Newsletter 2022

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Newsletter for Individuals

IN THIS ISSUE:

81% of Flood Insurance Policyholders Will See Rate Increases, Report Says

By Leslie Kaufman

When the Federal Emergency Management Agency rolled out a major overhaul to its beleaguered National Flood Insurance Program last April, it promised that bigger, richer homes would bear the brunt of premium increases, while almost 90 percent of policyholders would see their costs stay stable or decrease.

But as the program goes into effect this month for existing policyholders, more than 80 percent of thosehomeowners are set to see rates climb and those gains will be spread largely evenly among rich and poor areas, according to a new report from the real estate firm Redfin. The report also found that "Majority-Hispanic" neighborhoods are more likely to see their flood-insurance premiums rise than any other major ethnic or racial neighborhood group, with 84% of policyholders facing increases.

The NFIP serves roughly 3.4 million single-family homes, most of which are in high-risk flood areas. The program was created in 1968 to cover homes that private insurers either didn't want to cover or would only cover at a relatively high cost. The government offered more modest premiums, but the result is that over time the program has gone broke. It has more than $20 billion in debt, in part because of climate change-related phenomena such as rising sea levels and more storms. Those have led to more widespread flooding, causing more damage than the premiums could cover.

Mike's Blog
Vacant Homes

Too often, homeowners don't realize that if they leave their home vacant for a specific period of time, they are leaving themselves unprotected in the event of a loss. A vacant property is one without any personal property in it.

Properties are left vacant for a number of reasons: A client may have moved into a new home and has yet to sell or rent the existing one, or a relative may have inherited a home but doesn't live there.

Homeowners insurance does not provide coverage if the home is considered vacant – that is, if it's left empty for a specified period of time, typically up to 30 to 60 days. For example, it won't cover the property if it's vacant for a loss due to a fire or water damage. An insured should purchase Vacant Property insurance for proper protection, which can be done either by an endorsement to a homeowner's policy or purchased as a separate policy.

Vacant Properties Come With Increased Risks

The reason for Vacant Property insurance in lieu of a homeowner's policy is simple: A vacant home is at greater risk for certain losses when no one is home for an extended time period. For example, if a pipe ruptures, major water damage may occur if no one is there to intervene. If there is a fire and the home is vacant with no one there to report it, more than likely there will be greater property damage. Vacant properties are also more exposed to the risk of a break-in and vandalism and are targets for squatters.

Vacant Property insurance provides coverage for damage from fire, explosion, smoke, lightning, wind, and hail along with water intrusion, vandalism, and theft or break-ins. A Vacant Property policy is written for a specific period of time.

ABM Bad Joke Of The Month...

What did the pirate pay for his earings?

A Buc-an-ear.

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For years, FEMA tried to reform the program to make premiums more reflective of actual costs, but it was unpopular with Congress and constituents. Last year, FEMA rolled out a reform known as Risk Rating 2.0, based on cutting-edge science and modeling techniques. The new program aims to be more equitable by setting rates based on the risk of individual homes, as opposed to the risk of all the homes in one risk zone as the old method did. The idea is the new system would charge higher premiums for the riskiest homes, while many of the other homes in the program would actually see lower premiums. FEMA also said that rates would be no more that 18% per year and be capped at $12,000 total. It also said that mostly expensive homes would bear the brunt of the premium increases.

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FEMA wouldn't comment specifically on Redfin's findings. "FEMA hasn't provided any Risk Rating 2.0 premium information to outside entities, and any attempt to compare an outside entity's premium estimates to Risk Rating 2.0 is simply speculation," the agency wrote in an email.

Sheharyar Bokhari, a senior economist at Redfin who did the research for the report, acknowledged that FEMA didn't release any individual home data, but said the agency is releasing zip-code level data on the share of policyholders that will see rate increases. Redfin analyzed this data along with census data on income and ethnicity in zip codes to derive its findings.

In Texas and Florida, about 90% of homeowners will be subject to increases, the analysis found. Premiums have been well below the national average in those states, despite the fact that they have experienced a disproportionate amount of devastating flooding from hurricanes. The increases will disproportionately affect zip codes with high Hispanic populations.

"That's likely because Texas and Florida—the states hit hardest by FEMA's overhaul—have the largest Hispanic populations behind California," the report noted.

Redfin found that 76% of policyholders in neighborhoods with the highest earners are seeing premiums rise. That's just below the national average, which is the 81% of policyholders overall who are about to see rate hikes.

One reason for the difference between Redfin's finding and FEMA's promises may be semantics. FEMA included people whose increase in premium payments will be $10 or less a month as part of its "stable group." But Bokhari said that the implications down the road, even for that group, could be substantial rather than "stable" because while FEMA can make rate hikes of only 18% a year, it can do that for up to 15 years or until a policy has reached $12,000. This is something that could really pinch less wealthy people over time, even if they aren't paying the highest absolute amount in premiums, he said.

"Most policyholders probably won't feel the burn of FEMA's price hikes in year one, but by year five or 10, the elevated cost of flood insurance could impact where Americans decide to buy and build homes," Bokhari said.

Another possibility, is that the FEMA rate hikes may backfire and cause people to cancel policies leaving them vulnerable to financial ruin from floods—essentially the opposite of what FEMA wanted. Only people in designated zones with federally-backed mortgages are required to have flood insurance. And so despite increasing flood risk, FEMA insures fewer people than it did in past yearsbecause premiums, while relatively modest, still rose every year for all homeowners regardless of risk and some people dropped coverage. The agency had roughly 3.4 million single-family-home policyholders in 2020, down from 3.8 million a decade earlier.

Since the pandemic, both Florida and Texas have seen populations surge. Many of these people are trying to escape higher tax states and may not be accounting for rising flood insurance costs. "Some people may choose not to renew their flood insurance policies despite increasing flood risk due to climate change, especially as inflation drives prices up elsewhere in the economy as well," Bokhari said.

Meet Our Representative

Phil Humber

Phil has been in the insurance industry for several years, working with mortgage brokers and friends within our community find the best value for their insurance protection.   Phil remains active as a High School football coach, helping teenagers reach their goals.

Allstate to Increase Magnitude of Auto Rate Hikes in 2022

Allstate said it is raising auto insurance rates more due to continued upticks in physical damage and bodily injury severity.

The personal property insurer said in a statement on April 21 that first quarter unfavorable non-catastrophe prior-year reserves re-estimates were about $160 million, reflecting the impact of "rapid increases in loss costs since the second quarter of 2021."

"Given the ongoing loss-cost impacts of the current inflationary environment, Allstate has increased the magnitude of auto rate increases we expect to implement throughout 2022," said Mario Rizzo, CFO in the statement.

Rizzo said Allstate increased auto rates in 15 states an average of 9.8% in March and has now implemented 53 rate increases in 41 locations averaging about 8.2% since the start of the fourth quarter. Additionally, Allstate's National General brand increased auto rates an average of 3.8% in seven locations in March.

Last month Allstate addressed the topic of auto rate hikes. Glen Shapiro, president of property-liability, said auto-claim frequency remained below pre-pandemic levels even though miles driven increased, but claims from non-rush-hour accidents have returned to historical norms. Repair costs have increased due to supply-chain delays and higher labor costs.

In the latest statement, Rizzo said Allstate continued to see "the impact of elevated severity inflation in the current report year" with incurred severity estimates to increase by 11% for property damage and 8% for bodily injury.

All Allstate brand auto insurance rate increases totaled $862 million in the first quarter 2022 after $702 million of rate increases in the fourth quarter 2021, Allstate said. Allstate also said first-quarter catastrophe losses totaled $462 million pre tax. Catastrophe losses, which primarily included tornado and wind losses from Texas and the southeast, were $227 million March.

Pedestrian Fatalities Projected to Reach Highest Level in 40 Years

Twenty people per day were hit and killed by drivers in the U.S. last year, according to an analysis by the Governors Highway Safety Association (GHSA).

Using the latest data available to project the number of pedestrian deaths in each state and nationwide, GHSA expects that a total of 7,485 pedestrians were killed by vehicles in 2021 – an increase of 11.5% . This would be the largest number of pedestrian fatalities in four decades, the nonprofit association said. Over 6,700 pedestrians were killed in 2020.

Nationwide, there were 2.32 pedestrian deaths per billion vehicle miles traveled (VMT) in 2021, which is similar to 2020 but well above the pre-pandemic average of 1.9.

The report from the GHSA, Pedestrian Traffic Fatalities by State: 2021 Preliminary Data, follows another recent preliminary analysis from the National Highway Traffic Safety Administration (NHTSA) that said U.S. traffic deaths jumped 10.5% in 2021 to 42,915. The total is the highest since 2005, and the yearly increase is the largest since the NHTSA started its tracking system in 1975.

U.S. Traffic Deaths Jump 10.5% in 2021 to Highest Number Since 2005

Like in auto fatalities, speed played a major role in pedestrian deaths. The GHSA said the percentage of speeding-related pedestrian crashes involving children ages 15 and younger more than doubled over the last three years. Impaired and distracted driving, and other dangerous driving behaviors also proliferated.

"This is heartbreaking and unacceptable. The pandemic has caused so much death and damage, it's frustrating to see even more lives needlessly taken due to dangerous driving," said GHSA Executive Director Jonathan Adkins, in a statement. "We must address the root causes of the pedestrian safety crisis – speeding and other dangerous driving behaviors, inadequate infrastructure, and roads designed for vehicle speed instead of safety – to reverse this trend and ensure people can walk safely."

Prices for Prescription Drugs Rise Faster Than Any Other Medical Good or Service

By: Tori Marsh, MPH

- Since 2014, drug prices have increased by 33%, outpacing price increases for any other medical commodity or service.
- Inpatient and outpatient hospital services have also seen substantial price increases since 2014.
- Nonprescription drugs are the only medical service or commodity to see a decrease in price. Prices for prescription medications are surging faster than prices for any other medical service or good, according to new research from GoodRx. And on top of that, all medical services combined have increased by about 17% since 2014.

This research comes as the COVID-19 pandemic continues to sweep the nation, exposing the many flaws of our healthcare system. While prices for most medical goods and services are rising,

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prescription drugs have seen the largest increase. Since 2014, prescription drug prices have increased by 33%. During the same period, other medical services, like inpatient hospital services, nursing home care, and dental services have increased by 30%, 23%, and 19%, respectively.

Data from the Consumer Price Index (CPI) measures the change over time in prices for goods and services that people purchase, while the GoodRx List Price Index measures drug list price changes. Both datasets track daily price changes. But the drug list price index data is based off of official list prices set by manufacturers, and the CPI data comes from surveys of consumers and establishments.

So how do prescription drugs compare to healthcare prices from the BLS?

The many prices of prescription drugs

The Bureau of Labor Statistics has its own measure of prescription drug prices. And while its index also reveals rising prices for drug costs, the trend isn't as steep as the GoodRx List Price Index.

Since 2014, the Bureau of Labor Statistics shows that prescription drugs have increased by 20%, while drug prices on the GoodRx List Price Index have increased by 33%.

Why the difference? The two indexes are looking at different measures of drug prices. The GoodRx prescription drug index tracks drug list prices, which are the official prices set by drug manufacturers. In comparison, the BLS prescription drug price index reflects a mix of cash prices (the price a consumer pays without insurance or a discount) and insurance prices.

Patients typically pay the cash or insurance price at the pharmacy, and not the list price of a drug. However, the list price is the official price set by a drug manufacturer, and can have lasting effects on the price of a drug and healthcare overall. In essence, higher list prices lead to higher out-of-pocket costs for patients.

Even though the indexes measure different prescription prices, one thing is clear — patients are paying more for their medications no matter how you look at it.

What do prices for prescription drugs, inpatient hospital services, and outpatient hospital services have in common?

Since 2014, prices for inpatient and outpatient care have increased by 30% and 26%, respectively.

Like prescription drugs, prices for inpatient and outpatient hospital services are wildly opaque. Patients at both the pharmacy counter and in the hospital rarely know the cost of their medication or procedure until after the fact. Plus, one in five patients are hit with surprise medical bills after an elective surgery. These out-of-network surprise bills happen even to those with insurance, and reports have shown patients seeing bills upwards of hundreds of thousands of dollars.

Also just like prescription drugs, opaque hospital pricing has long outraged patients, and has spurred initiatives from the Trump administration to improve transparency. Certain price transparency acts have driven some hospitals to post the list price for each service. But patients are still finding it difficult to understand the full price of a procedure, and hospital groups across the nation are contesting these policies.

Still, it's no surprise that these three medical services are rising more than others. A lack of transparency often leads to rising prices and stifles competition in the market, which is essential to driving costs down.

ABM Bad Joke Of The Month...

Why did the Stormtropper buy an iphone?

He couldn't find the Droid he was looking for.

Continued from Page 6-Prices for Prescription Drugs...

The cost of living longer
With a price running upwards of $100,000 a year, the cost of nursing home care has increased by 23% since 2014, rising just above average hourly earnings. Like many services in this analysis, nursing home care is already expensive, and only continues to rise in price.

Those without insurance, and those who require long-term care. What's more, a large chunk of the U.S. population will be exposed to these rising prices. In fact, a recent analysis noted that three-quarters of Americans above the age of 65 will need nursing home care at some point.

Since 2014, the price of dental services has increased by 19%, hitting a sector of healthcare that is notoriously unaffordable. In fact, cost is the largest reason that Americans skip the dentist, with 59% of Americans noting that they have forgone an appointment because of the price.

Physicians' services include any service that is performed and billed by a private practice MD, and can include home visits or visits in an office or hospital. Since 2014, these services have increased in price by 10%.

Nonprescription drugs, also referred to as over-the-counter (OTC) medications, are the only medical service that has seen a drop in price since 2014. But they have only dropped by a little more than 2%. Much of this is likely due to competition and transparency in the market. Multiple versions of OTC medications on the market coupled with the ability for patients to price compare in the drug aisle have likely led to a small decline in prices.

Summing it all up
Prescription drug prices have risen faster than healthcare costs since 2014, and previous research from GoodRx shows that drug prices have also risen faster than any other commodity or service over the same time period.

So what does this tell us? Prices for prescription drugs are out of control. And Americans are feeling it. One-third of Americans say they have skipped filling a prescription one or more times because of the cost, and 1 in 10 adults have reported rationing their medications because of cost. Skipping and rationing medications, referred to as non-adherence, can lead to an unhealthy population, higher visits to the emergency room, lower productivity, and higher death rates — all things that can strain the health system and economy.

With prices for prescription drugs and healthcare overall rising, patients need to be educated consumers now more than ever. This means shopping around for prescription drugs, talking to doctors about cost, and fully understanding health insurance.

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I had a complicated claim and after discussion the folks I was dealing with heard me, and worked diligently to arrive at a positive outcome! Thank you again for all you do with Safeco Insurance!

-Vicki C.

IN THIS ISSUE:

Safeco and Sagesure Gold and Platinum Status

As a Platinum Agent, we are able to offer our clients annual policies. With inflation running rampant, 6 month auto insurance carriers like, Geico, Allstate and State Farm, can and do raise rates every 6 months. An annual policy provides a fixed price for the entire year so you and your family can better budget insurance cost.

As a Platinum Agent, we are able to offer our clients lower deductibles. We are able to offer lower home and auto deductibles than other agencies. Call our Personal Lines team to see how we can protect your budget with Annual policies at 281-448-3040.

Guns N Roses playing at Safeco Event

We had Duff McKagan, Axl Rose, and Slash as our main music act for the Safeco Event, held earlier this month. Guns and Roses, know the best Insurance Agency to call, ABM Insurance & Benefit Services 281-448-3040

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