

# Smart Money



Louis Kokernak CFP, CFA  
Haven Financial Advisors  
7000 N. Mo-Pac Expy.  
2<sup>nd</sup> Floor  
Austin, TX 78731  
voice 512 514 6250  
fax 800 888 5480  
louis@havenfinancial.com

### Special Notes of Interest:

- Long Treasury Rates are at their lowest levels since August of 1963 when John F Kennedy was president.
- Earnings estimates of S&P 500 companies for the 3<sup>rd</sup> quarter have been revised **downward** nearly 8% since April 1<sup>st</sup> of this year.

Current thinking from Haven Financial Advisors

## Saving on Homeowners Insurance

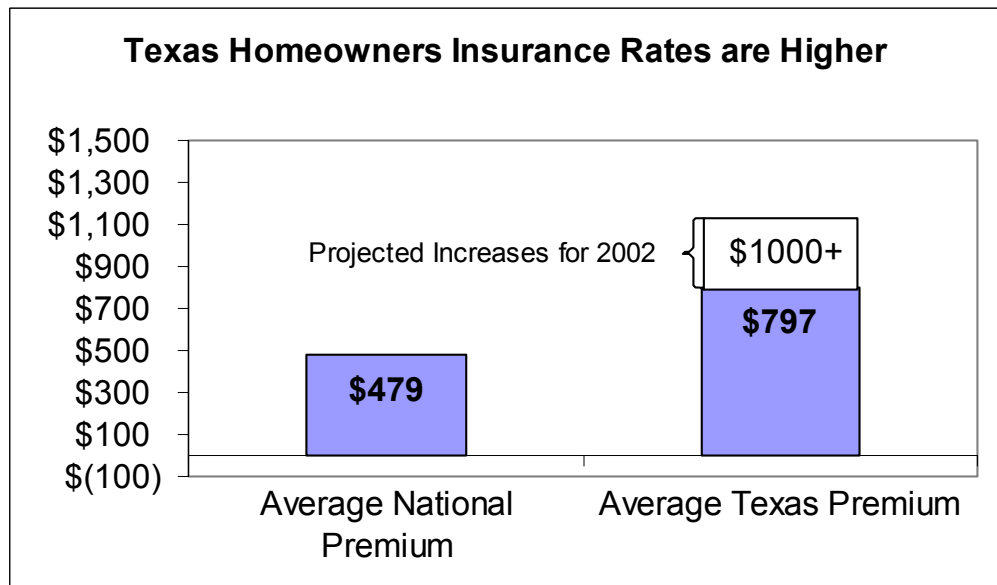
Many of us have experienced “sticker shock” when we opened our renewal forms for our homeowners insurance policies. Quoted premiums are up 50% to 100% in many Texas counties. Carriers are telling the consumer that they have been hard hit by claims of water damage and fungi. Indeed, the media has focused homeowners attention on the peril of mold. From January 1<sup>st</sup>, 2000, to the middle of June 2001, the number of mold claims increased more than sixfold statewide to 10.8 per thousand insured.

It is interesting to note that my own policy renewal offer in August included a 50% premium increase for

coverage that specifically *excluded* mold remediation. What gives? Texas homeowner rates were already the highest in the nation even before the mold claims skyrocketed. As the chart below illustrates, homeowner coverage is more than 60% higher than the national average in 1999.

The vagaries of Texas weather and its unique policy forms do not explain the huge rate hikes most of us have received in the mail. A possible answer to the pricing problem may be that our homeowners insurance carriers are not subject to rate oversight. In 1991,

Texas adopted the benchmark-flexibility band rate system that was supposed to keep quotes within 30% of benchmark rates. However, that same year, the legislature exempted Lloyds companies from the benchmark rating system. At the time, it was believed that Lloyds affiliates would underwrite high risk homes not insurable in the regulated markets. Since then, nearly 95% of the market has migrated to unregulated carriers. Look at your latest homeowner policy statement. There is a good chance that your insurance company is a Lloyds affiliate of a major carrier.



## Homeowners Insurance (continued)



*"It is worth asking your incumbent carrier about new insurance forms besides HO-A and HO-B. You may save as much as 40% from your annual premium."*



There is a great deal of price variance in the homeowner's market. If you haven't been motivated to comparison shop before, your renewal notice has probably jarred you to action. A good starting point is the Texas Department of Insurance's website:

[http://www.tdi.state.tx.us/apps/perlroot/u\\_cp\\_home/erate/rghome.html](http://www.tdi.state.tx.us/apps/perlroot/u_cp_home/erate/rghome.html)

There you will find rate quotes for four standard kinds of homes. Their database also lists the company's financial health rating and a measure of its consumer complaints. At a glance, you can get a sense of the company's prices, financial strength,

and level of service. I've excerpted the first five entries of carriers below with their rates for Travis County.

To minimize the impact of the rate hikes in your area, call for quotes from the three or four lowest cost carriers for the benchmark home matching your situation. Restrict your candidates to carriers with at least a B financial strength rating. Your mortgage company might balk if your insurance does not meet that standard. Another cost reduction opportunity lies in the deductibles for your coverages deductibles. In my case, I was able to reduce my annual policy premium from over 15% by

increasing my deductibles a small amount.

State Farm has obtained approval to offer a new insurance form in Texas, the HO-W. The product should roll out this month. It offers many of the same protections of an HO-B policy at a much reduced cost. Other carriers may begin offering versions of this form as well. It is worth asking your incumbent carrier about new insurance forms besides HO-A and HO-B. You may save as much as 40% from your annual premium.

The payoffs from comparison shopping have never been greater.

Company Name Consumer Phone	Owner A	Owner B	Owner C	Owner D	Financial Rating	Complaint Index	Policy Type
<b>Allstate Texas Lloyds 1-800-255-7828</b>	413	495	516	817	A+	0.87	HO-A Amended
<b>American National Lloyds Ins Co Call Local Agent</b>	665	757	777	1099	A+	0.37	HO-A Amended with Replacement Cost for Contents
<b>American Standard Lloyds Call Local Agent</b>	536	670	670	1105	A	0.66	HO-B
<b>Amica Lloyds of Texas 1-800-652-6422</b>	538	646	673	1066	A++	0.38	HO-B
<b>Apex Lloyds Insurance 972-267-8929</b>	365	434	536	834	NR	0	HO-A