain areas, drivers, vehicles, home, boats, etc and base the rates on past experience. There are many factors considered to determine a rate. If the company paid out more than they collected in premium for a certain population group, then the rate basis was too low and they increase it, anticipating the claims activity will be similar in the year upcoming. The reverse is also true, where companies often take rate decreases, based on favorable loss experience. For example after Storm Sandy, many insurance companies either increased their rates substantially for any properties with a coastal exposure

## and Why It's Happening

or chose to withdraw from issuing policies for those areas altogether. After several years, some companies are now accepting some business in the areas where they declined it before or reduced their rates when other companies re- entered the market place. Keep in mind insurance companies are not charity organizations but companies in business to make money. They have expenses as all other business have such as payroll, insurance, rent, taxes and other related expenses, as all businesses would. Insurance companies are also required by the Insurance Departments for each state to maintain a certain amount of "reserve" to pay claims from.

Here are 3 common types of personal insurance and rating factors that can affect your premium:

### **AUTO** Where you live (more congested areas usually mean more traffic and more accidents)

- Types of vehicles you own
- Your driving records and ages
- Limits of liability and deductibles if you have comprehensive or comprehensive and collision coverages
- Number of years you are with the same company



- Your credit score (those with better credit typically experience few claims)
- Your driving record and claims history (even towing and glass claims can "count")

### **HOME** Where you live - distance to hydrants, fire department and any major body of water

- Year built, style of construction, square footage and features (which determines the limit of insurance for the structure)
- When your roof was last replaced, when heating, plumbing and electrical systems last updated
- Your credit score and length of time owned
- Type of heat (underground oil tank can be a negative factor), if you have an unfenced pool, a hazardous dog breed or trampoline
- Claims history



### **BOAT** Year, make, model, horsepower, miles per hour and value for the hull and machinery

- Where you use the boat, lay up period out of water
- Years of your experience both as operator and owner
- Your driving record
- If used for waterskiing, tubing, wakeboarding
- Credit score and if you're a homeowner or renter
- Claims History

Some of these factors can be changed or improved on. For your auto insurance, be sure you are getting all the discounts available to you. Some to consider are alarm systems, daytime running lights, recovery devices in your vehicle, and for yourself and your drivers having taken the 6 hours defensive driving course can provide an approximate 10% discount for 3 years. Many companies also offer other discounts such as good student, distant student, driver education, low mileage and sometimes you can install a device that monitors your driving patterns. For your homeowners insurance, having the insurance company aware your house is updated regarding roof, plumbing, heat and electrical systems can mean you might qualify for a different

program with the same company or maybe another company may offer a better rate dependent on what and when you did any updating. Being an AARP member can mean a discounted rate, as you are considered one of the most sought after segment of the population. Most often AARP members are safe drivers, do not have young drivers on the policy and own higher valued homes and cars that are well taken care of. Over the years the limit for the structure may have overinflated and you may be able to reduce this, which would reduce your premium. Your broker or company should be able to help you to see if this is a possibility for you. Increasing your deductible, having an alarm system, removing theft insurance for personal property when off your residence premises also can be possibilities for savings. For your boat insurance, be sure you have the broadest coverage available that would include "agreed value" or "replacement cost" coverage for the hull and machinery, rather than "actual cash value", that takes in to consideration age of what is damaged with depreciation applied to a claim. Check to see what your hull and machinery limit is if you have this coverage. There is a possibility it was never changed from when you started the policy and now with age the boat is worth less and this limit can be reduced. If your policy has a "lay up" period, be sure the in water time are the months you use your boat and it is in the water, and not more or less time. Taking the power squadron course or having your captain's license can often discount the rate.

The best way of making sure you are getting the best possible rates and are taking advantage of all the discounts available to you are to contact an independent insurance agent who represents many companies. At Karas Insurance Agencies Inc. we have been serving the Hudson Valley area for 45 years and are a 3rd generation family owned business. All of us in the office are licensed insurance brokers with many years of experience and can review your current policies and offer a choice of options to change or replace your policy or policies to other companies. Often having all policies with the same company provides substantial cross policy discounts, but in some cases using different companies makes a better plan for others, based on the rating factors unique to each person or family as described above. We are available for a free, no obligation review at any time. We can be reached by phone at 914-271-9390 or you can email me directly at [cathykaras@karasinsurance.com](mailto:cathykaras@karasinsurance.com) for questions and or quotes for existing policies or quotes for new purchases.

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