

6 STEPS TO PREPARE FOR YOUR HOME INSURANCE RENEWAL



PERSONAL INSURANCE

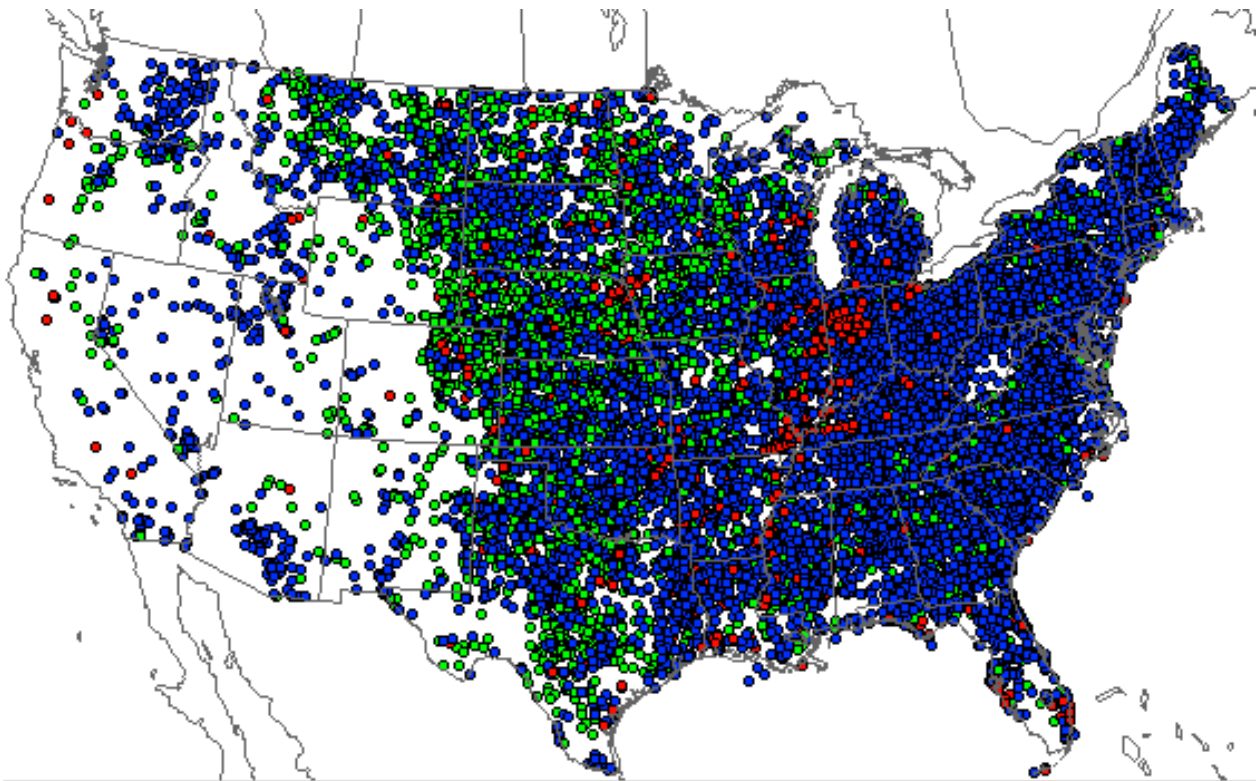


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“...good thing that didn’t happen to me”...

We recently conducted a research study to determine the impact the severe weather related catastrophes experienced in the United States over the past several years would have on insurance consumers. What we found was astonishing. In a single year, the United States experienced more than 19,000 reports of tornadoes, hail storms and severe wind storms. The map below shows the location of all reported tornadoes (in red), hail storms (in green) and severe wind storms (in blue).



**PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)**

NOAA/Storm Prediction Center Norman, Oklahoma

**Severe Weather Reports
January 01, 2013 - December 31, 2013**

Updated: Tuesday December 31, 2013 16:17 CT

While often feeling insulated from the outside world; going about our normal daily routine, watching the news and thinking to ourselves “good thing that didn’t happen to me” or even worse, “that can’t happen to me”, we often fail to realize just how many people have been impacted by these storms.

It’s also easy to forget the role insurance plays during these times of disaster. The fact is, the insurance industry spends billions, yes BILLIONS, to pay for losses resulting from catastrophic storms. And those billions are just to pay for catastrophic losses, it doesn’t include the amount paid for individual claims such as home fires or burglaries.

Catastrophic storms result in billions of claim payments every year.

Most people don’t realize how these statistics directly impact their lives, or how vital their insurance is to their overall financial security. The fact is, one bad claim can wreak havoc on the finances of a home owner or family.

Hill & Hamilton has been protecting individuals, families and businesses since 1920, and during that time, we have experienced several major economic cycles. During these different cycles, insurance availability and pricing have varied widely.

In the early 80's it was not uncommon to have insurance premiums triple in one year. Then in 1987, prices dropped so drastically that some consumers literally obtained their insurance for free for one year!

In 1999 we began our last major tightening in the insurance market place. Liability rates began a steady increase. Many companies stopped offering certain types of policies all together. This pricing correction was not as severe as the price increases and availability issues we had in the early 80's, but then 9/11 hit. This only exacerbated the premium increases we were dealing with. Property insurance, usually a very competitive item, rose to an all time high, especially for high profile locations.

Shifts in the insurance market can drastically impact premiums.

While 9/11 caused the insurance market to change overnight, the market shifts we're beginning to see today have been in motion for the past several years. Beginning in 2004, we started to see a moderation in pricing, 'softening' in insurance lingo. Even in the midst of record storms and claim payments, insurance companies continued to reduce rates in an effort to increase market share. How could this be? Remember how the stock market performed back in 2004? Let's just say, it was strong enough that insurance companies could offset massive

losses due to catastrophic claims with their investment income. But like all market upswings, it couldn't last forever.

Since 2008, the amount the insurance industry has paid in property related claims has been substantially more as compared to the premium collected to pay for those claims. And with the reduced investment income, this trend generally means we need to be prepared for insurance premiums to increase.

Enough said on my predictions. You can do a great deal, regardless of the current cycle, to consistently maintain proper coverage at the most competitive premiums. Here is my step by step process to secure your financial insurance future. If you follow these steps, you will see positive results compared to those unprepared for the inevitable change.



STEP #1

**REVIEW YOUR
DEDUCTIBLE**

Insurance was never designed to be a maintenance policy. Years ago, homeowners would pay for minor repairs to their homes. The purpose of the insurance policy was to protect the policyholder from a catastrophic loss. In recent years, that's changed. We're seeing more and more "questionable" claims that are being submitted. For example, a 30-year old roof that should have been replaced five years ago just happens to suffer hail damage, so an insurance claim is made and the roof is replaced by the insurance company. Or the \$600 loss that's submitted when the deductible is \$500. Today's reality: home insurance is being treated like health insurance and is being used more frequently. It's not that claims are occurring more frequently, it's that claims are being submitted by consumers more frequently.

The prepared consumer absorbs smaller claims to reduce annual premiums.

The point of this step is to consider the benefits of a higher deductible. Not only does a higher deductible help reduce the cost of your policy, it also sends a clear message to your insurance company that you're serious about your insurance coverage. You agree to handle the smaller claims on your own, and you're communicating that you look at insurance to respond to that really bad claim when your house is hit by a tornado or catches fire. You keep your property in good condition and aren't looking to have your insurance pay for nickel and dime claims.

If you were, you'd have a lower deductible. Insurance companies know this – why do you think they charge so much for a low deductible?

If you're thinking about those smaller claims and saying to yourself, "but that's why I have insurance" you're right. You have insurance to pay claims and as long as the claim is covered and is over your deductible, you can submit the claim to your insurance company. BUT, your insurance company can raise your premium or even cancel your policy due to claims. Given the current state of the insurance market, policy cancellations are something more and more companies are doing due to the amount of losses they've suffered.

Wondering about the most common deductible amount? Just a few years ago, it was \$500, but today, mostly as a result of record storms and claim payments, the most common deductible is \$1,000. In fact, most consumers are being forced by their insurance company to increase their deductible to at least \$1,000. Many consumers are electing to increase their deductible to a higher amount such as \$2,500 or even \$5,000. Few companies will even offer a deductible less than \$1,000 nowadays.



STEP #2

**GET THE
PACKAGE DEAL**

For years, insurance companies have advertised their home-auto discounts, multi-policy discounts or discounts for packaging all your insurance policies with the same company. Now that homeowners insurance has become so unprofitable for the insurance industry, numerous companies are no longer making this optional. In fact, some insurance companies have already mandated that in order to insure your house, they have to insure your autos as well.

You can benefit by following this step because the discounts for combining all your policies with one company are still available. Don't skip this step – it's one of those rare occasions where you can actually improve your relationship with your insurance company while also reducing your annual premium.



STEP #3

**WATCH YOUR
CREDIT**

No one likes it. Very few actually understand it. But it's a fact: our credit score affects our financial lives more than anyone ever likely thought possible. Insurance is no different. The better your credit score, the better the discounts that will apply to your policy. If you're not sure about your credit history, check out www.annualcreditreport.com. You can obtain your free credit report from each of the three major credit reporting companies every twelve months.

Once you have your report, review it thoroughly. If you see any discrepancies, dispute them immediately. Given how much your credit score influences your daily life, not just your insurance, you need to be proactive about monitoring your credit history.



STEP #4

**PROTECT YOUR
HOUSE**

It seems logical, the better protected your house, the less likely you are to have a claim. Fortunately, most insurance companies agree. Not only can a central station burglar and fire alarm system provide that added peace-of-mind to you and your family, but it also provides added discounts on your policy.

Don't overlook the message this sends to your insurance company as well: you care about your house and about protecting it. Statistically speaking, insurance consumers who look to their insurance policy to pay for the larger, more serious claims – as opposed to those who continually turn in small dollar claims – are less costly to an insurance company. Result: consumers that avoid submitting the smaller claims are rewarded with a lower annual premium.



STEP #5

**1 CLAIM – 5
YEARS**

It wasn't that long ago that insurance consumers with several home insurance claims had their choice of 5, 10 or 20 different insurance companies to cover their house. That is becoming less and less realistic in today's insurance environment.

It's not uncommon for insurance companies today to decline a new consumer applying for coverage if they've had two claims in the past five years. Some companies are still willing to give the applicant a chance, but the annual premium will be very costly.

I realize this is often completely out of your control, but as best you can, strive to limit your number of claims to one over a five year period.

WARNING: The consumer with two or three claims in the past five years will be nearly uninsurable. Most likely, this consumer will end up in the Ohio Fair Plan – an insurance policy provided to consumers unable to obtain coverage in the voluntary market. Policies from the Ohio Fair Plan are often much less comprehensive as compared to those offered by standard insurance companies, and they tend to be extremely costly.



STEP #6

**KEEP A CLEAN
RECORD**

I'm talking about your driving record – speeding violations, reckless operation, accidents – they not only have an impact on your auto insurance premium, they can have a major impact on whether you can even obtain homeowners insurance. You're probably probably saying to yourself, I thought this was a report about preparing for my homeowners insurance renewal, what does that have to do with my auto insurance? Remember what I said, the results of our research study were astonishing in terms of how many losses insurance companies have suffered primarily due to major storms. We're in an unprecedented market where insurance companies have been losing money for several consecutive years because the premiums they're collecting aren't enough to pay all the claims their policyholders are experiencing. In the past, the higher than expected claim payments could be addressed with the investment income the insurance company earned, but suffice it to say, the stock market isn't quite as reliable as it once was.

Your driving record has a major impact on your homeowners insurance.

So, back to why you need to keep your driving record as spotless as possible. Recall Step #2 where I said you need to package your home and auto insurance with the same company. Most insurance companies are still turning a profit in auto insurance, which is why many of them are now mandating they insure your vehicles if they're going to insure your home. Well, if so many companies are

requiring your auto insurance to be packaged with your home insurance, but a driver has a record that's so bad (think DUI, multiple speeding tickets or several accidents) that the insurance company won't provide auto insurance, where do you think that leaves this consumer with home insurance? Probably no other option but the highly expensive Ohio Fair Plan.

Just because a consumer wants to follow Step #2 and package their home and auto insurance with the same insurance company doesn't necessarily mean they will qualify. Insurance companies still have requirements in terms of who they will accept and if a driving record is full of accidents or violations, chances are it won't qualify. If the insurance company declines to insure your auto, you can all but guarantee they will decline to insure your home as well. There's no better time to get that spotty record cleaned up. It can help save a bundle on auto AND home insurance!

CONCLUSION

By no means is this a complete laundry list of steps you can take to prepare for your renewal, but it's a good start. It's an unfortunate fact, but a fact nonetheless, we're on the edge of a very tough insurance market. We're already starting to see insurance companies canceling policies with two claims in the past five years. We've seen insurance companies refuse to offer a policy to a new client with two claims. We've seen significant rate increases for consumers with one or two claims in the past five years. And when I say significant, think anywhere from 30% to 50% premium increases from one year to the next. Even consumers without any claims in the past five years are seeing their premiums increased. While less, usually somewhere from 5% to 15%, it's still a large jump for just one year.

Premiums are on the rise, but preparation can help reduce your chances of a huge increase.

Why? Insurance companies can't make up for their record loss payments by only increasing the premiums for those consumers that have experienced a loss. If they tried, many consumers would see their premiums double or even triple. We're back to the foundation of insurance – spreading the risk of loss over a large number of people.

This type of market is certainly challenging. Rather than burying our heads in the sand and pretending it doesn't exist, we want you to be prepared. This is not news we enjoy delivering, but we live for no surprises. We feel it's our responsibility to not only provide the financial protection you need, but to help position you to deal with the inevitable changes ahead. By following these six steps, you can be prepared to deal with the upcoming challenges. There's no guarantee that your premium will be unaffected, but it will certainly be less drastic when compared to those consumers who are unprepared.

ABOUT THE AUTHOR



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WHAT COVERLINK CLIENTS ARE SAYING

“ Not only are the people at CoverLink working for me, but they have also become friends over the years because they are the type of individuals you can count on and who honestly care about their people from a business and personal standpoint. I would not put my business and family in the hands of anyone other than the wonderful, professional, and dedicated staff at CoverLink Insurance. Thank you CoverLink staff for a job well done!



Mark Muirhead

“ The entire team at CoverLink has been a great source of advice when it comes to protecting my family and business with insurance and sound risk management. When I have a question I simply call or email and it gets answered promptly, it's nice having people who truly care about me and my family's well being. I highly recommend you call them for a second opinion for your home, auto, life and business insurance needs.



Matt Brown



CoverLink Insurance is an industry leading, independent insurance agency, that has been obsessively protecting and caring for its clients since 1920.



It begins with a simple question: why? Why do we do what we do? What do we believe?

At CoverLink, we care deeply about our clients. We want to be there to pick up the pieces when tragedy strikes their lives. We exist because of our unwavering commitment to, and compassion for, our clients. To us, it's about people, not policies. People have assets to protect.

People have loved ones they care for and employees who depend on them. People have dreams to pursue. We believe it's our responsibility to safeguard the people we care about.

Request a Proposal

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