

# Your Guide to Insurance Rate Changes

It may be helpful to know that many of the factors leading to home and auto rate increases are out of your control.

## Homeowners Insurance

### Regional Factors

- Geography
- Adverse weather conditions
- Risk of catastrophic weather events
- Risk of wildfires
- Risk of windstorms
- Proximity to emergency services
- Local and regional crime trends

### Material and labor costs

- Changes in construction and material costs, typically caused by inflation and other related factors

### Economy

- Inflation
- Rising home values
- Changes in local building codes

## Auto Insurance

### Regional factors

- Risk of catastrophic weather events
- New driver trends, like distracted driving due to digital devices
- Population changes and related driving trends

### Material and labor costs

- Greater prevalence of high-tech car features that can be costly to repair or replace
- Changes in material and labor costs for car repairs

### Economy

- High employment rates, which leads to a higher rate of commuting drivers and increased accident risk

**In addition to the large-scale reasons for rate changes, your cost of insurance may be affected by personal or policy factors.**

## Homeowners Insurance

### Life changes

- Value of home
- Age of home
- Home renovations or improvements
- Policyholder age
- Policyholder marital status
- Moving to a new area

### Policy adjustments

- Deductible adjustments
- Amount of coverage purchased
- Payment plan changes, like setting up automatic payments

### Insurance history

- Homeowners insurance claims

## Auto Insurance

### Policy adjustments

- Age of car
- Car upgrades, like built-in navigation
- Policyholder age
- Moving to a new area

### Insurance history

- Deductible adjustments
- Additional vehicles or drivers added to plan
- Teen driver added to plan
- Payment plan changes

### Insurance history

- Claims
- Accidents
- Tickets

## How does Mutual of Enumclaw use my insurance payments?

Ultimately, our goal is to make sure all our members are protected if adverse events happen.

Mutual of Enumclaw is an insurance mutual—here's how it works. As a member, your monthly premiums, along with other members' premiums, pay for claims and the costs to keep our company running. Your money goes into a pool to be there for your fellow members, and their money goes into the same pool to be there for you.

Any surplus is put into a reserve fund to help get us through extraordinary circumstances, like a big wildfire or an unusually harsh or windy winter—which are unfortunately becoming more common. There are no investors to pay, or shareholders to answer to. All the money goes towards keeping us stable and secure, which benefits our members over the long haul.

## Addressing common myths about insurance rates

### Myth 1: Insurance should cost less because cars have gotten safer or get older.

Technology makes cars safer, but it also makes them much more expensive to repair. This means it's not always reasonable to repair cars after an accident, which leads to more total loss situations. A vehicle's depreciation does not reduce the cost of repairs as labor rates and part costs are not dependent on the age of a vehicle.

### Myth 2: Insurance companies raise prices only to make more money.

The premiums Mutual of Enumclaw charges are set to cover operational expenses, pay out claims, and build our surplus. Rest assured that prices cannot be increased without basis. Companies set prices according to data on risk, and rates need to be filed and approved by each state's insurance commission.

### Myth 3: My insurance policy is like a savings account I make withdrawals from when needed.

Your premiums always go toward the common pool, and claims are always paid from the common pool. Rate increases following claims are made to address your level of risk and cannot be used to recoup losses from your claim.

## Ways to save on insurance rates

There are opportunities for you to save money, without changing your deductible or reducing coverage. Are you taking advantage of these available discounts?

### Home

- Fire alarm system\*
- Burglary alarm system\*
- Package policy (home and auto bundle)
- Multi-home
- Loyalty discount
- Claims-free discount

### Auto

- AAA membership\*
- Good Student discount
- teenSMART@course completion
- Distant Student discount
- Multi-car discount
- Defensive Driver discount (55+, excluding AZ)

\*Asterisk denotes top discounts not taken advantage of by members

## The cost of switching insurance carriers

Switching to a different insurance carrier simply because it offers lower rates isn't always, or even often, the best move for you or your pocketbook. Here are some of the unseen costs of switching:

**Loyalty:** Our members with tenure acquire loyalty discounts, which may be lost when switching.

**History:** The longer you've been with a carrier and agent, the stronger relationship you have—in good times and bad. Switching means starting over with a new carrier who may not understand your lifestyle and coverage needs.

**Price:** Rates are constantly changing for every insurance carrier. The lowest priced carrier this year may not be the lowest priced carrier next year. With the ever-changing market, searching for the lowest premiums will be an unending battle.

If you have questions about rate changes or managing your policy, please reach out to your agent or our Member Services team.

## Digging into the numbers

Want to take a deeper dive into factors that may impact rate changes? Here are some key examples.

### Weather matters

High-cost disasters are increasing in the United States. Extreme weather events, like heat waves and intense storms, are likely to become more frequent with climate change. When the risk of a weather disaster is high, rates go up to provide complete coverage for homes and belongings.

- From 1980 to 2023, the annual average number of weather disaster events in the U.S. with losses exceeding \$1 billion was 8.5 events.
- Looking only at the past five years, 2019 to 2023, the annual average of weather events with losses exceeding \$1 billion was 20.4 events.
- In 2023 alone, there were 28 confirmed weather disaster events with losses exceeding \$1 billion each.

## Home economics

In response to higher home values, materials costs, and labor shortages, your insurance rates are directly correlated to the coverage necessary to recoup losses after a claim event.

- Since 2020, insurance claims show that average material and labor costs have increased 41%.
- Home values have risen 4.8% since October 2022.

## Car complexities

Cars are more expensive to repair and replace when a claim event occurs. When an accident occurs, claims are more elaborate due to a complicated mix of new electronic features, rising parts costs, and a shortage of qualified technicians.

- Electronics are now responsible for 40% of a new car's total cost, up from 18% in 2020.
- In 2022, the cost of parts sourced from automakers rose 10% annually.
- Collision severity has increased 40% since 2019.

For statistics sources, please visit [mutualofenumclaw.com/ratechanges](https://mutualofenumclaw.com/ratechanges)