

## Fact Sheet – Insurance Premiums

### Understanding Your Insurance Premium

Insurance premiums are complex and reflect risks or costs that can be hard to understand at first glance. The good news is that there are steps you can take to reduce some of your risk and potentially lower your monthly premium.

This guide is designed to help Wisconsin consumers understand the factors that influence their insurance premiums and offer some practical tips to be proactive and potentially reduce their monthly costs.

### What Drives Insurance Costs?

Insurance premiums are calculated using a mix of your personal risk factors and larger economic or environmental trends. Some of these pieces are within your control, but others are not.

### Inflation and the Rising Cost of Repairs

**Auto insurance:** Modern vehicles often include advanced tools like sensors, cameras, and lane-assist technology. These safety upgrades can be helpful, but they also make repairs more costly and increase the overall cost to insure the vehicle.

**Home insurance:** Supply chain disruptions, labor shortages, and the rising cost of construction materials all make it more expensive for an insurer to cover the costs to repair or rebuild homes after a loss. As these costs for the insurer increase, premiums also rise for homeowners.

### More Frequent and Costly Claims

More weather-related disasters like hail, windstorms, and tornadoes mean insurers are paying more for claims. These higher losses often result in rate increases for entire regions, even if you have not filed a claim yourself.

### Your Personal Risk Profile

Insurers set your premium based on a range of personal and property factors.

### Auto Insurance Factors

- **Driving record and habits:** Past accidents, speeding tickets, or other traffic violations can make you appear more likely to be in an accident in the future.
- **Age and experience:** Younger or less experienced drivers are statistically more likely to be in accidents.
- **Type of vehicle:** High-end, high-performance, or newer vehicles typically cost more to repair or replace.

- **Location:** Living in areas with high traffic, frequent instances of theft, or frequent severe weather can raise the likelihood of a loss.

## Home Insurance Factors

- **Size and age of your home:** Larger or older homes, especially if they have outdated electrical or other systems can increase the risk of a house fire or other loss events.
- **Condition and maintenance:** Poorly maintained homes make it more likely the home may experience damage that could result in an insurance claim.
- **Location:** The distance between the home and a fire department, crime rates in the neighborhood, and risk of natural disasters in the region all play a role.

## Other Factors

- **Claims history:** A history of frequent or large claims may mean your vehicle or property is more likely to have damage in the future.
- **Credit-based insurance score:** In Wisconsin, insurers may use this score—based on elements of your credit report—to help assess risk.

## Your Policy Choices Also Matter

The coverage limits, deductibles, and optional protections you choose all influence your premium. For example:

- Higher coverage limits and lower deductibles typically result in higher premiums.
- Optional endorsements (e.g., sewer backup coverage, replacement cost on personal property) add cost but provide broader protection.
- Insuring high-value items separately may raise costs but ensure you are correctly protected.

## Industry Trends That Affect Everyone

Insurance companies are also navigating nationwide market pressures that influence what you pay. As other costs to the insurance company increase, the company must adjust policyholder premiums to ensure it has enough money coming in to remain financially sound.

Larger insurers can sometimes offset regional risks by pooling costs nationwide, while smaller carriers may be more sensitive to local events or market changes.

## What You Can Do

While you can't control every factor, here are some proactive steps to consider:

- **Maintain a good driving record and home condition** to reduce your risk.
- **Bundle policies** (e.g., home and auto) with one insurer to earn multi-policy discounts.
- **Review your deductibles and optional coverages** regularly to ensure your policy reflects your current needs and risk tolerance.
- **Ask about available discounts**, including for safe driving, home security systems, or paperless billing.
- **Shop around** when your policy approaches renewal, especially if you have had major life changes. Wisconsin has a competitive insurance market, offering consumers a wide range of choices to meet their needs.

Understanding what drives insurance costs and which factors you can influence helps you to make informed decisions and potentially reduce what you pay.

If you have questions about your policy or want to learn more about managing insurance costs, speak with your insurance company or insurance agent. The Wisconsin Office of the Commissioner of Insurance (OCI) also has other information at [oci.wi.gov/Consumers](http://oci.wi.gov/Consumers).