



Will You Pay 22% More for Home Insurance Next Year?

Description

These days, every prospective homebuyer is fixated on the housing shortage and rising home prices. But if there's one thing current homebuyers can tell the hopeful, it's this: once you get a home, don't expect things to get easier.

One major headache for Canadian homeowners, whether they own a condo in the city or a house in the suburbs, is the rising cost of home and condo insurance. In certain areas, such as Alberta and B.C., the cost of condo insurance has risen by 10% and 22%, respectively, with home insurance rates not far behind. Considering that many insurance carriers, such as Intact Insurance, are predicting even more rate increases in upcoming years, this could easily be a source of financial tension, especially for Canadians who hardly have enough to pass the mortgage stress test.

What's happening to insurance rates?

The biggest factor causing insurance prices to surge isn't, as you might expect, inflation or rising costs in timber. Those are certainly factors, but the one that's plaguing insurance carriers the most is also the least controllable: natural disasters.

Since around 2018, insurance carriers have dished out billions and billions of dollars on claims related to natural disasters. In 2021 alone, the insurance company Intact covered around \$2.49 billion in claims made by Canadians (another \$118 was given to foreigners). Given that net premiums were around \$5.536 billion, you can easily see why insurance companies are getting pretty concerned about these costly events.

Wildfires definitely top the list of concerns. Stronger gales from the coast, along with severe droughts and overall drier conditions, are carrying fires across longer distances, affecting homeowners within 75 to 100 miles of the fire. For homeowners moving into regions affected by fires, that could mean getting denied over and over from insurance carriers, especially if your home has timber frames.

At the same time, given that many Canadians are still working from home, they're also spending more time in their houses. This could exasperate normal "wear and tear," such as those on pipes and

appliances. The potential damage to a house from water, or an increased number of bad appliances, could also lead to insurance hikes in the upcoming year.

Will you pay more for insurance?

If you haven't seen a rise in your insurance premium yet, you may be in for a nasty surprise in 2022. Most insurance carriers are predicting substantial increases in insurance costs, if only to cover the number of claims that transpired in 2021.

Even if you don't live in an area that's vulnerable to natural disasters, my advice is to prepare for the worst and start planning for higher home and condo insurance costs. This could mean visiting your budget and cutting out certain expenses (or reducing others) to give yourself some wiggle room.

You might also want to revisit your insurance policy to see if you qualify for any discounts. Common discounts include:

- Home security discount
- Bundling discount
- Fire alarm discount
- Mature homeowner discount (for those homeowners who have owned a home for a certain number of years)
- Loyalty discount
- New home discount
- Lump sum discount

Can you negotiate your home or condo insurance rates?

It's worth a try. If you've been loyal to a company for quite some time, or you haven't filed a claim in years, you may very well get a reduction on your home or condo insurance.

One thing I wouldn't do is reduce your coverage. While, yes, you could easily get a lower premium by subtracting coverage, it's not worth it in the long run if something happens to your home or condo. For those Canadians who are wondering if they have the right coverage at the best price, I'd recommend working with an insurance agent, or shopping and comparing rates online. Sometimes you'll find a lower rate just by switching companies, while other times, you'll discover gaps in your coverage simply by working with an insurance expert.

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