



Homeowners Insurance & Inflation Guard Endorsements

If you've been to the home improvement store recently, you likely have noticed substantial price increases in basic building products such as lumber. The following graphic from the U.S. Bureau of Labor Statistics reveals recent percent changes related to lumber and wood products since 2016. Costs such as building products and the increase in costs of skilled labor contribute to variables in costs to build or rebuild homes in Alaska. Does your homeowner's insurance policy provide adequate coverage with consideration to inflation?

Data extracted on: April 6, 2022 (5:06:52 PM)

PPI Commodity Data

1-Month Percent Change

Series Id: WPS081

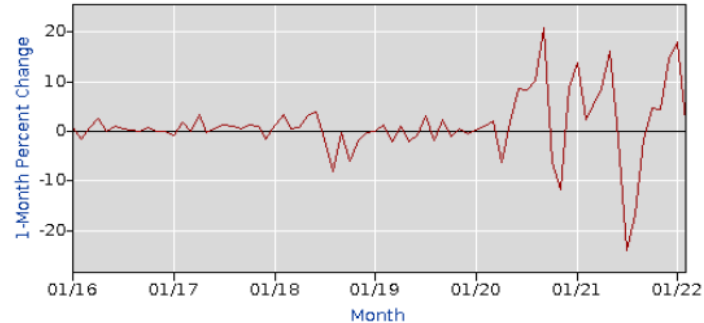
Seasonally Adjusted

Series Title: PPI Commodity data for Lumber and wood products-Lumber, seasonally adjusted

Group: Lumber and wood products

Item: Lumber

Base Date: 198200



Source: <https://data.bls.gov/pdq/SurveyOutputServlet>

- What is inflation?
 - Inflation is the general rise in costs and the fall in purchasing power.
- How does inflation affect residential property insurance?
 - HO inflation affects homeowners, landlords and consumers purchasing HO policies. Insurers must keep up with costs to ensure coverage.

- **How can I make sure my policy limits are appropriate to meet my needs if I suffer a loss?**
 - Insurance Companies provide homeowners coverage through an industry standard or can design a policy to suit your home's needs. Policy costs reflect inflation increases as insurers need to keep up with costs like labor and materials to ensure your home is properly covered. Many companies offer an automatic adjustment to your coverage to reflect anticipated inflation. An endorsement called an Inflation Guard can be added to protect you from inflation. With an Inflation Guard, coverage is automatically adjusted to keep up with inflation.

Important Insurance Terms to Know

Endorsement

Written agreement attached to a policy to add or subtract insurance coverages. An endorsement modifies the original provisions in a policy.

Inflation Guard Endorsement

An endorsement to a homeowner's policy that adjusts the policy limits based on the insurer's estimates of increases in building costs gradually and continuously increasing the limit of insurance by a specified percentage over a specified time period.

Replacement Cost

The cost to repair or replace an insured item without adjustment for depreciation.

Actual Cash Value

In automobile insurance, actual cash value is equivalent to a vehicle's pre-loss market value. In homeowner's insurance, actual cash value represents the actual cost to replace a damaged item less depreciation.

As the policy holder you are responsible for the appropriate amount of coverage for your home. The replacement cost of your home may not be the same as the assessed value allotted when the home was purchased. You should notify insurers of upgrades or additions to your property to keep up with the appropriate amount of coverage.



The Division of Insurance encourages consumers to periodically contact their insurance company to confirm the appropriate amount of coverage is in place.

For more information about Homeowners Insurance visit: <https://www.commerce.alaska.gov/web/ins/Consumers/HomeInsurance.aspx>