Health & Retirement Services of Illinois
Newsletter September 2024

OUR NEWS LETTER HRSI

# LOOKING FOR A NURSING HOME?

Whether you're planning ahead or need to make an unexpected decision, there's a lot to think about when choosing the right nursing home for you or your loved one.

**Medicare.gov makes it easy to find and compare nursing homes in your area.** Personalize your results by filtering for what matters most to you — like inspection results, location, quality ratings, and more.

When comparing nursing homes:

- **Check out their overall star ratings.** The overall rating is based on a nursing home's performance in 3 areas: health inspections, staffing, and quality of resident care.
- **View detailed staffing data,** including the staffing levels and turnover rates.
- **Use the map and distance filter** to find nursing home locations near you.

**Visit Medicare.gov** for more information about nursing homes and what Medicare does and does not cover.

## In Our Newsletter

# Mortgage rates tick up from previous week as homebuyers stay on sidelines

Mortgage rates rose slightly from last week, continuing to pressure potential homebuyers.

The average rate on the 30-year fixed-rate mortgage rose to 6.78% from 6.77% a week prior when they hit the lowest level since mid-March, Freddie Mac reported on Thursday. A year ago, the average rate on a 30-year fixed-rate loan was 6.81%.

Separately, the average rate for the 15-year fixed mortgage was 6.07%, up from 6.05% a week prior. The rate on a 15-year loan was 6.11% a year ago.

Rates still remained lower than in late April and May when they topped 7%.

“Mortgage rates essentially remained flat from last week but have decreased nearly half a percent from their peak earlier this year," Sam Khater, Freddie Mac’s chief economist, said in the press release.

That hasn't been enough to spur buyer appetite. Applications for a mortgage to purchase a home fell 4% from the prior week on a seasonally adjusted basis.

Recently released June data shows that new homes have been dwindling. Mortgage applications to purchase new homes fell 16% from May to June, per the Mortgage Bankers Association, while sales of newly built homes hit a seven-month low, reinforcing the ongoing challenges of high mortgage rates and record home prices keeping a lid on buyer activity.

Meanwhile, more homeowners rushed to refinance their mortgages. Applications to refinance a home loan ticked up 0.3% last week from the previous week, the Mortgage Bankers Association reported, and the highest level since September 2022.

Investors are optimistic a Federal Reserve rate cut is on the horizon. Market observers are confident that the first rate cut of the year will be September amid a slowdown in inflation and a cooler labor market. However, some predict that the Fed’s actions won’t have a dramatic influence on mortgages immediately.

“Mortgage rates aren't likely to move meaningfully lower over the second half of 2024, even if the Fed starts cutting rates in September as the market currently expects, “ said Parker Ross, global chief economist at Arch Capital Group. He said that's because markets are already pricing in about six cuts over the next year.

# Legal system abuse contributing to rising auto insurance costs

**Dark money and aggressive litigation tactics play a key part**

With US auto insurance rates up 11% on average over the past year, auto premiums have been a hot topic in the industry as of late, especially in states like Florida, Louisiana and Texas, where high-risk weather events are making it more expensive for drivers to protect their vehicles.

Reflecting on the significant role of climate disasters, Michel Martinez , area vice president, automative practice at Gallagher said, “Whether it’s flooding, hurricanes, tornadoes, or fallen trees from storms, weather is certainly a major contributing factor.”

Beyond these well-known factors, however, a lesser-discussed issue is also impacting auto insurance costs: legal system abuse.

**What are ‘billboard attorneys’? How are they impacting auto insurance premiums?**

Legal system abuse occurs when policyholders or plaintiff attorneys seek to escalate the costs and time required to settle insurance claims.

According to a report from the Insurance Information Institute (III), tactics include leveraging legal arrangements like Assignment of Benefits (AOB) to force undue payouts in homeowner and auto insurance markets.

Reflecting on these scam-like tactics, Breanne Armstrong (pictured right), director of insurance intelligence at J.D. Power said, “This is causing the overall costs of claims to rise, resulting in premium increases being passed on to insurance customers.”

Legal system abuse tactics are often used by predatory ‘billboard attorneys’— plaintiff lawyers who employ aggressive marketing techniques across highway billboards, TV ads, and social media, promising significant financial rewards for clients.

In states like Louisiana, which have high levels of attorney involvement in personal insurance claims, legal system abuse may cost residents over $1,100 annually, making it the least affordable US state for both auto and homeowners’ insurance.

**The dark side of third-party litigation**

According to Armstrong, another factor contributing to high auto insurance rates is the lack of regulation surrounding third-party litigation funding (TPLF).

TPLF is a multi-billion-dollar global industry where hedge funds and other financiers invest in lawsuits in exchange for a percentage of any settlement or judgment. The issue? The industry is highly unregulated, increasing opportunities for attorneys to finance litigation using potentially dark money.

Third-party litigation drives up auto insurance costs in two main ways:

- **Financial pressure on insurers:** As insurers face higher legal costs and settlements, they may raise premiums to cover these expenses. This financial pressure translates directly into higher insurance costs for consumers.
- **Higher settlements and awards:** With third-party funders backing lawsuits, plaintiffs may push for larger settlements or awards, knowing that their financial backers will cover litigation costs. This often leads to higher payout amounts, which insurers then pass on to consumers through increased premiums.

With elements of legal system abuse contributing to rising auto insurance rates, J.D. Power's 2024 US Auto Insurance Study reveals an astonishing consequence: more than half of customers (51%) say they have very little trust in their auto insurer.

Additional findings from J.D. Power's 2024 Study found that consumer trust is lowest in states like Florida, which has the highest proportion insurer-initiated rate increases. Martinez suspects this may be related not only to the state's volatile weather patterns but also to its no-fault insurance protocols. In these states, "regardless of who is at fault in an accident, insurance companies are responsible for covering damages." This system can lead to higher customer premiums, as insurers need to cover the increased risk, and costs associated with frequent claims.

"When someone gets into an accident, even if it's not their fault, they're going to call in that claim and report it, and they're going to get something back," added Martinez.

**How can brokers foster consumer trust?**

While only 15% of respondents in J.D. Power's Auto Insurance Study indicated high levels of trust for insurers, there is a light at the end of the tunnel.

The study found that when customers do have a high level of trust in their insurer, customer satisfaction and brand advocacy increase considerably, even in the face of rate increases.

According to Martinez and Armstrong, brokers can implement the following strategies to bolster consumer trust and increase brand loyalty even amid an unstable auto insurance market:

- **Transparent communication:** Clearly explain policy details and premium changes. Update customers regularly throughout the renewal process to keep them informed and at ease.

"What I've come to realize, and we saw a lot of this during COVID, is that insurance customers want to be updated," shared Martinez. "Even if it's not the best news, customers don't want to be surprised about their rates."

- **Educate customers:** Offer resources and guidance to help customers understand their insurance policies and the factors influencing their premiums. Ensure customers are aware of the benefits and limitations of their chosen policies.

Martinez said: "Helping customers understand their options and the reasons behind different premiums or rates builds their confidence. By explaining the costs associated with each option, you can help customers make informed decisions that suit their needs."

- **Encourage clients to explore usage-based insurance (UBI) programs:** According to J.D. Power's 2023 US Auto Insurance Study, 35% of customers who enrolled in UBI saved over 10% on their auto insurance premiums. Despite these benefits, UBI adoption has remained steady at 17% over the past two years.

"By proactively informing clients about UBI options and their potential savings, brokers can demonstrate their commitment to helping clients find the best value, building greater trust and loyalty," said Armstrong.

# PAY $0 OUT OF POCKET FOR VACCINES FOR SHINGLES, RSV, TDAP AND MORE

**People with Medicare Part D (drug coverage) pay nothing out of pocket for even more vaccines,** making it easier to stay up to date with your immunizations.

**Medicare Part D covers these vaccines and more at no cost to you:**

- Shingles
- Tetanus, diphtheria, and pertussis (whooping cough) (Tdap)
- RSV
- Hepatitis A
- Hepatitis B, if you're at low risk for the virus

Remember, Medicare also covers flu shots, COVID-19 vaccines, and pneumococcal shots. Talk with your doctor about which vaccines can help you stay healthy!