

OUR NEWS LETTER



## Travel spending slowing as consumers see 'a no-win situation,' analyst says

After more than two years of decreased traffic to dining, travel, and retail locations due to the pandemic, U.S. consumers are back on the go — but at a slower pace than expected a few weeks ago.

"Airfares are high, gas prices are high," Morning Consult Travel & Hospitality Analyst Lindsey Roeschke told Yahoo Finance (video above). "And so consumers really feel like they're in a no-win situation when it comes to travel, so what they're doing is cutting back."

Roeschke added that many consumers are "taking those revenge trips at the beginning of the summer for the holiday weekend, and then probably pulling back and staying a little bit closer to home for the rest of the summer."

Summer travel is expected to be 25 to 50% more expensive than last year, pressuring the plans of consumers who spent much of the past two years cooped up at home.

And while more Americans plan to travel this summer compared to last summer, Roeschke added, "the number of trips they're taking is declining year-over-year" given the chaos at airports and inflation.

The mass of travelers over the holiday weekend stretched the capacity the airlines and airports, which struggled with the demand. And while travel was heavy during the holiday weekend, Roeschke noted that "it might be a quieter end of summer than we've seen in previous years."

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# Consumer expectations fall to 9-year low as inflation weighs on Americans

The Conference Board's latest reading on consumer confidence showed consumer expectations in June fell to their lowest level since 2013.

The Conference Board's consumer confidence index for June fell to 98.7 from 103.2 in May, below expectations for a reading of 100.

The report's expectations index, which is based on consumers' short-term outlook for income growth, the job market, and overall business conditions, fell to 66.4, its lowest reading since March 2013.

"Consumers' grimmer outlook was driven by increasing concerns about inflation, in particular rising gas and food prices," said Lynn Franco, senior director of economic indicators at The Conference Board. "Expectations have now fallen well below a reading of 80, suggesting weaker growth in the second half of 2022 as well as growing risk of recession by year-end."

The Conference Board's report follows consumer sentiment data from the University of Michigan released last week that fell to a record low of 50.2.

The University of Michigan's report had gained outsized investor attention after Federal Reserve Chair Jerome Powell mentioned the inflation expectations component of that data as "eye-catching" during testimony before Congress last week. On Friday, the UMich report showed a slight decline — to 3.1% from 3.3% — in consumer inflation expectations, though this remains above the Fed's 2% inflation target.

On Tuesday, The Conference Board said purchasing plans for large items like homes, cars, and appliances had held "relatively steady," though this data has cooled since the start of the year.

"Looking ahead over the next six months, consumer spending and economic growth are likely to continue facing strong headwinds from further inflation and rate hikes," Franco said.

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# What property owners need to know about landlord insurance

A rental property is often considered a valuable financial investment because, if handled properly, it can provide owners with a steady flow of passive income. But renting out a property also gives rise to a unique set of potential risks, so getting the right kind of protection is crucial.

This is where landlord insurance comes into play. This type of policy offers specialized coverage for residential rental property owners to protect their personal assets in an event of a loss.

## How does landlord insurance work?

Landlord policies operate just like a standard homeowners' insurance but have a few key differences. First, landlord insurance applies to properties rented out to tenants, not to owner-occupied residences, which homeowners' policies cover. It also comes with higher liability limits as rental property owners face more risks than those who occupy their own homes. Lastly, because landlords are reliant on their rental property for income, landlord insurance provides coverage for lost income, which homeowners' plans lack.

Contrary to popular belief, landlord policies do not cover tenants' possessions. These are protected under a different type of plan called renters' insurance. Industry experts recommend that landlords require their tenants to take out this form of protection to help cover for their belongings in case of loss or damage and prevent the financial ramifications from bouncing back to the property owners.

## What does landlord insurance cover?

A landlord insurance policy comes with three core coverages, namely:

- **Property damage:** This covers any physical damage or loss to the dwelling and other structures within the premises – such as sheds, garages, and fences – caused by a named peril, which can include fire, wind, hail, vandalism, or irresponsible tenants. It may also cover items that the landlord leaves on-site to help maintain the property such as a lawnmower or other cleaning equipment.
- **Liability protection:** While most liability will fall under tenants' responsibility, landlords can be held liable for injuries caused by poor property maintenance, including broken staircases, icy walkways, and pest infestation. Liability coverage pays out the medical or legal expenses resulting from a landlord's negligence.

- Rental income protection: This type of policy helps provide temporary rental reimbursement if the property becomes uninhabitable as long as it is due to a covered peril. Coverage, however, does not apply for voluntary renovations or improvements.

Landlords can also avail of additional protection or riders for more comprehensive coverage, including:

Rider	What it covers
Flood insurance	Flooding and other water damage, including sewer backup and burst pipes
Earthquake insurance	Damage or loss caused by earthquakes
Guaranteed income insurance	Lost income if tenant is unable to pay rent
Building code insurance	Cost to repair or rebuild the rental property to comply with updated building codes
Emergency coverage	Cost to resolve an issue that a tenant calls in such as leaking faucet or being locked out of the property
Non-occupied dwelling coverage	Pays out for claims occurring when the property has been unoccupied for more than 30 days

## **How much does landlord insurance cost?**

Several factors influence the cost of landlord insurance premiums, including the age and condition of the rental property, where it is located, the type of tenants, and home features considered high-risk.

According to the Insurance Information Institute (III), landlord policies typically cost 25% more than standard homeowners' coverage because of the additional protection they provide. For perspective, the average cost of home insurance with \$250,000 dwelling coverage in the US, according to the latest figures from consumer financial services firm Bankrate, is \$1,383. This means that for the same property, landlord insurance will cost around \$1,729.

## **What should property owners consider when buying landlord insurance?**

Experts advise rental property owners to practice due diligence when searching for the best landlord insurance policy that fits their needs. Here are some of the factors they need to consider when looking for the right coverage:

- Length of rental – short-term or long-term
- Type of renters – including their rental and insurance history
- Reason why property is being rented out
- Expected rental income
- Distance of primary residence to the rental property
- Responsibility for property management and maintenance
- Whether renters' insurance will be required
- Contents included in the rental
- Type of coverage, including exclusions and limitations
- Insurance discounts the landlord may be eligible for

## **Is taking out landlord insurance worth it?**

Landlord insurance is not mandatory in the US, but it may be a requirement for taking out a mortgage on a rental property. Although not compulsory, several consumer financial websites pointed out the benefits of getting this type of coverage.

Forbes Advisor described landlord insurance as a “wise financial decision to protect your asset.”

“Owning a rental property is a great way to make extra money. But a homeowners or renters insurance policy doesn't offer the protection you need as a landlord,” according to Coverage.com. “If you have a rental property, you need landlord insurance to protect your

personal assets in the event of a loss. You can also purchase endorsements, like flood insurance or building code insurance, to extend your coverage even further.”

“Getting the right coverage can make or break your ability to be a successful and long-term landlord, no matter how you plan to rent out your property,” Hippo.com added. This is why landlord insurance is so crucial – it protects you legally and financially from anything that may come your way.”

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# Does car color impact auto insurance rates?

Nearly half of all American drivers believe that red cars are more expensive to insure, separate studies by two US-based price comparison websites have found.

A survey of 1,000 adults conducted by InsuranceQuotes.com last August revealed that 44% of respondents thought driving a bright red car affected auto insurance rates, with the belief more common among motorists aged 18 to 29.

A 2020 poll of 2,000 licensed drivers by Insure.com, meanwhile, showed that 46% assumed that red cars cost more to insure because these vehicles tend to get pulled over more for speeding. Of those who did, more than half, or 52%, were women and the rest were men.

But is this widespread belief fact or just a myth? Here's what experts say.

## Are red cars more costly to insure?

The fact is, according to experts, insurers could not care less about a car's color.

"The idea that a car's color can affect your insurance rates isn't always accurate," InsuranceQuotes.com explained. "A red car will not be more expensive to insure, despite this being a common belief amongst consumers. For the most part, a red car will not be more expensive to insure than any other color you choose."

"The color of your vehicle is not even a question on the insurance application, and it is a non-factor," Kristofer Kirchen, president of Advanced Insurance Managers, told Insure.com.

However, there are certain hues that make a vehicle more expensive to buy, which may have an impact on car insurance rates.

"Though car color usually will not have an impact on your car insurance rates, white, black, blue, and red cars are usually more expensive to purchase across the board as they are very popular colors," InsuranceQuotes.com added. "Popular car colors may be more expensive as the demand for them is higher."

The only other scenario where car color can affect auto premiums, according to experts, is if a vehicle gets a custom paint job – but then again, the impact on rates is marginal.

"If you opt to modify the paint, such as through a custom paint job, you want to include this as part of your insurance coverage," the automotive magazine Car and Drive noted. "Your insurer will consider your vehicle to be in the same condition that you purchased it, so if



you make a modification through a custom paint job and want it covered in case of damage, notify your insurer.”

“Insurers might offer special coverage for these aftermarket [modifications] called custom parts and equipment coverage,” the publication added. “This extends your coverage to repair or replace your customizations, such as custom paint jobs, wheels, sound systems, or lights.”

## **What factors impact car insurance rates?**

Each driver comes with a unique set of risks. To calculate how much a motorist should pay in car premiums, insurers look at a range of factors. These include:

### **1. Driving history**

Auto insurers view a poor driving record as an indication that a motorist is more likely to file a claim in the future. As a result, at-fault accidents can drive up rates considerably. A recent study by financial services firm Bankrate showed that drivers in California see an average annual rate increase of \$1,436 after an at-fault accident, the highest of any state. Los Angeles drivers, meanwhile, experience an average jump of \$1,636 per year after causing an accident, the highest of any metro area included in the analysis.

The research also found that of all incidents, getting caught driving under the influence (DUI) pushes up premiums the most. Drivers with a DUI record pay an average of \$1,650 more per year for their full-coverage insurance than the national average, according to the report.

### **2. Location**

Bankrate added that the true cost of car insurance is reflected in the percentage of their income drivers allocate for auto coverage each year and not on how much they spend on premiums. But since average income between states varies significantly – often by up to tens of thousands of dollars, the firm used this metric to analyze 2022 auto insurance rates in all zip codes and carriers across the country’s 50 states to better demonstrate the impact of premiums on motorists’ overall budgets.

According to the study, the average cost of car insurance in the US takes up 2.57% of a driver’s annual income, which is equivalent to \$1,771 annually. Motorists spend a much higher or lower percentage than average, depending on the state they live in, with the difference between the most and least expensive premiums at \$2,120.

### **3. Vehicle make and model**

Among the biggest factors that impact auto insurance rates is the type of vehicle a person drives. A separate analysis by insurance comparison website The Zebra showed that vans come with the least expensive premiums among all vehicle types at \$1,655 per year, followed by trucks at \$1,735 and SUVs at \$1,952. Cars remain the costliest vehicles to insure, with annual rates averaging \$2,454.

In terms of brand, the Italian luxury car manufacturer Maserati has the highest annual premiums at \$4,393. On the other end of the spectrum is compatriot brand Fiat, with yearly rates averaging \$1,499.

#### **4. Vehicle's age**

The Zebra's research also found that new cars are more expensive to insure than older vehicles because they cost more to repair or replace, especially if they are equipped with advanced features such as blind-spot sensors and rearview cameras.

Data gathered by the firm revealed that a 5-year-old vehicle is about 27% less expensive to insure than its brand-new counterpart. Annual rates for a half-decade-old Honda Accord, for example, go for \$1,443, while those for a brand-new model are pegged at \$1,838.

"Insurers also account for variations from one model year to the next," the report noted. "Certain model years may be more prone to crashes, thefts, or expensive repair costs than others, which can impact the cost to insure the vehicle."

#### **5. Credit rating**

Car insurance companies in most states – with the exception of California, Hawaii, Massachusetts, and Michigan – use credit-based insurance scores to help determine premiums as these providers often believe that policyholders with high ratings tend to file fewer claims than those with lower credit scores.

According to Bankate's report, motorists with a good credit rating pay \$1,146 less per year for auto insurance than those with a poor credit history. In Wisconsin, drivers experience a whopping increase of \$4,128 – the highest of any state – when their scores go from good to poor. At the other end of the spectrum are North Carolina motorists who encountered just a \$351 rise in premiums under similar circumstances.

Other factors that have a direct effect on car insurance premiums are a person's age, gender, marital status, annual mileage, and coverage types and deductibles.

**Where does the myth that red cars cost more to insure come from?**

The common misconception that red vehicles are more expensive to insure comes down to statistics, according to Car and Driver.

“Sports cars will have higher insurance rates because drivers tend to drive faster and have a higher chance of getting into an accident,” the magazine explained. “When the average sports car driver shops for a vehicle, they tend to gravitate more toward red. The fact there are more red sports cars on the road and the odds these sports cars have higher rates leads many people to think that it's the color that causes the higher rates and not the vehicle itself.”

### **So, who cares about car color?**

According to Insurance.com, it's you – the driver. The rate comparison website polled 1,000 married men and women over the age of 25 about their color preferences and found that almost a fifth (19.5%) liked black vehicles, followed by silver (18.5%), white (16.2%), and blue (12.5%). Red, the color many thought pushed up premiums came in fifth, was chosen by 8.5% of respondents.

In terms of reasons for opting for a particular hue, almost a third (31.5%) said “it was pretty.” A quarter admitted they had “no other choice,” while 10.2% chose the color “because it wouldn't show dirt.” “I look good in it” and “it blends in” rounded up the top five motives for picking a particular car color.

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