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NEWSBLAST

Claim Costs

What's behind Soaring Auto Insurance Premiums

PERSONAL AUTO insurance rates continue increasing and even motorists who have had no accidents or moving violations are seeing their premiums climb at some of the highest rates for decades.

Continuing a trend from the past six years, premiums increased an average of 17% in the first half of 2023, according to Insurify, Inc. The online insurer's report predicts that rates will climb another 4% by the end of the year.

The rate increases noted in the report are a national average, and premium hikes

vary from state to state, with some states seeing rises in excess of 30%. According to the report, the national average cost of car insurance is \$1,668 per year.

Factors behind 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.

COST DRIVERS HITTING INSURERS HARD

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

1. 16 separate \$1b+ loss events from weather in 2022.



2. Repair costs up 15% between 2021 and 2022.

3. Supply chain issues triggering shortage of vehicle parts.



5. Mechanics are in short supply and wages are increasing.



4. Increase in severity of auto accidents; number of fatal car crashes up 18% since 2020.



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Protecting the people and property that matter most to you.

More People Sued for Social Media Posts

SOCIAL MEDIA has grown by leaps and bounds over the past decade. But, what many people don't understand are the unique risks that come along with social networking.

Anyone using Facebook, Instagram, Twitter, LinkedIn or any other social networking site should exercise extreme caution in what they decide to say online.

As an example, in 2013 a teenager in Florida sued some of her classmates and their parents, accusing the classmates of bullying and humiliating her in a Facebook group. In another case from 2015, a 14-year-old California girl sued her classmates – and their parents – for setting up a fake Facebook account under her name and using it to bully her.

Whether or not the allegations are true, the teenagers and their parents in such instances will need to hire lawyers to defend these cases and money to pay for the possible judgments against them.

Many people believe a standard homeowner's insurance policy will cover these kinds of lawsuits. In fact, it probably will not provide the necessary coverage.

A standard policy covers bodily injury or property damage done to someone else. It defines bodily injury as "sickness, harm or disease," and it defines property damage as "destruction of or injury to physical property."

Neither definition includes publishing or saying something that injures another person's reputation. Hence, the policy is not likely to cover a Facebook post. Typically, a lawsuit resulting from a social media post would allege inflicting emotional distress, defamation or some similar charge.

Personal umbrella policy

A good source to consider for extra coverage is a personal umbrella policy. This kind of policy provides additional insurance in circumstances where a loss has depleted the amounts of liability insurance offered under a homeowner's policy.

But, the policies also extend coverage where a homeowner's policy may not. An umbrella policy typically contains a personal injury clause that protects the homeowner from other circumstances, such as defamation, libel or slander lawsuits.

Umbrella policies usually have a deductible of \$250 to \$500, but that's a small price to pay for avoiding financial devastation.

Personal injury endorsement

The other option is to buy a personal injury endorsement. This policy addition broadens your homeowner's policy's definition of bodily injury to include personal injuries, such as false arrest, false imprisonment, defamation, invasion of privacy, malicious prosecution, wrongful eviction and wrongful entry.

Like the rest of your homeowner's coverages, the endorsement will probably exclude coverage for business-related activities, such as defaming a competitor on your business blog. It will also exclude coverage for claims resulting from and intentional or illegal activities.

As we become more exposed to risk through social networking, keep in mind that you should choose your words carefully on any social networking site.

Additionally, if you do not already have an umbrella policy, call us to see if it would be a good match for you. ❖



Own a Condominium? Know Your Insurance Obligations

IF YOU reside in a community that's part of a homeowners' association (HOA), you should understand what the association's insurance obligations are relative to your own to avoid any coverage gaps between your insurance and that of the association.

HOA rules usually require that all residents within the association's jurisdiction become members and pay a fee. Associations can create their own bylaws for the community or building, and sometimes hire an outside property management company in order to enforce maintenance and other standards.

The association's obligations will depend on the type of home you have:

A single-family, detached home – The HOA most likely only owns community amenities, such as:

- Recreational areas, like a clubhouse, tennis courts, and parks,
- Gates to or inside the community, and
- Streets, if they are private.

A condominium – The HOA owns the building and you own the property inside your condo. In that case, the association's insurance would cover:

- Main utilities running through the building,
- Elevators and stairwells,
- Garbage facilities, and
- The main lobby and hallways throughout the building.

Know who is responsible for what

Your goal should be to ensure you have no coverage gaps. Start by reviewing your association's bylaws and other documents, like CC&Rs.

In some cases, your HOA's rules might stipulate how much of a certain type of coverage you should carry or even which company you need to buy your policy from. It's important to know this so you can judge whether a given condo or association is the right fit for you and to avoid penalties down the road.

Condominiums

There two types of HOA coverage that are common:

Studs-out coverage – The most common condominium HOA coverage essentially includes everything outside of your unit's drywall.

The insurance would pay for damage to the building itself, like leaking roofs, an elevator breakdown or a tree falling into the side of the building.

Your insurance, meanwhile, would cover everything inside your unit, including structural elements such as walls, fixtures, flooring and cabinets.

All-in coverage – This protects the basic building and common areas plus the structural elements and fixtures in your own unit.

Having HOA all-in coverage likely means you'd need less individual coverage against property damage, as the only property you'd be responsible for are personal belonging (clothes, records, jewelry, etc).

Whatever you do, don't skimp on the personal liability portion.



A water leak or condo fire can become a much bigger loss in a condominium building since both tend to spread to other units. If that happens, it's no longer a simple home insurance claim, but a potentially costly liability claim.

This is why many HOAs require homeowners to maintain a minimum level of personal liability.

Homes

If you own a single-family, detached home, you will need to have traditional home insurance, as the HOA does not insure your dwelling.

In this case, the HOA policy would cover mains in the streets as well as any clubhouse or parks. Your policy would include the pipes leading from the street into your house, your yard up to the street, the dwelling and its contents.

The underinsured HOA

Sometimes HOAs don't carry enough insurance and members have to make up for the shortfall through assessments, which can be steep in the event of a significant loss.

For HOA members, insurers offer "loss assessment" coverage, which will pay your share if the association does not have sufficient insurance to cover a loss.

One last thing...

If you are not receiving a discount on your homeowner's insurance policy and you are a member of an HOA, be sure to ask us about it.

If the insurer does not currently offer an HOA discount, be sure to ask, as you might be able to negotiate a lower price anyway. ❖



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Insurers Often Offer Discounts for Bundled Policies

What you can do

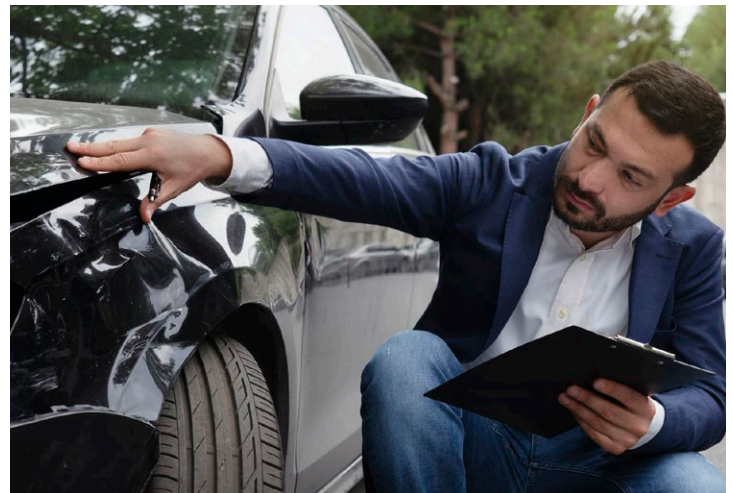
There are a few steps you can take that may affect your premium:

Tap insurer discounts – Many insurers will offer premium discounts for:

- Paying premium via automatic payments.
- Maintaining good grades.
- Safe driving habits.
- 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 “skin in the game” you have if you have an accident. Remember, the deductible is what you will pay after an accident or theft before your insurance company steps in to cover the rest. ❖



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