

# The Insurance Advocate Newsletter



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## How Do You Protect Your Special Treasures?

Blackbeard encountered special circumstances that made insuring his treasures a bit difficult, given that he had a hard time producing receipts and appraisals. In addition, he had to worry about other pirates finding his bounty and pillaging it for themselves.

Fortunately, you can throw away your pick and shovel and you no longer have to worry about where to hide that treasure map. Whether your collectible items are in a safe, safety deposit box, or simply displayed in your home, we can provide you peace of mind with special coverages designed specifically for collectibles.

Millions of Americans collect. These collections range from rare books and works of art to trading cards and teddy bears. Do you have a collection for which you have not yet thought about insurance coverage? How are those special items dealt with in your homeowner insurance policy?

The homeowner insurance policy is written to provide coverage for the average policyholder. While the policy provides some limited coverage for special types of property, it in no way serves the needs of the unique insurance consumer. Most of us do not own collections or store large amounts of cash in our homes. For those who do own items of special interest or value, there is a solution. The personal property floater, either as a stand-alone policy or an endorsement to the homeowner policy, can provide special coverage for unique items like artwork, stamps, coins, jewelry, silver and gold.



A significant advantage to insuring unique and unusual items in this manner is that the personal property floater usually provides coverage for a much broader list of perils than those provided by your contents coverage in your homeowner policy. In fact, unless there is a specific exclusion contained in the policy, the peril causing the loss will usually be covered.

The personal property floater also offers broad coverage against losses that are not covered in the homeowner policy. This adds special emphasis to insuring items that, while there is no specific limit in the policy, may be subject to loss from perils that the personal property section of your policy does not provide. For example, a policy holder might want to add extra coverage for a Hummel collection. Hummels are easily breakable, but the personal property section of your homeowner policy provides no coverage for simply dropping and breaking an item in your collection. In order to cover your Hummels properly you must have these items specifically covered by the personal property floater.

The modern homeowner insurance policy is written in easy to understand language that the lay person can review. If you are still unsure of your coverage after your personal review of your policy, contact our office so we can help guide you through your personal insurance package.



## National Transportation Safety Board

calls for ban on cellphone use and more...

On December 13, 2011, based on a decade of investigations into distraction-related accidents, the National Transportation Safety Board (NTSB) called for a ban on all cellphone use by drivers. The NTSB recommendation included banning the use of hand-free devices, including wireless headsets. While no state currently goes this far, the NTSB claims that drivers faced serious driving risks by using these wireless devices.

Deborah Hersman, chairwoman of the NTSB, said "the concern was heightened by increasingly powerful phones that people can use to e-mail, watch movies, and play games. Every year, new devices are being released. People are tempted to update their Facebook page, they are tempted to tweet, as if sitting at a desk. But they are driving a car."

NTSB understands that this recommendation will not be accepted well by everyone. Ms. Hersman compared distracted driving to drunken driving. She said "we're here to do the right thing. This is a difficult recommendation, but it's the right recommendation and it's time."

# How Much Life Insurance?

*Simplified checklist of your needs.*

Determining your life insurance needs is best left to a professional life insurance expert, but the checklist below will give you a simple, rule-of-thumb approach to determine how much life insurance you need.

### EXPENSES:

Final Expenses  
 Funeral and Estate Settlement \$ \_\_\_\_\_  
 Uninsured Medical Costs \_\_\_\_\_  
 Outstanding Debts \_\_\_\_\_

Your Spouse's  
 Annual Living Expenses times \_\_\_\_\_  
 Number of Years Needed \_\_\_\_\_  
 Childcare Expenses \_\_\_\_\_  
 College Expenses \_\_\_\_\_

**Total Expenses** \$ \_\_\_\_\_

### ASSETS:

Spouse's After-tax Income \_\_\_\_\_  
 Social Security Survivor Benefits \_\_\_\_\_  
 Current Assets Available \_\_\_\_\_  
 Current Life Insurance \_\_\_\_\_

**Total Assets** \$ \_\_\_\_\_

**Total Expenses minus Total Assets** \$ \_\_\_\_\_  
*(equals minimum amount of life insurance needed)*



## Important Notifications

Do you bother to read those notifications that are frequently enclosed with your renewal? Legislation and precedent setting litigation often require insurance companies to make changes to their policies. Usually, these changes occur at the policy renewal and are accompanied with a written notice from the insurance company. Once your insurer has fulfilled the notification requirements, it is your responsibility to read the notices and to contact us if you have questions. Instead of complacently filing it away, take a few minutes to review the information enclosed in your renewal, make notes of needed changes, and call us for an appointment so we can make sure you have the coverage that you expect.

## 2011 U.S. Property/Casualty Losses For First Nine Months

A.M. Best Company, the foremost insurance credit rating agency, has released its estimates for catastrophe-related losses experienced by the U.S. property/casualty insurance industry through the first nine months of 2011. These estimates show that losses total \$38.6 billion. Catastrophe losses for all of 2010 totaled \$19.6 billion. Insured losses worldwide totaled \$108 billion. The majority of the losses in the U.S. stem from the series of tornadoes and hailstorms that swept through the Midwest and Southeast in April and May.

## Traffic Deaths Continue to Trend Downward



Annual traffic deaths in the U.S. have fallen to their lowest level since 1949, according to the U.S. Department of Transportation. Figures from the National Highway Traffic Safety Administration (NHTSA) show that highway deaths fell to 32,885 in 2010, despite the fact that Americans drove almost 46 billion more miles in 2010 compared to the previous year.

Industry representatives cited several contributing factors for the drop, such as graduated license programs for young drivers, hands-free cell phone laws, and stiffer drunk driving penalties. “Safer vehicles, and safer roads are certainly contributors. It’s the combination of all these factors that have given us the results we’re seeing today” said Jake Nelson, director of traffic safety advocacy and research at AAA.

### Significant Data:

- Deaths in crashes involving drunk drivers dropped 4.9 percent in 2010.
- Fatalities declined in most categories in 2010, including for occupants of passenger cars and light trucks. (Fatalities rose among pedestrians, motorcycle riders and large truck occupants.)
- Deaths among young drivers (ages 16–20) have dropped 39 percent over the last five years, compared to a 23 percent drop across the general population.

Distracted driving has become a much bigger issue in the last few years as electronic devices and smart phones have made it easier to multi-task while driving. The latest figures from the Department of Transportation include data for fatalities caused by situations where dialing a phone, sending a text message, or the activities of another person in your vehicle are likely to lead to a crash. It is not uncommon for a driver’s cellphone records to be investigated in serious accidents. The Department of Transportation reports that 3,092 fatalities were the result of such “distraction-affected crashes.”

On the surface, these improved fatality rates seem to reflect the results of increased efforts to create safer drivers by enforcing graduated driving rules, drunk driving laws, and seat belt laws. Even with these improving trends, we are still losing over 30,000 lives each year to traffic accidents, with over a third of those attributed to driving under the influence.

## Tracking Teen Drivers

Increasing numbers of parents are installing tracking devices on their teen’s cars. The information that can be gathered ranges from location data to a record of every time the young driver exceeds the speed limit. With “black box” technology, parents can follow the actions of their teens in real time via the internet or cell phone alerts, tracking where they are going and how long it took to get there.

This equipment is not intended for use as a spy device, but rather a safety device. This technology should be used as an attempt to make teenagers into better, safer drivers.

The co-founder of the website DriveHomeSafe.com, dedicated to cutting teen crash rates, said that while black-box technology can reduce teen crashes, parents still have the responsibility to monitor and enforce vehicle safety for their teen drivers.

## Home Based Business

The majority of home-based businesses do not have insurance to cover their business exposures. Some business owners operate under the mistaken idea that they have all the coverage they need within their homeowner policies.

With over 8 million uninsured home businesses, a recent study group attempted to determine the reasons people go without coverage. Among the reasons provided are the fear that coverage will be too expensive and the belief that coverage is already provided in the homeowner policy since the business is being run from home. Neither belief is true, and the result is the homeowner taking a huge financial risk based on bad information.

The insurance industry, recognizing the need for simple coverage for these home based businesses, has developed several coverage solutions, most of which are inexpensive.

## 8 Tips When Hiring a Contractor



Starting a home remodeling project or recovering from a disaster? Doing your homework can help you find a good contractor.

1. Seek referrals from friends. Check with the Better Business Bureau and your local building inspector.
2. Google the company and its owner to make sure he hasn’t had several businesses under other names. This could be a sign that when he receives complaints he closes one business just to open another.
3. Visit current job sites. Is it active and organized, or are there no workers present and the job site a mess?
4. Ask for proof of insurance from your contractor and all sub-contractors.
5. Get estimates and changes in writing. But remember you get what you pay for. The lowest estimate might not be the best.
6. Make sure that start and completion dates, payment schedules, materials, and all promises are in writing.
7. Typically contractors will ask for 20 to 30% before work begins. If they ask for much more, walk away. Don’t pay the final installment until all the work, no matter how small, is complete.
8. Never pay in cash. Always use a credit card or check. Keep receipts.



## Surety Bonds

Surety Bonds are three-party agreements in which the bonding company (the surety) provides credit surety for the second party (the principal) guaranteeing to a third party (the obligee) the fulfillment of a contractual obligation by the principal to the obligee.

### Defined:

**Obligee** -The party (person, corporation, or government agency) to whom a bond is given. The obligee is also the party protected by the bond against loss for non payment of job related costs and a guarantee that the work is completed satisfactorily.

**Principal** - The individual who is required to be bonded by the obligee. This is the person or company who is to fulfill the contract.

**Surety** - A person or institution (surety company) that guarantees the faithful performance of another person or company or government entity.

**Bid Bond** - Provides financial assurance that a bid has been submitted in good faith, and the contractor can enter into and fulfill the contract terms.

**Performance Bond** - Sometimes required by the obligee (owner); assures the contractor will give faithful performance and work of good quality.

**Payment Bond** - Assures the obligee (owner) that the contractor will pay suppliers, laborers, and subcontractors working on the project.

**License and Permit Bond** - Usually required by state or local laws; assure that the party can engage in certain business. Electricians, builders, and plumbers are some examples of businesses that use license and permit bonds.

**Judicial or Probate Bond** -Assures that administrators, executors, guardians, and trustees will comply with court orders and give faithful performance of fiduciary responsibilities.

There are many more types of bonds, but those listed here are quite common. A frequently asked question is, "how much does a bond cost?" This is difficult to answer because surety bond premiums vary by surety company and by the type and value of the project bonded. Simple surety bonds, like license and permit bonds, usually cost a modest amount, from one to several hundred dollars.

Bonds are a hybrid insurance product, but are most commonly handled by insurance agents. If the principal fails in his obligations supported by the bond, the obligee can make a claim against the surety (bonding) company. The surety who guarantees the principal's faithful performance is then obligated to see that the terms supported by the bond are completed. The surety then may make a claim against the principal for specific performance and/or reimbursement of the surety's costs in seeing that the performance that is guaranteed is in fact completed.

## Commercial Quick Notes

### Personal Use of Your Company Car

A common situation that many face is the personal use of a company vehicle. When an employee is furnished a company vehicle, he is generally provided coverage to use that vehicle through his employer's auto insurance policy. However, the employer's policy usually does not extend coverage to the employee when the employee borrows or rents a vehicle personally.

If the employee owns a personal automobile and has that auto covered by a personal automobile policy, he probably already has this coverage. But if the employee does not have a personal automobile policy there will be a gap in coverage. An employer can endorse the business auto policy to provide this



coverage for the employee. This extra coverage is important, as renting or borrowing autos is a common occurrence.

A second important exposure faced is injury to a coworker while in a company vehicle. The majority of business auto policies exclude coverage for the employee if a coworker is injured while a passenger in the vehicle. In most cases, the worker would be covered by worker's compensation, but some states allow an injured employee to sue the negligent party in addition to filing a claim. In some cases, you can safeguard against this by adding an extended non-owned auto coverage to your personal auto policy.