



# Understanding the Cost and Value of Your Homeowners Policy

Because you're our client, we look for ways to do more and say yes across every step of your experience with us. This includes being transparent about the coverage you purchase and how much you pay for it. That's why we wanted to take a minute to explain how the price of your homeowners insurance is calculated, some of the ways you can save, and recent trends that are affecting the cost of homeowner's insurance across the country. We understand you buy other coverage from us as well. Look for additional information in the future regarding your automobile, valuables, personal excess liability, and recreational marine policies.

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What goes into my home insurance premium?

[Click here to find out](#)

②

Why are costs and premiums rising?

[Click here to find out](#)

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How do I reduce my premium?

[Click here to find out](#)

## 1 What goes into your homeowners insurance premium?

**When you're a Chubb client, we look for ways to do more, like giving you comprehensive protection to suit your unique needs.**

For example, with our Extended Replacement Cost feature, we'll extend your coverage beyond the policy limits if the cost to rebuild or restore your home after a loss exceeds the limit you purchased. We will also pay for upgrades required to keep up with modern building codes, unlike some standard policies. Our high standards of protection and service are reflected in the pricing of our policies.

\* These factors are subject to change based on state insurance regulations and approvals.

**The main factors that determine your premium and the cost of your insurance are:\***

- ✓ Your home's location and the possibility of being affected by hurricanes, wildfires, tornadoes, floods, high winds, freezes or other natural disasters.
- ✓ The amount of coverage you need
- ✓ The deductible you've selected
- ✓ Your home's protective and preventative devices, such as monitored security systems and water leak detection devices
- ✓ Your claims and/or bill-paying history
- ✓ Your credit score
- ✓ The unique characteristics of your home (age, features, etc.)
- ✓ Other Chubb products you may have that generate a discount when you bundle
- ✓ The type of coverage you choose
- ✓ How long you've been a client

# The amount of coverage you need does not equal the market value of your home

Since the amount of coverage you need is an important factor in the cost of your insurance, you may be questioning the value of your home on your policy, particularly if it differs greatly from the market value of your home. It's important for you to know that the coverage amount for your home is not based on the market value of your home.



## Your home's coverage amount is based on its replacement cost

Replacement Cost coverage is based on what it would cost to rebuild your home as is, with the same level of detail and finishes, taking into account the cost of things today, such as materials and labor. So, if your kitchen is five years old and was damaged in an insured loss, it would need to be replaced with new cabinets, flooring, and appliances, paying today's costs.



## Market value is a different thing altogether

The market value of your home is influenced by a variety of factors, such as the number of other homes on the market, the value of the land, recent sales in the area, conditions in the neighborhood itself, the quality of schools in the area, and commuting distances to corporate centers. These factors influence the value of your home but have little bearing on the actual cost to rebuild or the amount of insurance you should purchase.



## Other factors may impact your home's replacement cost

Even if your home was built recently, material and labor costs may have risen, even in just a few years. Builders will also often charge a premium for rebuilding a single home because they don't have the same discounts and economies of scale available as they do when building multiple homes in a community. There may also be a "demand surge" where the prices of construction materials and labor become inflated after a major event such as an earthquake, wildfire, hurricane, or flood. These are all factors that may impact the appropriate amount of coverage needed for your home.

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At Chubb, we want to help make sure you have the proper coverage, so you don't have to worry about repairing, replacing, or rebuilding your home in the event of a claim. With our Extended Replacement Cost feature, you can feel confident your home is protected, even if the cost to rebuild is more than your coverage amount.

## Chubb Masterpiece<sup>®</sup> Homeowners Coverage Highlights

We understand the care and effort it takes to turn a house into your unique home, and we want to make sure you have the coverage to protect it. Here are some additional coverages that separate our protection from "standard" policies:



### Replacement value for belongings

Your belongings are insured for the amount it costs to replace them today, without deduction for depreciation, up to the limit you chose on your policy. Standard policies often offer coverage on an "Actual Cash Value" basis, which applies depreciation to your lost or damaged items.



### Take the cash instead

We'll give you cash, up to your policy limit, if you don't want to rebuild or replace your contents after a covered loss.



### Bring it up to code

If you're rebuilding after a total loss, we'll pay for you to bring the damaged areas of your home up to the current code, including electrical and plumbing.

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## 2 Why are costs and premiums rising?

While you can control some of the factors that affect the cost of your insurance like installing a security system or a water shut-off device, other factors like the increasing cost of repairs and the increasing number of weather events are out of your control.

For example, whether you've personally experienced a severe storm recently or just read about them in the news, severe weather is causing more insurance claims and increasing the cost of insurance worldwide.

Here are some reasons that the cost of insurance has been increasing in recent years:



### Natural disasters are increasing in frequency

2019 had the highest number of natural disasters on record since 2000.<sup>1</sup> Because they are so widespread and happening so frequently these days, you've probably either experienced an event - like a flood, intense thunderstorm, hailstorm or wildfire - or know someone who has.



### Storms are much more severe and costly

Not only are storms happening more often, but they are causing more damage than they used to. In fact, in the last two decades, the U.S. has experienced double the number of storms or other natural events that produce damage of \$1B or more. According to The National Oceanic and Atmospheric Administration, 2019 was the second wettest year on record. So, even if you're not in a flood zone, you may have experienced excessive wind and rain leading to flooding and had to deal with the damage it caused.



### Increasing costs of skilled labor, building materials and upgraded appliances

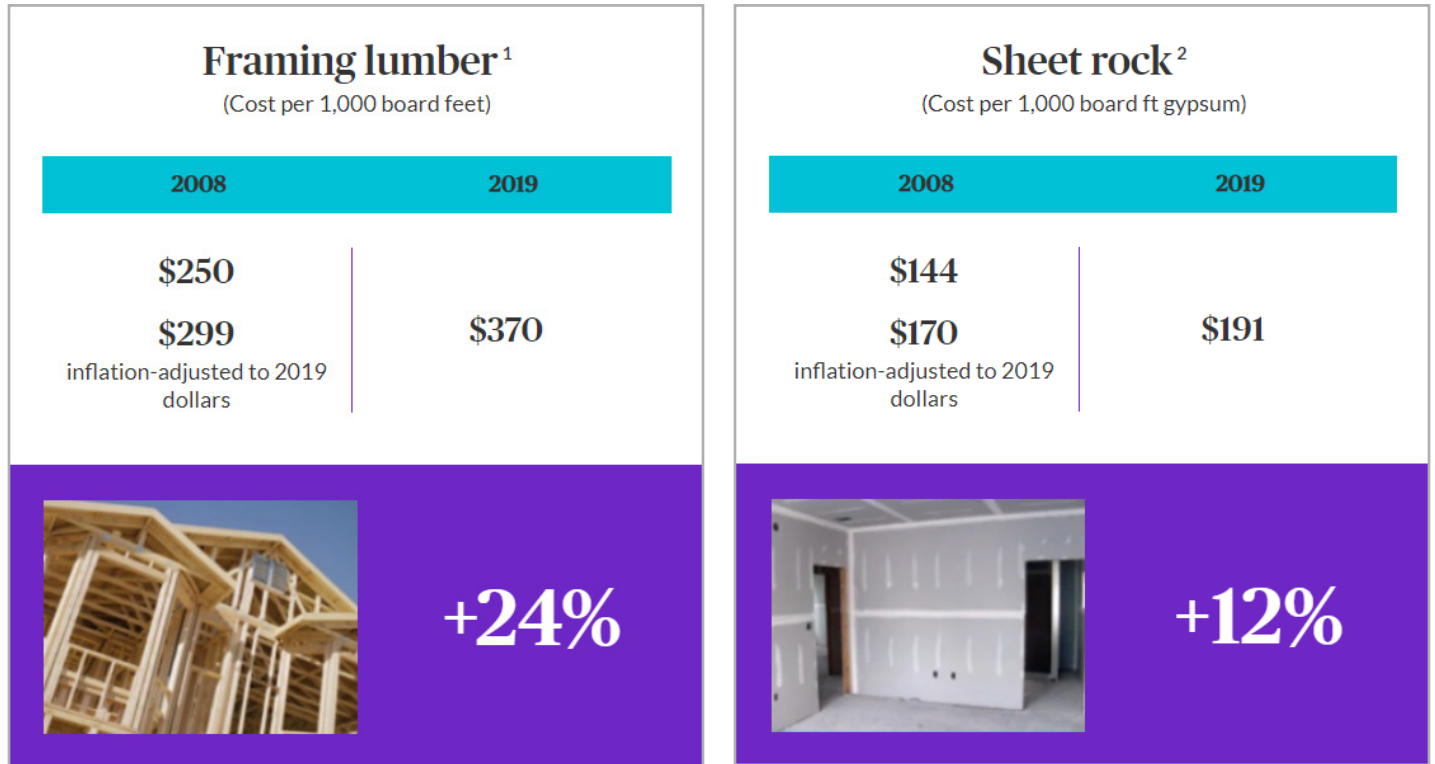
A shortage of skilled labor can also increase the cost of insurance, lengthen construction timelines, and extend the amount of time you need to live somewhere else - all of which increases the cost of repairing a home. For example, in the last 11 years, asphalt shingles for roofing have increased 75% even after adjusting for inflation. Not only that, but the skilled craftsmen you may need for carpentry work or specialized contracting are becoming harder to find and only available at more expensive rates.

<sup>1</sup> Aon Catastrophe Insight



# Cost Trends in Common Building Materials

Home: Material costs common in reconstruction, 2008 vs. 2019



Technologies have also increased the replacement cost of household items

Home<sup>3</sup>: Material costs for premium appliances, 2000 vs 2019



1. Source: Fast Markets RISI

2. Source: US Federal Reserve Board

3. Data obtained from individual manufacturer websites and related articles in Forbes, NY Times, and Consumer Reports.

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## How do I reduce my premium?

In addition to broad coverage to keep you protected and industry-leading claims service to get you back to normal quickly after a loss, Chubb offers ways to save money by keeping your home safe, preventing water leaks, and looking at your coverage in new ways. Here are a few ideas to consider that can help lower the cost of your homeowner's insurance.

### Explore Different Deductible Options

You can often save money, sometimes a considerable amount, simply by increasing the deductible on your policy. Consider how much you could pay for a loss without significantly affecting your lifestyle, and then ask your agent or broker to estimate how much you could save with a range of higher deductibles. Since you won't experience a loss every year, consider how much your deductible savings can add up over time.

### Policy Discounts and Credits

You can also reduce the cost of your policy with discounts and credits. The availability and impact of the following credits will vary by state and amount, but in general, each one ranges from 5 to 10%.



### Install a centrally monitored security/fire system

You may be eligible for discounts if you have a central station security system that notifies your fire department if a fire is detected in your home.



### Protect your home from the most frequent cause of loss: plumbing failures

Major water leaks inside the home can not only cost a lot, but often force you to move out while repairs happen. You can avoid this - and save money - by installing a water shut-off device.



### Package policies together

Not only do you save money by staying a Chubb client, but you can also save additional money by combining your home policy with other products such as auto, valuables, and excess liability coverage.



## You may experience even more savings opportunities if you:

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- ✓ Live in a gated community
- ✓ Install interior fire suppression sprinkler system
- ✓ Install a loss preventative temperature monitoring system with a backup generator
- ✓ Employ a full-time caretaker
- ✓ Have monitored closed-circuit TV cameras

You'll also save money if you pay for your policy annually for two or more consecutive years.

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## When you need us most, we have the strength and stability to be there.

If you experience a covered claim, we make you whole again, quickly and with the care you deserve. Chubb is one of the largest publicly traded property and casualty insurance companies in the U.S. with operations in 54 countries. So, whether you experience water damage from a pipe bursting in your bathroom or the effects of a major catastrophe, we have the scale, technology, and expertise to respond quickly and efficiently. To hear other clients' experiences with Chubb, visit: [www.chubb.com/ClientStories](http://www.chubb.com/ClientStories).

### Still have questions?

If you still have questions after reviewing this information or want to make changes to your policy, the best next step is to contact your independent agent or broker.

**Chubb. Insured.<sup>SM</sup>**