Best Practices for Insurance Rate Disclosures

Example Rate Filing Checklist

Completed	N/A	EXAMPLE RATE/RULE FILING CHECKLIST	
☐	☐	1.	Please complete all check boxes on this form or your filing may be returned “Rejected,” and a resubmission may be necessary.
☐	☐	2.	All rate information must be completed on the rate/rule tab without capping.
☐	☐	3.	All proposed rate/rule manual pages must be submitted under the rate/rule schedule tab for approval.
☐	☐	4.	Complete rate/rule manual with all proposed changes must be submitted under supporting documents tab as this will be marked informational only. A complete manual should consist of all corresponding rules for your optional forms, all rules corresponding to your rating factors, all rating factors, territory definitions and factors, and all proposed changes to rules and rates.
☐	☐	5.	Provide a histogram on an uncapped basis. If the filing contains more than one company, please provide a separate histogram for each company.
☐	☐	6.	Provide the characteristics of the insured(s) receiving the maximum rate increase. If the filing contains more than one company, please provide a separate histogram for each company.
☐	☐	7.	Provide the average dollar change, the maximum dollar change, and minimum dollar change on an uncapped basis. If the filing contains more than one company, please provide a separate histogram for each company.
☐	☐	8.	Please provide our department with a talking points sheet that will assist our consumer assistance division should we receive consumer complaints regarding the rate increase. This submission should provide detailed information that we can share with policyholders that will explain what it is causing this rate increase.
☐	☐	9.	Please provide us with the breakdown of the permissible loss ratio by coverage including: a. Taxes, licenses, and fees b. Total production expense c. Underwriting profit d. Any other fees that comprise the permissible loss ratio e. Permissible loss ratio
☐	☐	10.	Provide all support and justification exhibits for rate change including how you derived your overall indication, all support for proposed factor changes, etc.
☐	☐	11.	This checklist item is only required for Personal Auto rate filings: Provide the percentage breakdown of the rate impact. If the filing contains more than one company, please provide a separate histogram for each company.
☐	☐	12.	Rates developed using generalized linear modeling or other predictive modeling techniques must include a detailed narrative of the modeling process. This should include a description of the modeling data, variable selection process, data dictionary, model testing & validation, and any judgements made throughout the process.
☐	☐	13.	If a GLM (Generalized Linear Model) is currently in use, the company must include the SERFF tracking number of the original GLM filing.

Example Disclosure Notice for Rate Increase with Capping

FINAL VERSION OF DISCLOSURE NOTICE

Renewal Premium that is a result of a capping procedure employed by the insured

Instructions to Insurers:

- Each insured receiving at least a 10% premium increase at renewal must receive a Disclosure Notice.
- This notice must be sent to the insured at least 30 days prior to the renewal date. It may be included with the renewal notice or may be sent in a separate mailing, or by email if the insured has elected to receive email notifications.
- The Disclosure Notice must include a listing of the rating factors/characteristics, and the dollar impact of each rating factor/characteristic on the premium increase, such that at least 80% of the uncapped premium increase is explained.
    - The rating factors should be listed in descending order of dollar impact.
    - Note that a "change in underwriting tier" is not acceptable as a rating factor to be listed. All rating factors/characteristics listed must be such that the insured can understand its content and determine if they have the ability to mitigate the increase caused by that rating factor. If multiple rating characteristics define the underwriting tier, then the premium increase caused by each of those rating characteristics must be considered separately.
- If an insurer already has a notification process acceptable to the State's regulator, the insurer could be allowed to continue to use the process that is in place.
- The following Disclosure Notice is the minimum required notice. Insurers are permitted to provide additional information if so desired.

Auto Insurance Premium Increase Notice

Your auto insurance premium is increasing.

Your current auto insurance premium [for what period] is $1,175 [how often].

Each insurer files a rating plan with the state insurance department for their approval. According to the rating plan we filed with your state, your premium would be increased to $2,121 the next time you renew your policy, which is scheduled for [date].

However, the next time you renew your policy your premium will increase by $88 to $1,257.

Your premium **will continue to increase with each of the next [how many] renewals** until it reaches $2,121

Remember that there also are other reasons your auto insurance premium could change in the future. For example, if you change your coverage, or if your personal characteristics change, (such as your number of accidents or violations), your premium could increase or decrease.

Here are the major reasons for this increase in your premium, along with the dollar impact of each of those reasons:

Reasons for your premium increase and the dollar impact

- **Reason 1 raised your premium $A**
- **Reason 2 raised your premium $B**
- **Reason 3 raised your premium $C**
- **Reason 4 raised your premium $D**
- **Reason 5 raised your premium $E**

Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions.

Example Disclosure Notice for Rate Increase without Capping

FINAL VERSION DISCLOSURE NOTICE

Renewal Premium that is not a result of a capping procedure employed by the insured

Instructions to Insurers:

- Each insured receiving at least a 10% premium increase at renewal must receive a Disclosure Notice.
- This notice must be sent to the insured at least 30 days prior to the renewal date. It may be included with the renewal notice or may be sent in a separate mailing, or by email if the insured has elected to receive email notifications.
- The Disclosure Notice must include a listing of the rating factors/characteristics, and the dollar impact of each rating factor/characteristic on the premium increase, such that at least 80% of the premium increase is explained.
  - The rating factors should be listed in descending order of dollar impact.
  - Note that a "change in underwriting tier" is not acceptable as a rating factor to be listed. All rating factors/characteristics listed must be such that the insured can understand its content and determine if they have the ability to mitigate the increase caused by that rating factor. If multiple rating characteristics define the underwriting tier, then the premium increase caused by each of those rating characteristics must be considered separately.
- If an insurer already has a notification process acceptable to the State's regulator, the insurer could be allowed to continue to use the process that is in place.
- The following Disclosure Notice is the minimum required notice. Insurers are permitted to provide additional information if so desired.

DISCLOSURE NOTICE

Your current premium is $1,175.

Your renewal premium is $1,250.

Here are the major reasons for this increase in your premium, along with the dollar impact of each of those reasons:

Reasons for your premium increase and the dollar impact

- **Reason 1 raised your premium $A**
- **Reason 2 raised your premium $B**
- **Reason 3 raised your premium $C**
- **Reason 4 raised your premium $D**
- **Reason 5 raised your premium $E**

Please call your agent or our Customer Service Representative at (xxx) xxx-xxxx with any questions.

Examples of Reasons for Increases

Examples of reasons a premium might increase

[ ] means something for the company to fill in.

- Some are HO specific; some are PPA specific, some work for both
- We increased the amount of [ ] coverage as you requested
- We increased the amount of building coverage to reflect increased building costs
- We increased rates in your geographic area
- We increased base [ ] rates for everyone
- Your insurance credit score has gotten worse
- You added additional coverage for [ ] to your policy
- You added a new vehicle to your policy
- We started using a new rating factor [ ]
- We stopped using a rating factor [ ]
- You lost a discount [ ] you had on your last policy
- You added an additional driver to your policy
- You made [ ] claims in the past [ ] years
- You were in [ ] accidents
- You got [ ] driving tickets and violations
- You let your insurance lapse.
- Your child is now driving age
- Your marital status has changed
- Your address has changed
- Your occupation has changed
- Your criminal history has changed

Consumer Education Information Regarding Insurance Rates - Auto

AUTO INSURANCE UNDERWRITING AND RATING

The way auto insurers determine your how much you pay for insurance is constantly changing. The process starts with the information you provided on the application. The two parts of the process are *underwriting* and *rating*.

HOW DO INSURERS UNDERWRITE?

The first part of the process is underwriting. Insurance companies underwrite to assess the risk of insuring an applicant and to group the applicant with others who are similar risks. When underwriting, the company also decides whether to insure the applicant.

To underwrite an auto insurance policy, insurers want information about certain factors that might affect your potential to file a claim. Some of these factors, such as age and gender, are beyond your control. You have control over other factors an insurer considers, including where your car is and how you use it and the make and model of car you're insuring.

An underwriter uses information from your application as well as from other sources.

Insurers depend on the information in your policy application. The questions you're asked when you apply for insurance help the company assess the likelihood you'll file a claim.

Insurance companies also get information from other sources. For example, some auto insurers get information about your credit history from credit bureaus. They also will get information about your driving record from third-parties, such as the Division of Motor Vehicles, and your history of filing auto insurance claims from insurance claims databases.

AUTO INSURANCE RATING

After underwriting, the next step is rating the risk. When it rates a risk, the insurance company applies its rating factors to price the policy. The rating factors are spelled out in the company's rating system. Companies have to file their rating systems with their state insurance department and follow that plan. The company sets a rate for each group of applicants who are similar risks.

A rating factor is a specific characteristic of a potential policyholder used to price auto insurance premiums. The less risky your rating factors are, the less you will pay for auto insurance.

For more information about the rating factors many insurers use, see *Factors Used to Rate Auto Insurance.*

HOW DO INSURERS DETERMINE AUTO INSURANCE PREMIUMS?

Insurance companies use information about you, your vehicle, and your insurance coverage to decide whether to insure you and how much you'll pay for auto insurance. They'll ask you for some of this information. Sometimes insurance companies also get information about you from other organizations. All of this information is linked to "factors" or considerations that affect how much you'll pay for insurance, or how the insurer "rates" you as an insurance risk.

Some factors relate to the driver(s) and some to the type of vehicle you want to insure. Others are based on the amount and type(s) of coverage you buy. There also are discounts that reduce the premium.

Different insurance companies use different methods to determine their risk of insuring you. They may charge different amounts for the same or similar coverage.

Also, some states have different requirements that affect which factors insurers can use. States also have different requirements about how much insurance you have to buy, which may affect your cost.

GENERAL INFORMATION

Age, years of driving experience, gender, and marital status are common factors insurers use to determine how much you pay for insurance. The insurance company gets information about your driving record and accident history from a third party (such as the Division of Motor Vehicles). In some states, insurers can't consider certain factors, such as your gender or age.

What you pay for insurance may be based not just on you but also on all insured drivers in your household, including those not related by blood, such as roommates.

HOW YOU USE THE VEHICLE

Your insurance premium may vary based on whether you use your vehicle only for pleasure or drive it back and forth to work. Driving for pleasure means that you drive only occasionally. If you drive only for pleasure, you may pay less for your insurance.

Most personal auto insurance policies won't cover accidents if you're using your car for business purposes. It's important to discuss how you use your car when you talk with an insurance agent or company representative.

GENDER AND AGE

Data show that males have more accidents than females and younger drivers have more accidents than older and more experienced drivers. That's why young men traditionally have paid more for insurance than young women. Inexperienced drivers may pay more regardless of age. Some states don't let insurance companies use gender as a factor when they rate insurance.

Insurance companies look at accident statistics for all age groups. What you pay for insurance may change as you get older.

Some states require insurance companies to give a discount to any primary driver who is older than age 55 and who voluntarily completes a motor vehicle accident prevention or defensive driving course approved by the Division of Motor Vehicles.

LOCATION

It's important to tell your insurance company where you keep (or "garage") your vehicle. You may pay more or less for insurance based on the zip code or territory where you live or keep your car.

Some things your insurance company might consider about where you live or keep your car are accidents, thefts, and weather in the area.

SOCIAL FACTORS

Some states let insurance companies consider your occupation and education to decide how much you pay for insurance. That's why an insurance company may ask what you do for a living and how much school you've completed.

In some states, married drivers may pay less for insurance. Also, homeowners may pay less than renters.

COVERAGE HISTORY

When you apply for insurance, you may be asked about your previous insurance coverage. Most insurance companies charge you more if you've had gaps in coverage.

You may need to supply the name of your previous insurance company(ies), the dates you were insured, and who insured you in the past. Insurers want to know if a company ever cancelled your insurance policy for non-payment. Your new insurance company also may ask about your traffic violations and claims history.

Some states limit the use of prior insurance coverage as a factor when rating a policy.

DRIVING HABITS AND HISTORY

Insurance companies look at your driving record and/or habits and those of others covered by your insurance policy. Some companies also look at the records of others living in your home. Typically, your driving record for the past three to five years may impact what you pay for insurance. Drivers with a poor driving record have a greater chance of being involved in an accident and may pay more for their insurance.

Drive safely**.** Nothing affects your auto insurance premium more than how you drive. Insurers consider drivers with previous violations or at-fault accidents to be a higher risk and may charge them more for insurance.

Although the company will get your driving record from a third party when you apply for a policy, it's important to be honest and truthful when you give the insurer information. Being honest will mean it's more likely that your quote will match what you'll actually pay for your insurance.

If your driving record has improved over the last few years, it may be worth shopping around to see if you would pay less with another insurance company.

VEHICLE OWNERS AND OPERATORS IN YOUR HOUSEHOLD

Some states may let you exclude a driver from your insurance policy. Others will not. An excluded driver is a driver that you ask your insurance company not to cover, usually because having them on your policy will cause you to pay higher premiums. Talk with your agent or insurance company to learn if this is an option for you. Be aware that if an excluded driver drives your vehicle, you may have no insurance coverage.

TELEMATICS

Telematics is the use of technology to send and receive information about your car and your driving behaviors and habits. Many insurance companies use telematics to learn about your driving behaviors, such as how fast you drive, your braking behaviors, and the distance you drive. Telematics can work through a mobile app or a Bluetooth device that communicates with your car's computer. The insurer may use your driving behaviors and habits to determine how much you pay for insurance. Telematics also may work directly with your car to record how it performs and how it's maintained.

USAGE-BASED PREMIUMS

Some insurance companies may use information from telematics about how you drive or how much you drive to determine your premium. Pay as You Drive and Pay-per-Mile are two examples of using telematics to determine premium.

Pay As You Drive. Pay As You Drive uses current information from telematics about your driving habits to determine what you'll pay each month. Telematics can track habits such as braking and speeding, how often you drive, the time of day or night you drive, where you drive, and whether you use a cell phone while driving. You may be able to log onto the insurance company's website to see how your driving habits affect how much you pay.

Insurance companies may give drivers a small discount just for agreeing to participate in a Pay As You Drive program. Your insurance agent or company representative can give you more information.

Pay-per-Mile. Typically, insurance companies base what you pay for insurance on an estimate of how much you drive. In some states, some insurance companies charge a base rate and then add a "per-mile" fee to determine your premium. Insurance companies use a device installed in your car to track the number of miles you drive. If you don't drive often, work from home, use mass transit, or attend college, this type of policy could save you money. Some companies let you have this type of policy without a tracking device but require you to send a photo of your odometer each month.

CREDIT-BASED INSURANCE SCORE

Insurance companies may consider information about your credit when rating your policy. Those companies use credit-based insurance scores which, like all credit-based scores, predict an outcome. Credit-based insurance scores predict the likelihood of filing a claim, the amount of a claim, or the likelihood a policyholder will stay with an insurer or shop around.

Credit-based insurance scores, like other credit scores, are based on your credit payment history, your current debt, how much new credit you've applied for, and what types of credit you have. Some insurers combine credit information with traditional insurance information, like insurance history, to create hybrid credit-based insurance scores. In either case, a higher score indicates you'll likely pay less for insurance.

Some states restrict or even prohibit the use of credit-based insurance scoring. Where it's allowed, some companies may use a credit-based insurance score as a factor when calculating what you'll pay for insurance. However, each insurance company may use its own method to determine your score.

Before you apply for insurance, it's a good idea to get a copy of your credit report and make sure the information in it is correct. Bankruptcies, judgments, liens, late payments, and credit inquiries may mean a lower credit-based insurance score.

If you have a "freeze" on your credit to help prevent identity theft, an insurer won't be able to access your credit report. You can temporarily "unfreeze" your credit when you apply. If you don't unfreeze your credit, you may pay more for your insurance.

VEHICLE-SPECIFIC FACTORS

The type of vehicle you drive directly affects the cost of your auto insurance. You'll pay more to insure cars that cost more to repair or replace. For example, you'll pay more to insure higher-value cars, newer cars, and cars that often are stolen. Some examples might be a large SUV or truck, high-performance sports cars, or vehicles with special features such as all-wheel drive transmissions and hybrid engines.

AUTO INSURANCE DISCOUNTS

You may pay less for car insurance if you qualify for a discount. To make sure you get the discounts you qualify for, be sure to ask your agent what discounts the insurance company offers and how much you could save. When you compare the cost of insurance between different companies, compare the total cost after any discounts.

Here are some important things to consider:

- Discounts may vary depending on the insurance company and the state where you live;
- Ask about discounts at every policy renewal; and
- If you get quotes from different insurance companies and ask about discounts, you may find a lower premium for the coverage you want.

GENERAL DISCOUNTS

Most insurance companies offer various types of discounts. Insurance companies may offer discounts if you use automated payments or pay your annual premium in full. If you agree to receive communications electronically instead of mailed paper documents, some companies also offer a discount.

It's important to talk to your agent or insurance company about discounts you may be eligible for.

CONTINUOUS COVERAGE

Insurers may offer discounts if you keep a car continually insured and haven't had a gap in coverage.

GROUP MEMBERSHIPS

Some insurance companies may offer a discount if you're a member of an organization, such as an alumni or professional association, a union, or other organization.

LOYALTY

Some insurance companies may offer discounts for:

- Renewing your policy for a set number of years; or
- Children who insure with the company their parents use even after they no longer live with their parents.

MULTIPLE VEHICLES

Most insurance companies offer a discount if you insure more than one car with them.

MULTIPLE POLICIES

Insurance companies may offer discounts if you have your auto and homeowners insurance with the same insurance company. This often is called bundling or home/auto packages.

DRIVER-SPECIFIC DISCOUNTS

Insurance companies may look at information about each driver on the policy when they choose the discounts to offer a policyholder.

CLAIM FREE

Companies may offer a discount if you haven't filed any claims.

DEFENSIVE DRIVER/DRIVER'S EDUCATION

Many companies offer discounts if you've completed a defensive driving or driver's education course. Discounts for driver education courses are targeted primarily at younger and older drivers.

GOOD STUDENT

Some insurance companies offer discounts to students who maintain good grades.

MILEAGE

Driving fewer miles reduces the chance you'll be in an accident. Many insurers know this and offer discounts for low mileage drivers. Some companies also may offer discounts to drivers who participate in carpools.

MILITARY

Some insurance companies offer a discount to members of the military (and often their family members). Other discounts may be available during deployment if the insured vehicle is kept on the military base.

NON-SMOKER/NON-DRINKER

Because smoking and drinking can increase the risk of an accident, some insurance companies offer a non-smoker/non-drinker discount.

SEAT BELT USE

Using your seat belt may qualify you for a discount.

VEHICLE DISCOUNTS

SAFETY DEVICES.

Auto safety devices can reduce insurers' claims payments to policyholders as they can prevent accidents or serious vehicle damage or physical injuries. This equipment includes:

- Adaptive Cruise Control
- Adaptive Headlights
- Air Bags
- Anti-Lock Brakes
- Automatic Braking
- Automatic Seat Belts
- Blind Spot Warning
- Daytime Running Lights
- Electronic Stability Control
- Forward Collision Warning
- Lane Departure Warning
- Passive Restraint

ANTI-THEFT DISCOUNT

Devices or systems that reduce theft or vandalism also lower insurers' claims costs. Many insurance companies offer discounts for anti-theft devices. Some examples include:

- Active Disabling Device
- Audible Alarm
- Vehicle Recovery
- Vehicle Identification Number Etching

There are a lot of things to consider if you're trying to lower your costs for auto insurance. Reviewing A Shopping Tool for Automobile Insurance[1] also can give you some great ideas about questions to ask your agent.

[1] https://www.naic.org/documents/committees_c_trans_read_wg_related_shopping_tool_auto_spreads.pdf

Consumer Education Information Regarding Homeowners Insurance Rates

HOW DO INSURERS DETERMINE YOUR HOMEOWNERS INSURANCE PREMIUM?

Insurance companies use information about you, your home, and your insurance coverage to decide whether to insure you and how much you'll pay for homeowners insurance. They'll get this information from you and from organizations. All of this information is linked to "factors" that affect how much you'll pay for insurance, or how the insurer "rates" you as an insurance risk. Many of these factors are described below. Different insurance companies may determine their risk of insuring you in different ways and charge different amounts for the same or similar coverage.

There may be discounts that reduce your premium.

FACTORS RELATING TO YOU

CLAIMS HISTORY

If you've filed homeowners insurance claims, you may pay more for insurance. Your history of filing claims on all of the homes you've lived in will affect how much you pay for homeowners insurance, even if those claim payments were low. Insurers access the Comprehensive Loss and Underwriting Exchange (CLUE) database, which reports the number and types of claims you've filed in the last five to seven years. Different insurance companies may treat claims information differently, so it's always a good idea to shop around.

CREDIT-BASED INSURANCE SCORE

Insurance companies may use information about your credit history. They use credit-based insurance scores which, like all credit-based scores, predict an outcome. Credit-based insurance scores predict the amount of a claim, the likelihood of filing a claim, or the likelihood a policyholder will stay with an insurer instead of shopping around.

Credit-based insurance scores, like other credit scores, are based on your credit payment history, your current debt, how much new credit you've applied for, and what types of credit you have. Some insurers combine credit information with traditional insurance information, such as claims history, to create hybrid credit-based insurance scores. In either case, a higher score indicates you'll likely pay less for insurance.

Some states restrict or even ban the use of credit-based insurance scoring. Where it's allowed, some companies may use a credit-based insurance score as a factor when they calculate what you'll pay for insurance. However, each insurance company may use its own method to determine your score.

Before you apply for insurance, it's a good idea to get a copy of your credit report and make sure the information in it is correct. Bankruptcies, judgments, liens, late payments, and credit inquiries may mean a lower credit-based insurance score. It's important to talk to your agent or insurance company if you've had extraordinary life circumstances that might affect your credit, such as divorce, death of a family member, job loss, military deployment, or serious illness.

If you have a "freeze" on your credit to help prevent identity theft, an insurer can't access your credit report and you may pay more for your insurance. You can temporarily "unfreeze" your credit when you apply for insurance.

PETS

Insurers consider some pets or breeds of pets aggressive. An aggressive pet increases the risk you may be legally responsible if someone makes a claim against you for a pet-related injury. Each insurance company has its own list of pets and breeds that it will or won't cover, or that may increase your premium. It's important to check with your agent or company if you own a pet.

SMOKING

Smoking may increase the risk of a fire in your home. An insurance company most likely will charge a higher premium if a household member smokes.

FACTORS RELATING TO YOUR POLICY

COVERAGE HISTORY

Insurance companies look at your insurance history to learn if you've had continuous coverage on your home. If you let a policy lapse, you may pay a higher premium on a new homeowners insurance policy. There's a lapse in coverage if:

- you don't pay your insurance bill on or before the date it's due, or within the grace period if there is one; or
- you let your current policy end before you buy a new policy.

If you don't pay your bill on time, your insurance company may:

- cancel your policy and not cover a loss to your home; or
- refuse to continue your policy, which may leave you uninsured.

Also, if you let your insurance coverage lapse and you have a mortgage, your lender may place you in insurance coverage at your expense. Your premium for a lender-placed policy likely will be higher and the policy may not provide the same coverage and protections as a policy you buy yourself.

THE HOMEOWNERS INSURANCE COVERAGE YOU CHOOSE

Your insurance agent or company usually helps you decide what types and amounts of coverage you need for your homeowners policy. Your policy will cover your home and possessions. It also may include *liability* coverage, which protects you against a financial loss if you're legally responsible for accidents or injuries that happen on your property.

Your agent may recommend that the coverage for your dwelling should equal what it costs to rebuild your home and replace your covered possessions. If so, that's replacement cost coverage. Another type of coverage is based on actual cash value.

- *Actual cash value* coverage pays the fair market value of personal property at the time of the loss. This value usually is the cost to repair or replace the property, less *depreciation*. (Depreciation is a deduction for the age of the property and wear and tear.) Actual cash value coverage pays you for your loss, but often doesn't pay enough to fully replace or repair the damage to your property.
- *Replacement cost* coverage pays the cost to repair or replace your damaged or destroyed personal property with materials or property of like kind and quality, *without* a deduction for depreciation. Most homeowners policies cover the dwelling for replacement cost. But, if you don't provide receipts for the cost to repair or replace your home or personal property, the insurance company may only pay you the actual cash value. The cost of building supplies might be more now than when you first bought your policy. Review your policy with your agent at renewal to be sure you have the best coverage you can afford.

Replacement cost and *market value* are not the same. The market value of a home includes the price of your land and depends on the real estate market. For more information about these and other coverages: see the following link (insert shopping guide link).

THE DEDUCTIBLE YOU CHOOSE

A deductible is the money you pay out-of-pocket on a claim before the policy pays the loss. The deductible applies to coverage for your home and personal property. You pay a deductible for each claim. Higher policy deductibles mean lower policy premiums. The premium for a policy with a $1,000 deductible will be lower than the premium for the same policy with a $500 deductible. In some locations, there are also catastrophe deductibles, which are either a fixed dollar amount or a percentage of the value of the property.

A higher deductible can be a good way to save money on your homeowners insurance premium. However, be sure you can afford the deductible if you have a loss. You also may submit fewer claims if you have a higher deductible.

THE RISKS YOUR POLICY COVERS

Peril is an insurance term for a specific risk or reason for a loss. An *all perils* policy insures your property against all perils, except those the policy specifically names as not covered. Common perils excluded are flood and earthquake.

A *named perils* policy covers your home and personal property against a specific list of reasons for a loss. Your policy will list the types of losses that it covers. Common examples of covered losses include fire, theft, and vandalism. Named perils policies offer less coverage than all perils policies and are less expensive.

COVERAGE YOU ADD

To cover the full value of your possessions, you may need to add coverage to your homeowners policy. These additions may be called endorsements or riders and will increase your premium.

You may want to add coverage if you have:

- Antiques
- Computer Equipment
- Fine Art
- Firearms
- Jewelry

YOUR HOME'S CHARACTERISTICS

YOUR HOME'S AGE AND CONDITION

If you have an older home, it may cost more to insure. Older homes may have outdated electrical and plumbing systems which may increase the risk of a loss. Older "historic" homes may require materials that are hard to find to make repairs or rebuild. If you have an older home, you may need a special policy and likely will pay a higher premium.

Improvements to your home, such as replacing your roof; upgrading electrical, heating, or plumbing; or installing a security system, may lower your premium. You should tell your insurance agent or company about any upgrades you make to your home.

THE SIZE OF YOUR HOME

The size of your home affects what you pay for insurance. Larger homes normally cost more to insure because they cost more to rebuild or repair. Also, your agent or company may ask about your basement and what percent is finished.

YOUR HOME'S CONSTRUCTION AND EXTERIOR FEATURES

The material your home is made of affects how your home holds up against a natural disaster and hazards like wind and fire. For example, homes made with concrete or solid brick exteriors are less likely to catch fire and are more stable during a storm.

Your home's roof is its main protection against hail, wind, fire, and other hazards. The age, condition, material, and shape of your roof are all factors that determine your premium. Homes with new or newer roofs made of materials that are stable and fire-resistant usually cost less to insure.

Installing new highly rated fire-resistant siding made of metal, fiber-cement shingles and clapboards, or masonry can help you pay less for your homeowners insurance, especially in fire-prone areas.

CUSTOM FEATURES OF THE HOME

If you have a wood-burning or pellet stove, you may pay more for insurance. If you can prove to your insurance company that a licensed contractor installed your stove and it meets code requirements, your premium may be lower.

If your home is made from custom, designer, or luxury grade materials, such as high-end marble, luxury grade cabinets, and expensive lighting, or requires professional craftmanship to rebuild, you may pay more for your insurance.

WHERE YOU LIVE

Your home's location affects what you pay for homeowners insurance. If there often are natural disasters such as hurricanes, tornadoes, or wildfires where you live, your insurance will cost more.

Insurance companies consider how far you live from a fire station when they calculate your premium. Living in a city or suburban area, by a body of water, or in an area with high rates of property crime also will increase your premium.

ATTRACTIVE NUISANCES (FOR EXAMPLE, A SWIMMING POOL) ON YOUR PROPERTY

An *attractive nuisance* is a dangerous condition that may attract children to a homeowner's property and pose a safety risk. Examples of attractive nuisances are a swimming pool, a trampoline, and a playground. If you have an attractive nuisance on your property, you should think about buying more liability insurance. You may be liable if someone who doesn't live with you is hurt using an attractive nuisance on your property (even if they don't have your permission and aren't using the item appropriately).

Your insurer may require you to install an enclosure or fence around an attractive nuisance. Your policy also may not cover items such as diving boards or slides. Having an attractive nuisance on your property likely will increase your premium.

HOMEOWNERS INSURANCE DISCOUNTS

You may pay less for homeowners insurance if you qualify for a discount. To make sure you get the discounts you qualify for, ask your agent or the insurance company what discounts the company offers and how much you could save. When you compare the cost of insurance between different insurance companies, compare the total cost after any discounts.

Here are some important things to consider:

- Discounts may vary depending on the insurance company and the state where you live. Some insurance companies may not offer discounts at all.
- Ask about discounts at every policy renewal.
- If you get quotes from different insurance companies and ask about discounts, you may find you'll pay less for the coverage you want.

GENERAL DISCOUNTS

Most insurance companies offer various types of discounts. The discounts may be tied to how you pay for your policy, your personal characteristics, and/or your home.

ADVANCE PURCHASE

You may get an Advance Purchase Discount if you shop for your homeowners insurance policy before the renewal date. Some insurance companies may give you a discount if you give them seven to ten days' notice before you switch your homeowners insurance to their company.

PURCHASING AND PAYMENT

Some insurance companies offer discounts if you pay for the full year of insurance in advance, sign up for electronic payment, or are a new customer. If you agree to electronic communication instead of paper documents,

MULTIPLE POLICIES

Insurance companies may offer discounts if you have your auto and homeowners insurance with the same insurance company. This is known as bundling or home/auto packages.

DISCOUNTS SPECIFIC TO YOU AND YOUR POLICY

Insurance companies may look at information about each homeowner on the policy to decide which discounts to offer.

CLAIM FREE

Insurance companies may offer a discount if you haven't filed any claims or if you haven't filed a claim for a certain number of years. Insurers have different guidelines, so ask your agent or insurance company if they offer this discount.

PRIOR INSURANCE

This discount may be available to new policyholders. It's based on the number of years you were continuously insured by your previous insurance company.

BEING MARRIED OR WIDOWED

Your insurance company may offer a discount if you're married or widowed. If either applies to you, ask your agent or insurance company about a discount.

RETIREMENT DISCOUNT

Some insurance companies offer a discount to retired people. They tend to spend more time at home and will be alerted quickly to emergencies such as fire, water leaks, or burglary.

NON-SMOKER DISCOUNT

Smoking in the home may increase the risk of fire so some insurance companies offer a non-smoker discount.

GROUP MEMBERSHIPS

MILITARY

Some insurance companies offer a discount to active, retired, reserve, and honorably discharged members of the military (and often their family members). This discount isn't available in all states. Ask your agent or insurance company if this discount is available to you.

ASSOCIATIONS

Some insurance companies offer a discount if you're a member of an organization, such as an alumni or professional association or a union.

OCCUPATION

Some insurance companies offer a discount to people who hold certain jobs, such as first responders, teachers, and nurses.

LOYALTY (5-10 YEARS OR MORE)

Some insurance companies offer discounts if you:

- Renew your policy for a specified number of years
- No longer live with your parents, but keep the same insurance company

REPLACEMENT COST

If you insure your home for 100% of the cost to replace it, you might be eligible for a discount.

DISCOUNTS RELATING TO YOUR HOME

AGE OF HOME

If your home is less than 10 years old, insurance companies may offer you a discount.

CONSTRUCTION TYPE

If your home is built from materials such as brick, stucco, metal, or concrete, you may be eligible for a discount.

NEW OR RENOVATED HOME DISCOUNT

If you bought a new home or a renovated home with upgraded electrical or plumbing, you may be eligible for a discount.

ROOF AGE DISCOUNT

Some insurance companies give a discount based on the age of your roof. If your home has a newer roof, or an impact-resistant roof, you may qualify for a discount.

ACCREDITED BUILDER DISCOUNT

If your home's builder is on the insurance company's "accredited builder" list, you might be eligible for a discount. This discount may last for only five years after your home is built.

HOMEOWNERS ASSOCIATION (HOA)

Some insurance companies offer a discount if you live in a neighborhood that has an HOA.

LIVING IN A GATED COMMUNITY

Living in a gated community (with or without security patrols) offers an extra level of security and might make you eligible for a discount.

FIRE AND SAFETY PROTECTION

Your insurance company may offer a discount if your home has qualifying fire or theft protection. Some of these include:

- Smoke detectors
- Sprinkler system
- Fire alarm
- Security alarm
- Backup generator
- Smart technology that alerts a homeowner about a fire, water leak, or burglary.
- Deadbolt locks

WATER LEAK DETECTION

Having a system in place to prevent water leaks may qualify you for a discount. Discounts depend on how advanced the detection system is, so ask your agent or insurance company.

MITIGATION DISCOUNTS

If you live in an area that's likely to have severe weather or wildfires, your insurance company may give you a discount if you take measures to protect your home. For example, things like storm shutters, a reinforced door, or shatterproof glass reduce damage from high winds.

If your home is in an area at risk for wildfires, you may receive a discount if you take steps to mitigate damage from wildfires. This includes using concrete or other fire-resistant materials for your home's structure and creating an area around your home that reduces fire risks.