



What impacts insurance premium?

If you have purchased a home or car, you understand the feeling of wanting to protect it. Having broad insurance protection provides peace of mind in a crisis, but do you know how your final insurance premium is calculated? There are many factors that determine how much you pay for home and auto insurance. Knowing how the premium is derived may provide additional insight into maximizing the benefits available and your personal exposure to risk.

Value and coverages

The value of your possessions (your home, personal collections and automobiles, for example) may dictate how much insurance you need. Coverage also affects premium. It makes sense that \$1,000,000 liability costs more than \$500,000. Additional coverages, such as scheduled property, extended replacement cost, accident forgiveness or auto rental expense may increase cost. You want to make sure you have enough coverage to protect you in the event of a covered loss.

Deductible

Typically, the higher your deductible, the lower your premium. The deductible is the portion you pay out of pocket before the insurance company pays for a loss. Increasing your deductible means you have more skin in the game. You are personally taking on more of the risk. Your agent can provide guidance on an appropriate deductible based on your assets and exposures.

Type and age

Materials matter. Houses that are constructed of brick are more durable in wind and fire. Wood shake shingles and siding are more likely to incur damage. Your BMW will be more expensive to replace and repair than your son's Chevy Cruze.

The age of your home can also determine premium as newer homes typically have a lower probability of loss. The older the home, the higher the chance something will break and cause a loss—the electrical causes a fire, the plumbing develops a leak or the roof has wear and tear that might not withstand the next big storm. Newer cars often receive a new vehicle discount or credits for security devices. Generally speaking, more thought and care go into things when they are new.

Location

You've heard about the importance of location when it comes to real estate value, but location also matters with insurance. Different areas have varying propensity for loss, which impacts premiums. For instance, if you live in a high-crime area, your house and vehicles have a greater chance of being vandalized. Distance to a fire hydrant or fire station influences premium, as well. Many areas of the country have a higher chance of weather-related losses, like wind and hail. Where you live can affect your insurance premium.

Risk mitigation factors

You can reduce your potential for a loss and often lower your premium, for example, by updating your electrical, plumbing or roof. The newer your home's systems are, the less chance of loss, so carriers often reward you with a discount. There are many devices available to help protect your home, such as fire and burglar alarms, water and seismic gas shut-off devices, gas leak detection systems and temperature monitoring systems. Safe driving can greatly impact your auto insurance premium. Many of these risk mitigation factors correlate with discounts on your insurance premium.

Financial responsibility (insurance scores)

Not all states allow financial responsibility or insurance scores to be considered as a factor in determining premium. However, it is statistically supported that those with a poor insurance score are more likely to file a claim. The insurance score is often credit based. It is a combination of many factors within your credit report, including:

- Financial accounts — number and type, such as installment, revolving, etc.
- Past payment performance — number and timing of late payments
- Stability — length of credit history or new credit
- Adverse public records — collections, civil judgments, tax liens or bankruptcies
- Debt — balances owed compared to limit available

Recent claims or violations

Depending on the carrier, underwriters may look at three years of claims history for homes and three years of accidents and violations for autos. Claims, accidents and violations represent an increased risk of future losses. If it happened once, it is more likely to happen again. Insurance carriers transfer this increased risk to you by increasing your premium.

Discounts

One of the biggest discounts carriers offer is the multi-policy or multi-line discount. When you have your home and auto insurance with one carrier, you can save. Some, like Nationwide Private Client, also offer discounts for other lines of business, like collections and excess liability. Discounts vary by carrier, but some of the more common ones include age of home, new vehicle, renovation, protective device and claim or accident-free discounts.

Why it's important for you

Aside from the fixed costs that affect your policy's premium, you have some control over many other factors. Premium is based on risk. If you decrease your risk of loss, your premium can go down. Here are a few things you may be able to do to lower your insurance premium:

- Increase your deductible. Private Client waives your homeowners deductible for losses over \$50,000.
- Install protective devices like fire and burglary alarms or sprinklers.
- Install mitigation devices, such as a water or gas detection system, automatic water shut-off valve or seismic gas shut-off valve.
- Hire a full-time care taker.
- Live in a gated community.
- Take advantage of a defensive driving course or good student discounts, if applicable.

Nationwide Private Client and your agent can offer guidance to help you make insurance decisions that meet your needs.

Why Nationwide Private Client

Nationwide Private Client is dedicated to helping protect the assets and reputations of our clients. Our highly personalized insurance products, services and concierge-style claims management are thoughtfully designed to meet the distinctive needs of affluent individuals and families. We are committed to providing you a superior experience whenever you need assistance.

Nationwide Private Client offers these added benefits:

- Claims — Exceptional claims handling provided by Nationwide Private Client.
- Financial strength — Nationwide, a Fortune 100 company,¹ is one of the largest and strongest diversified insurance and financial services organizations in the U.S. and is rated A1 by Moody's and A+ by both A.M. Best and Standard & Poor's.²
- Charitable giving — Nationwide Private Client demonstrates a commitment to local communities through its Partners in Giving program, helping numerous lives each year. This supports Nationwide's belief in being a good corporate citizen where we work and live. Since 2000, the Nationwide Foundation, a nonprofit, private foundation, has contributed more than \$394 million to charitable organizations across the U.S.

¹Based on revenue, Fortune (June 2016).

²Ratings affirmed July 21, 2016, by Moody's; July 7, 2016, by A.M. Best and April 22, 2016, by Standard & Poor's.

