

#### Ivanhoe Office

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#### Follow us:

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#### Canby Office

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### Update From Mike

#### Why are my rates going up?

This is a question we are getting when someone sees their home, auto or farm renewal, and there are three main reasons for this. To start, there has been an increase of severe weather in the last several years. According to the National Centers for Environmental Information, there had been an average of 7.2 catastrophic storm events per year from 1980 to 2019. A catastrophic storm event is one in which the total amount of storm damage is in excess of \$1 billion (adjusted for inflation). However, there have been a total of 60 events in the last three years for an average of 20 catastrophic storms per year. That means, in the last three years, the storm damage has almost tripled the average for the last 40 years. IF that were the only factor in play, that would be enough for insurance companies to increase their rates. But the second reason is also a contributing factor to the rate increases – reinsurance.

Insurance companies purchase reinsurance to help limit their losses in the event of a catastrophic loss. Because of the number of losses experienced throughout the country, reinsurance companies have also raised their rates, which typically has an impact on the companies they work with and the clients those companies insure.

The third of the major reasons for rate increases is the lack of investment income. Insurance companies have large reserves they are required to hold on to so they can continue to stay in business. But when companies can't earn income from their investments, that factor also plays into the ability of a company to meet their goals and earn a profit.

All three of these factors, along with others, are combining to create a perfect storm (no pun intended) that is leading to the insurance companies taking drastic measures to get back to being profitable. As consumers, I believe we all want insurance companies to earn a profit because it gives the best chance for rates to remain stable. I am aware several companies, including several that we do not work with, have filed for rate increases in excess of 20%. That doesn't guarantee this is a one-and-done approach to rate increases.

Our hope is we can avoid severe storms and major claims, so companies have a chance to rebuild their reserves and become profitable - that gives a better chance the companies won't have to continue to raise their rates. Until we start to see that stabilize, we are asking when possible that you remain with your current company even through the rate increase, because moving may have some unintended consequences. For example, if you switch to a new company now, and then turn in a claim or two, the company may make the decision to non-renew your policies, which in turn could make things more difficult to find a new company to work with. We know there may be situations in which this isn't ideal, and we may need to look for better options. Please know in those cases, there is no guarantee that any savings will last more than a year. Rate increases may continue into next year, so once we see things start to stabilize and get back to an insurance market we are used to, we will certainly continue to do what we have done in the past and shop for the best option at renewal. Until then, please call with any questions about your specific renewals and we will do everything we can to help.

### Vocabulary in Your Policies

Here is a list of a few insurance terms you may see in your current or upcoming policies; more terms and definitions can be found at <https://www.insurance.ca.gov/>

1. **Actual Cash Value:** An amount equivalent to the fair market value of the stolen or damaged property immediately preceding the loss. For real property, this amount can be based on a determination of the fair market value of the property before and after the loss. For vehicles, this amount can be determined by local area private party sales and dealer quotations for comparable vehicles.
2. **Replacement Cost:** The cost to repair or replace an insured item. Some insurance only pays the actual cash or market value of the item at the time of the loss, not what it would cost to fix or replace it. If you have personal property replacement cost coverage, your insurance will pay the full cost to repair an item or buy a new one once the repairs or purchases have been made.
3. **Deductible:** The amount of the loss which the insured is responsible to pay before benefits from the insurance company are payable. You may choose a higher deductible to lower your premium.
4. **Property Damage:** Damage to another person's property. The purpose of liability insurance is to cover property damage to a third party resulting from the negligent or intentional acts of an insured.
5. **Quote:** An estimate of the cost of insurance, based on information supplied to the insurance company by the applicant.

#### Actual Cash Value vs Replacement Cost from <https://www.progressive.com/>

Your homeowners, renters, or condo policies, and your property and belongings may be insured on an actual cash value (ACV) or replacement cost value (RCV) basis.

The replacement cost is the amount paid to replace property or personal belongings without any deduction for depreciation. On the other hand, the actual cash value is calculated by taking the replacement cost value and subtracting depreciation. This cost would be equivalent to the current fair market price.

You may also have the option for replacement cost value on automobile, motorcycle, and boat policies.

## Client Spotlight: Urban Appeal Salon

Your hometown salon  
we are here to make you not only feel at home –  
but help you look your best.

Urban Appeal Salon is full service hair salon that caters to each client's unique style and personality. Located in Marshall, Urban Appeal Salon, is your one stop shop for hair care, facials, spray tans, nail services, waxing, and ear piercing.

Follow us on Facebook to learn more about our services at Urban Appeals Salon or give us a call at 507-929-4247

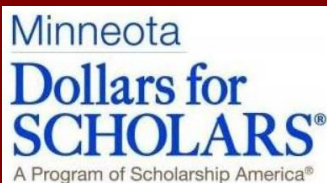


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## We Reward You When You Refer Your Friends & Family!

Your referrals mean the world to us. We work hard to earn each referral with great service and appreciation for your business. We also love supporting the charitable efforts in our communities, so we've tied referrals and charitable giving together. *Here's how it works:*

- A referral is when we get a request for a quote from someone saying you referred them to us, and we complete a proposal.
- For each referral we receive, we will **donate \$15** to our charity of choice: **Lincoln Elementary Foundation (Ivanhoe)**.
- We will draw one name from the list of people who referred someone to us each quarter, and the winner will receive a \$100 gift card! The person you referred does not need to purchase insurance from us for you to qualify for the gift card!
- **2<sup>nd</sup> Quarter update** – We had 7 referrals which means we will donate \$105 to **Lincoln Elementary Foundation!** Congratulations to our 2<sup>nd</sup> quarter winner, **Chris Hamiel**, Enjoy your \$100 gift certificate to The Country House in Lake Benton! Again, a huge **THANK YOU** to everyone who gave us a referral! We love referrals, so please keep sending your friends and family to us!



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