



NW Insurance Council

Consumer Alert

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Inflation means higher home & auto repair & replacement costs. Are your insurance policies keeping up?

SEATTLE, WA, November 1, 2022 – If your home were destroyed by fire or a windstorm, would your homeowners policy provide enough coverage to completely replace your home and its contents, or would you reach your policy limits before construction could be finished? What if you crash your vehicle and are liable for injuries to others? Will your policy fully cover the claim?

A [recent survey](#) by the insurance brokerage firm HUB International Limited (HUB) found that nearly 60 percent of home and auto policyowners worry about being underinsured, and with good reason. Increasing inflation and the rapid rise in the cost of building materials, plus a computer chip shortage, labor shortages and supply chain issues leading to a dramatic hike in the cost of auto repair, have combined to create an environment that may leave some drivers and homeowners with less coverage than they'll need if the “worst happens.”

The good news is there is a remedy for this potential problem – if consumers act *before* a tragedy strikes.

[NW Insurance Council](#) urges drivers and homeowners to review their policies with their insurance company or agent to make sure their current homeowners, auto and other policies are keeping up with rising costs, and to inquire about *extended* or *guaranteed* replacement cost coverage for their homes and possessions.

Homeowners Insurance

Many homeowners insurance policies include automatic “inflation guard clauses” that increase the policy’s limits equal to inflation – but not all policies include these clauses. Even if your policy includes that guard, inflationary increases may not reflect the rapid increase in the value of homes or the true cost of construction materials many communities in the Northwest have recently witnessed. For that peace of mind, homeowners may want to consider “extended” or “guaranteed” replacement cost policies.

- An extended replacement cost policy pays – if needed - a pre-determined, stated percentage above the policy limit.
- A guaranteed replacement cost policy pays to rebuild a home as it was before the disaster without regard to the policy limit.

“Many people are looking for the most affordable option for insurance when they buy a home, and a fixed-limit homeowners policy with or without an inflation guard clause may come with a reduced premium,” said NW Insurance Council president, Kenton Brine. “But the limits of that policy may not be enough if the cost of rebuilding and refurnishing your home have risen in the way many Northwest communities have seen lately.”

It's important to note that not every insurer writing homeowners coverage offers replacement cost coverage, and not every home may be eligible for those coverage options – older homes with unique or costly architectural features are an example. But

typically, there are options offered by insurers to increase the coverage limits on most dwellings to help cover rebuilding costs if a home becomes a total loss. It all starts with estimating your home's value and the cost to rebuild if it were destroyed.

The [Insurance Information Institute](#) offers a free brochure with [tips and information](#) on determining your home's replacement cost and whether you should consider additional coverage through an endorsement or switching to extended or guaranteed replacement cost coverage.

Auto Insurance

Supply-chain issues continue to contribute to rising costs for new and used vehicles, auto replacement parts and labor. As a result, your auto insurance policy may have coverage gaps. It's important to work with your insurance company or agent now to make sure your auto policy is keeping up with inflation.

Inflation, along with upward trends in auto accidents, injury claims and fatalities, means auto insurance rates could change as well. If you're looking for ways to save on your auto insurance, here a few quick tips:

- Take advantage of your insurance company's discounts, which may include good student discounts, anti-theft devices or safety devices on your vehicle.
- Maintain a good driving record.
- Increase your deductible to help lower your premium.
- Bundle your auto insurance with your homeowners or renters insurance.
- Consider a driver tracker program used by insurers to collect data about your driving habits to help set your insurance rate.
- Maintain a good your credit score – a better score typically means you're a lower-risk insured, too, and can reduce the price you pay for home and auto insurance.
- Compare insurance quotes, or "shop around" for an insurance company that meets your auto insurance needs.

For more information, call NW Insurance Council at (800) 664-4942 or send an email to info@nwinsurance.org.

NW Insurance Council is a nonprofit, insurer-supported organization providing information about home, auto and business insurance to consumers, media and public policymakers in Washington, Oregon and Idaho.

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