



Oct. 28, 2012, 11:30 a.m. EDT

How hurricanes raise insurance premiums

By AnnaMaria Andriotis



Reuters

A padlock holds an entrance gate closed to block vehicle access to the beach in Daytona Beach, Florida, as Hurricane Sandy passes offshore October 26, 2012.

First comes the storm, then — all too often — the higher insurance premiums.

When Hurricane Sandy makes landfall this weekend it could cause as much as \$1 billion in damage along the eastern seaboard, by some estimates. The result could be widespread damage to homes, including fallen trees, torn-off roofs and broken windows. And even homeowners spared the worst of the storm might not get off entirely scot free: Insurance agents say premiums may rise and coverage could be slashed for homes in affected areas, whether or not they file claims. “Even if you haven’t been hit, [that] doesn’t mean some of your neighbors haven’t been adversely impacted by the storm — and that could impact you,” says Michael Barry, a spokesman for the Insurance Information Institute, which represents home insurers.

Homeowner insurance premiums have been on the rise for years. They average \$1,004 this year, up 5% from a year ago and up 22% since 2007, according to the Insurance Information Institute. This is the first year the national average cracked the \$1,000 mark. Meanwhile, insurers in some states have already raised premiums by as much as [12% this year](#).

HURRICANE SANDY: RELATED STORIES

- [Hurricane Sandy to be much worse than Irene](#)
- [Monster storm Sandy threatens East Coast](#)
- [How hurricanes raise insurance premiums](#)
- [Gov. Cuomo orders N.Y. transit shutdown](#)
- [What homeowners need to know](#)
- [N.J.'s Christie declares state of emergency](#)
- [Cape May to take brunt of storm](#)
- [Investors brace for Sandy and jobs report](#)
- [Where to watch Sandy: a list of webcams](#)
- [Rolling coverage: East Coast girds for Sandy](#)

Insurers cite several reasons for the spike, including losses from claims filed in previous years and low returns on their investments.

But critics say insurers have more leeway to avoid hiking insurance premiums for the time being. The first half of this year saw a drop in catastrophic losses, which totaled \$13.8 billion, compared to \$24.4 billion during the same period a year ago, according to the Insurance Information Institute. The industry's overall net income after taxes skyrocketed during this period to \$16.4 billion, compared to \$4.8 billion a year prior.

Still, the risk of rising premiums or scaled back coverage isn't off the table, especially as severe weather events rise in frequency in the northeast. In the last 14 months, the region has been hit by Hurricane Irene, a severe October 2011 snowstorm, and now there's pending Hurricane Sandy. "They're looking at changing weather patterns and saying this is changing the way we need to look at risk," says Scott Simmonds, an independent insurance consultant in Saco, Maine.

To avoid changes to clients' policies, some independent insurance agents say they will recommend they don't file claims from this storm. [Spencer Houldin, president of Ericson Insurance, an independent insurance agency based in Washington Depot, Conn., says he plans to tell clients who've filed two claims within the past three years to refrain from filing another one related to a natural disaster—if they can afford to cover the costs for the repairs themselves. Otherwise, he says, there's a good chance their insurance company won't agree to provide coverage when their policy is up for renewal.](#) (Even if they don't file, insurers could look to raise premiums anyway, says Barry.)

The type of coverage homeowners receive could also change. Some experts say if severe weather events persist in the Northeast, insurance coverage could begin to mirror policies in the Gulf Coast. In the Gulf Coast many basic homeowner insurance policies have limited wind damage coverage — or exclude it entirely. "As more of these events happen, the chances increase that policy structures will change," says Simmonds.

For its part, the insurance industry says that's an unlikely scenario for much of the Northeast for the time being. Barry says roughly 98% of homeowner insurance policies in New York are provided by private insurers. In some Gulf Coast states, by contrast, many homeowners are now covered only by state-run property insurers of the last resort.

So what can homeowners do? If the loss sustained by Hurricane Sandy is too large to realistically cover on their own or if it's the first damage in years, experts say they should file a claim with their insurer. Keep in mind that insurers can't raise premiums or drop coverage until a policy is up for renewal. And even then in many states they'll need approval from the state's insurance department before they can do this.

If premiums rise, homeowners can avoid that hit by increasing their deductible. But that means they'll have to pay more out of pocket when they file a claim in the future.

Copyright © 2012 MarketWatch, Inc. All rights reserved.

By using this site, you agree to the Terms of Service and Privacy Policy - UPDATED 10/18/2011.

Intraday Data provided by SIX Financial Information and subject to terms of use. Historical and current end-of-day data provided by SIX Financial Information. Intraday data delayed per exchange requirements. S&P/Dow Jones Indices (SM) from Dow Jones & Company, Inc. All quotes are in local exchange time. Real time last sale data provided by NASDAQ. More information on NASDAQ traded symbols and their current financial status. Intraday data delayed 15 minutes for Nasdaq, and 20 minutes for other exchanges. S&P/Dow Jones Indices (SM) from Dow Jones & Company, Inc. SEHK intraday data is provided by SIX Financial Information and is at least 60-minutes delayed. All quotes are in local exchange time.