



# CONSUMER ADVISORY

## WHY HAVE MY HOMEOWNERS INSURANCE RATES INCREASED AND WHAT CAN I DO ABOUT IT?

The Maryland Insurance Administration (MIA) has heard from consumers that their homeowners insurance rates have increased even though they have been with their insurer for a long time and have not filed any claims. Consumers want to know why this has happened. They also asked what can be done about these increases. This advisory will try to answer these questions to help you better understand the increases and offer some suggestions that might help you lower your insurance costs.

Let's take a look at some of the reasons this has happened. One reason might be that the insurer filed with the MIA for a general rate increase. These are increases that are applied to all policyholders. If your renewal notice shows your premiums are increasing but the notice does not indicate this increase is because of a claim, it is usually a general rate increase. If you have a question about the increase, you should first speak with your insurance producer (agent or broker) or insurer. If you are still unsure if the increase is proper, you may contact the MIA.



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Consumers have told us that they have been told that the MIA required the rate increase. This is incorrect. The law requires insurance companies to file their rates, and any rate increase requests, with the MIA. The MIA reviews the filings (which include the insurer's data justifying the amount of their premiums and any proposed increase) to be certain that the increases and rates are not excessive, inadequate or unfairly discriminatory. The law also requires the MIA to make certain that insurance companies remain financially stable in order to protect their policyholders. In other words, the MIA must make sure the insurance companies have enough funds available to pay claims. We have even heard that consumers think this is unfair since insurance companies receive subsidies from the government. Again, this is not correct.



General rate increases can be necessary for a number of reasons. For example, insurers are impacted by rising costs and inflation, just like other businesses and Maryland consumers. The cost to repair a house after a loss has increased. The cost of building materials like lumber, drywall and paint have also gone up. Labor rates charged by contractors have increased. The number of homeowners claims have increased because of the increase in the number and severity of storms across the country. Business costs – from the cost of electricity to wages to the cost to mail policy documents – have increased as well.

Another factor that has caused an increase in homeowners insurance rates is home values. Many houses are worth more today than they were a year or two ago. Most homeowners insurance policies adjust the value of the home, which is reflected in the Coverage A – Dwelling portion of the policy, as home values increase. Although this is good news, as your home is worth more and your asset has increased in value, this ends up costing the policyholder more. If the insurance company is insuring a more valuable house, there is a greater risk in the event of a devastating loss. If an insurer expends more money than they receive, they could become insolvent and unable to pay claims. The MIA's responsibility is to make sure these companies stay financially strong so they are able to pay claims.

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Another factor that impacts rates is the requirement that insurers maintain reserves (funds held to pay future claims) in the event of an unanticipated or catastrophic losses, such as a hurricane. Generally, these funds are invested and the insurers earn money off these investments. If the stock market is down, the earnings from these investments are also down. Again, to remain solvent and financially strong, the insurer must increase their premium rates to offset this loss in income.

If you think your rate is being improperly increased, there are some things you can do. First, contact your insurance producer or your insurer. Ask them to review the rate increase to ensure it is correct. If your premium is being increased, you can file a complaint with the MIA. For information about how to file a complaint with the MIA, go to: <https://insurance.maryland.gov/Consumer/Pages/FileAComplaint.aspx>.

If you file a complaint with the MIA, the MIA will review the increase to make certain that the increase complies with the law. A written determination will be issued once the MIA's investigation is complete. You will be required to pay the premium amount being billed while this investigation is being completed. If it is later determined that the increase is improper, the MIA will require the insurer to reimburse you for any overpayment.

If the premium increase is not due to a claim but a general rate increase that has been properly filed with the MIA, there may be nothing we can do to require your insurer to remove the increase. However, you certainly may file a complaint, either on the MIA's website, [insurance.maryland.gov](https://insurance.maryland.gov), or by writing to the MIA directly. The MIA will be glad to review the increase to make certain it complies with Maryland's insurance laws. You will receive a written determination following that investigation.

There are many factors that go into how your premium is calculated. Some of the factors that insurers use to determine the premium includes the type of house, such as single family home or townhouse, frame versus brick, location, value of the house, and claims history, to name a few factors.

Many consumers ask us what they can do to lower their rates. A few suggestions would include speaking with your insurance producer or insurance company. Ask them to recalculate the value of your home to make sure it is properly insured. If the Coverage A - Dwelling amount does not accurately reflect the value of your home and is too high, your premium will be too high. Also, check to make sure you are getting all the discounts you may qualify for. Ask about discounts for home features such as deadbolt locks, fire extinguishers, alarm system, recent updates, etc. Some insurers will offer a discount for upgrades such as a new roof.

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Another way to lower your premium is to bundle multiple policies with the same insurer, called a multi-policy discount. This applies when you pair your auto insurance along with your homeowners or renters policy through the same insurer. You may also increase your deductible. If after speaking with your insurance producer or insurance company you are still not happy with your rates, there are some things you can do. A different insurer may offer more competitive rates for the same insurance coverages so you can shop around to see if you can get a better rate. When shopping, be sure you are comparing apples to apples. It is advisable to have the current copy of your policy available when speaking with other insurers so you obtain a quote with the same coverages that your current policy provides. The MIA provides a rate guide that may be viewed on our website, [insurance.maryland.gov](https://insurance.maryland.gov), or you may request to have one mailed to you. The rate guide has several scenarios broken down by geographic location. This allows you to compare the rates of approximately 50 different companies.

If you still have questions about this topic, or even another insurance related questions or need further assistance, please contact us at 410-468-2000 or toll free at 1-800-492- 6116 or visit our website, [insurance.maryland.gov](https://insurance.maryland.gov).

