

Understanding How Insurance Companies Determine Homeowner Rates

If an insurance company wants to change its rates, it must submit its request to the Office of the Insurance Commissioner. The filing must include enough statistical, financial, and other information to show the change is necessary.

If the company can show the requested change is justified and we determine the proposed rates are not excessive, inadequate or unfairly discriminatory, then according to state law, we must approve it.

Insurance companies calculate homeowner insurance rates by starting with a dollar amount (base rate) and adjusting your rate according to a variety of factors. Most companies consider the following:

Territory rating: Rates vary based upon the geographical location of the house. Some areas are more prone to wind damage or water damage. The crime rate and emergency response time in an area can also impact your rates.

Construction: Rates vary based on the type of house construction. Wood construction is more prone to fire and other types of loss than concrete or brick. Masonry structures are more at risk to damage by an earthquake than wood structures.

Amount of Insurance: Your premium will vary depending on the replacement cost of your home. Note: The cost to actually rebuild your home may exceed its current market, or sales price. Talk to your agent or company to determine if you have an adequate amount of coverage.

Credit History: Washington state has one of the toughest laws restricting how insurance companies use credit history. But your insurer still may use information in your credit history to determine your insurance score. Your insurance score may raise or lower your premium. For more information, read our fact sheet **Credit Scoring and Insurance on the Web** at www.insurance.wa.gov

Claims History: Some companies may charge you more based on the number or types of claims you file. They may even cancel your coverage due to one or more claims. Every company is different. Talk to your agent or your company to find out how your carrier considers claims history.

Remember, just as insurance companies differ in what they charge you for coverage, they also differ in the skill, care, and how quickly they settle claims. It pays to shop around.

The Office of the Insurance Commissioner can help you!

If you have any questions or need additional information about your rights, call our Insurance Consumer Hotline at

1-800-562-6900

or visit our Web site at

<http://www.insurance.wa.gov/>