5 Signs Your Home Insurance May Go Up This Summer

Yahoo Finance

After watching Hurricane Beryl ravage Texas and parts of the Midwest this summer, you might wonder if insurance companies will be hiking home insurance rates the way they sometimes do after a natural disaster of this proportion.

Following Hurricane Katrina, insurance premiums rose by 30%, according to a report from United Policyholders. After Superstorm Sandy, home insurance and flood insurance rates rose nationwide, not just in those regions hit hardest by the storm.

But it's not just national weather events that may cause an increase in home insurance rates. A variety of factors affect how much you pay to insure your property. Robb Lanham, Chief Sales Officer for HUB Private Client, recently detailed for us the key signs you could see a home insurance price increase this summer.

"Insurance companies price their policies based on predictive analytics on the likelihood of certain events happening," he explained. "The main reason that premiums are going up is because we are having more events, and those that do occur are more severe. Couple that with the rising cost of replacement, and all costs need to go up. If the replacement cost of homes is up 40%, then the premium needs to increase by 40%."

What's more, increases are not just affecting higher-income Americans within the demographic that Hub Private Client serves, but also middle-income Americans in sub-million dollar homes.

"The determining factor for rates is not the size of the home but rather the durability of construction, the risk mitigation that has taken place, and the overall protective measures that are in place," Lanham said. "When the insurance company places a value on the home, they don't just look at the square footage but rather the complete package of everything the home has.”

For this reason, luxury homes may see smaller increases because of the protective devices in place, from burglary and fire alarms to water detection and automatic shut-off devices, surge protectors, and back-up generators.

But it’s not enough to equip your home with the latest technology to prevent problems. “We [in the insurance industry] have to do a better job of telling people: ‘This makes your house safer, once you do it, tell your insurance company,’” Lanham said.

Whatever the size or value of your home, you may be due for an insurance rate increase if any of the following describes your financial situation or your property.

Cracked Driveway
Whether you’re purchasing a new policy or you’re up for renewal, your insurance carrier will likely examine your property closely, either through satellite imagery or another method. The findings might help determine your premium rates.

“Predictive analytics are shaping the industry, and when carriers notice a trend, they take action,” Lanham said.

Carriers will evaluate the overall look of the property and seek out telltale signs of disrepair. “For example, a cracked driveway is a predictor of a future home claim,” Lanham said.

Trees On the Property
Trees may also signal potential future claims, especially if they are left unpruned or are too close to the home. “A property that has several trees with branches near the home or not in the best of health has a far greater chance of sustaining damage,” Lanham explained. “The homeowner should take proactive steps to trim away the risk.”

Send photos of the improvements to your insurance company, which indicates that you have a vested interest in keeping your property safe and that you want to mitigate risk during storm season.

Roof Is More Than 10 Years Old
"Age of roofs are becoming a predictor of claims payouts," Lanham said. "Our warmer temperatures are causing roofs to become more brittle quicker, so a 12-year-old roof with a 20-year guarantee may not be acceptable anymore because of the likelihood of a claim."

Poor Credit
Insurance companies analyze a variety of data points to determine the level of risk they're taking when they insure your property. And it's not just a lack of upkeep on your property that raises red flags.

"People with marginal to bad credit have more claims, and the claims they have are more severe," Lanham explained. "If a guy doesn't take care of his finances, he's careless. If he's careless that way, he's likely to be careless about the upkeep of his house."

You Live in One of These States
You can control the condition of your home to some degree and take steps to improve your credit. But unless you are considering a move, you may not be able to prevent an increase if you live in a state that is prone to risk.

Although Florida has made headlines lately due to the rising cost of home insurance premiums, it's not the only state suffering. Lanham listed California, Texas, Colorado, New York, Louisiana, and Montana as other states at risk of rising premiums.

In fact, he said that some insurance in these states may now be the costliest line item when it comes to homeownership.

"Cost of home ownership historically included the mortgage, taxes, and other operating costs like electric, water, sewer, etc.," Lanham said. "Now, insurance could be the largest cost in there…. Some people are letting the cost of insurance dictate where they live."

Lanham said he has clients deciding where they will purchase their next property based on home insurance prices. "We had the CEO of a large company tell us that the monthly cost of insurance on a property he was buying in Colorado was more than the mortgage, and it no longer made sense to purchase it," he said.

Final Note

In the midst of increases, it’s important to do what you can to mitigate the risk of a claim. “The best way to reduce [your insurance] cost,” Lanham said, “is to make the insurance company see you as a client that will be proactive in your own risk mitigation efforts and take the necessary steps to better protect yourself. If you can demonstrate a legitimate concern for the well-being of your property, it shows that you have a vested interest in protecting your assets.”

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