

## March 25, 2024 – Wealth Planning Commentary

### Re-examining your Property & Casualty Insurance

Property and Casualty (P&C) insurance premiums are on the rise. With the current state of the insurance market, we recommend that homeowners attempt to maintain their current premium rates for as long as possible and shift their focus toward adequate risk mitigation and continued insurability.

Insurance carriers are increasingly adding new limitations and endorsements on policies. It's important for homeowners to conduct a thorough review of their current coverage. One example is the growing practice among companies of moving away from entirely replacing roofs and instead offering replacement coverage for the depreciated value. Homeowners would benefit by reading the fine print and ensuring that their coverage is what they believe it to be. Those with outdated policies should consider exploring newer options, as carriers may have introduced new programs that provide more comprehensive coverage at similar premium rates.

For those who are considering purchasing a new property, it is advisable to consult local insurance brokers to assess insurance premiums and carrier options in the area. Evaluating the property's long-term insurability before purchasing is crucial. Find out if the property is located near a flood zone. Many flood zones are gradually expanding, and previously unaffected areas are now facing increased vulnerability to weather events. Are insurance companies pulling out of the state's market? This is typically a sign that it will become harder and more expensive to insure property. Past water or windstorm damage claims associated with the property can impact insurance premiums and potentially aid in negotiating a better purchase price. For these reasons, it's critical for new buyers to conduct thorough research on their risk exposure and long-term insurability to minimize the potential impact on their P&C premiums. Additionally, properties equipped with newer roofing, plumbing, and electrical systems tend to have lower premiums. Therefore, buyers should ask when the property was last renovated before considering purchasing the property.

Wealthy individuals should prioritize safeguarding their personal wealth by considering excess liability or umbrella coverage. Dollar for dollar, an umbrella policy is the simplest solution to mitigate the unpredictable and potentially ruinous risk of lawsuits. Even if you already have an umbrella policy, it's critical to ensure it is sufficient. For example, your net worth or income may have significantly increased. You may have acquired high-risk assets, such as vehicles or boats, which should be included in the umbrella policy. If there's a newly licensed driver in the household, they should be added to the policy. Changes in property usage, such as renting out vacation homes, should also prompt a review of coverage.

It's unlikely that premiums will decrease and therefore practical to focus on risk mitigation and maintaining favorable premium rates with an eye toward long-term insurability. Minimizing lifestyle exposure can help achieve this. Conduct a personal audit to safeguard both physical and digital assets, along with liability protection. Review the individuals who have access to your property, vehicles, and computers and mobile devices. Consider whether these assets could potentially expose you to risk. Check the comprehensiveness of current insurance policies and review any new limitations and endorsements that are available.

Please reach out to your Wealth Manager with questions about Property and Casualty insurance.

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