



Alaska REAL ESTATE BY DAVE WINDSOR

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CLIMATE CHANGE CREATING HOME INSURANCE DESERTS

The failure of governments around the world to seriously address the use of fossil fuels has increased CO2 levels in the atmosphere and, in turn, is heating up the planet we call home.

The average worldwide temperature on the 4th of July reached 63 degrees Fahrenheit, the hottest day on record since agencies started monitoring in 1979.

Kim Stanley Robinson's book "The Ministry for the Future" takes a Sci-Fi look at how the Earth's history unfolds beginning in 2024 and actually has a better ending than you might expect 50 years later despite the heat related deaths of millions of humans in the meantime.

Natural disasters across the United States are not just creating physical deserts but also Insurance deserts for Homeowners.

Just last month, State Farm discontinued writing new policies in California, and Allstate followed shortly after.

Insurance companies just cannot

keep up with the cost of floods, tornadoes, hurricanes and fires. Nationwide, there were 18 separate billion-dollar plus weather events in 2022 and these are paid for by insurers and their reinsurers. Ultimately, your premiums pay for them.

In Florida, homeowners insurance companies are fleeing like the hurricane and flood refugees themselves. Remaining insurers there are charging over \$200 a month for a \$150,000 home and \$500 a month for a \$450,000 home. Compare your own Alaska rate and you are likely paying less than half of that.

If we look at average premiums only we find that, in climate vulnerable States, rates are at least 50% higher than the National Average.

And that says nothing about areas that are becoming completely uninsurable. California has several such regions and even Bend, Oregon and Boulder, Colorado are in danger of Insurance denial where homes are surrounded by forest.

Only cash buyers can buy in the uninsurable homeowner deserts and must carry their own risk in the

event of a disaster - rather like most of us do in Alaska for Earthquakes, the premium cost and deductible being so high. Less than 40% of Alaskan homeowners carry EQ insurance.

Other than earthquake risk, Alaska remains an insurable State, far away from the insurance deserts of the Lower 48, and I have repeatedly predicted Alaska as a future climate refuge which will draw population and increase the value of all real estate here exponentially, even as soon as 5 years from now, but certainly within 10 years.

Although Alaska homeowners insurance rates have gone up 10% to 15% over the last year they are much cheaper than in the environmentally challenged other States. Homeowners in insurable areas of Louisiana pay double what Alaskans pay. Average cost in Alaska is \$1,307 per year compared to \$2,675 in Louisiana.

In Anchorage, an \$850,000 home costs less than \$200 per month. Texans pay \$250 per month for a \$300,000 home !

Your Alaskan homeowners insurance is typically divided into 5 segments.:-

- (1) Main Home Structure.
- (2) Other Structures on the property.
- (3) Personal Property (all you own inside the house).
- (4) Personal Liability.
- (5) Guest Medical.

PREMIUMS: are directly related to your "Insurance Score" which can range from 1 through 16. Most of this score is about your credit rating but other factors, such as previous claim history and age of structure etc. also factor in.

If you also carry Auto Insurance with the same Company you will receive a 10% discount. By the way, when your Lender for your home asks for 'Hazard' Insurance, this is the same as Homeowner's Insurance.

Earthquake Insurance is not mandatory for your Lender but, if you want it, you can obtain it with a 10%, 15% or 20% deductible.

Rates vary and you must shop around. State Farm and USAA offer it, but not Allstate.

Since our famous 7.1 shaker on 30th November 2018 this has become a hot topic. Whereas before 11/30/18 around 25% of Anchorage homeowners had EQ Insurance, this has now risen to around 35%. It is your personal choice. If you own a Condo, your Association can obtain it, but most don't bother.

The Structure portion of the policy covers 'sudden' and 'accidental' damage to you home: - e.g. fire, plumbing accidents, weight of snow, and sudden damage from broken hot water heater. If you are on vacation and a broken pipe damages anything, you're covered. Sudden 'and' Accidental' are the key words - e.g. branch of tree falls on your roof. Not covered are ground water and flood damage. It should be noted that your Structure is valued, for insurance purposes, at Replacement Cost, not what you paid for it, nor the appraised or market value.

Flood Insurance can be obtained for about \$300 per annum if the property is not in a flood zone. If you are in a flood zone per the F.E.M.A. map, the Lender will insist on flood insurance which is very pricy - moral of the story, do NOT purchase a home in a flood zone. Floridians are now struggling with this.

Other Structures in your Homeowner's Policy include your mailbox, shed, fences and detached garage. The amount covered is 10% of the replacement value insured on the home but can be varied on request. That is, if your home is insured for \$400,000, you have \$40,000 coverage on other structures. So, if the wife (or husband) backs into the fence with the family car, don't forget to call your insurance agent, unless the damage is equal to, or less than, your deductible (mine is \$1,000).

Personal Property insurance causes the most confusion and problems because people (including me) often don't know what they are covered for.

First, you should be sure your coverage is sufficient. Most folks are astounded at the actual value of their personal property. Insurers automatically provide minimum coverage calculated at 75% of the amount insured on the structure. For a \$400,000 home, that's \$300,000, but even this may not be enough.

You should do a periodic inventory of your personal property and even take photographs or video so that you can prove your case in the event of, say, a burglary or theft. Burglary is a person breaking into your home.

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