

Personal Lines



222 S. Market Street, Suite 101
Elizabethtown, PA 17022
(717) 367-5134
Fax: (717) 367-9244
www.olweiler.com



Auto

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Protecting Your Cars from Theft

According to the FBI's preliminary statistics for 2007, motor vehicle theft actually decreased 8.9 percent between 2006 and 2007. Still, more than one million autos are stolen every year in the U.S., costing an estimated \$7.6 billion.



Theft is often a crime of opportunity. The National Insurance Crime Bureau (NICB) recommends taking a "layered" approach to make your car a less appealing target for thieves. The first few steps are commonsense and simple to do; the others might require some investment:

- 1 Park in well-lit areas.
- 2 Lock your doors.

- 3 Remove your keys from the ignition.
- 4 Close windows completely.
- 5 Add a visible or audible theft deterrent, such as a car alarm, steering wheel lock, wheel locks or window etching.
- 6 Install or use a vehicle immobilizer system, such as a kill switch or starter disabler, or buy a car that requires a "smart" computerized key to start.

- 7 Install a tracking system, such as a GPS device that reports the car's location to a monitoring service. When you report it stolen, law enforcement agents can use the GPS information to locate your car. (Many cars, such as most recent GM models, come equipped with a tracking system.)

Does your auto policy cover theft?

The National Insurance Crime Bureau says that 62 percent of stolen vehicles are eventually recovered. However, many of these have significant damage. If your car was stolen and never recovered or suffered serious damage, would you have the money you need to buy a new car?

If you have the bare-bones coverage required by law, your policy provides liability coverage only. This type of policy covers your costs when you (or someone you give permission to) injure a third person or damage their property with your car. It provides no coverage for damage

This Just In

NOAA, the U.S. National Oceanic and Atmospheric Administration, has projected an 85 percent probability of an above-normal 2009 hurricane season. NOAA's outlook included a 67 percent chance of 14 to 18 named storms, of which seven to 10 are expected to become hurricanes, including three to six major hurricanes of Category 3 strength or higher.

NOAA's hurricane outlook reflects the expected level of hurricane activity for the entire season, which began in May and ends November 30. NOAA does not make seasonal landfall predictions since hurricane landfalls are largely determined by the weather patterns in place as a hurricane approaches.

Hurricanes can strike any area of the East or Gulf Coasts, although your actual exposure varies with region, how close you are to the coast and how low your property lies. For information on how to prepare your home and family for hurricanes, see the Federal Emergency Management Agency's (FEMA) website at <http://www.fema.gov/hazard/hurricane/index.shtm>. And check your homeowners policy to make sure you have adequate coverage to rebuild in the event of serious hurricane or other windstorm. For a policy review, please contact us.



Do You Have Enough Property Coverage on Your Home?

What is the appropriate amount of coverage for your home? The following guidelines will help you answer this question.

To begin with, you should insure your home for at least 80 percent of its replacement cost when you have a standard homeowners policy. Replacement cost refers to the amount necessary to repair or replace damaged building parts with items of like kind and quality.

Some insurance companies even require you to insure to 90 percent of value or higher when your policy has the guaranteed replacement cost option. With this option, the policy pays the full cost of replacing your home, without any depreciation and often without a maximum reconstruction payment. (This gives you added protection if there is a sudden jump in construction costs due to a major shortage of certain building materials. Construction costs often “surge” following large catastrophes, such as hurricanes.) Note that guaranteed replacement cost coverage approaches can vary by state and are not available in every state.

Many homes are either underinsured or overinsured. For example, some homeowners who have kept the same policy for a long time may have inadequate limits of insurance due to increased building costs. In many cases, they may have remodeled or improved their homes, but neglected to inform the insurance agent or company. This can result in severe underinsurance. If your home is underinsured, you not only have inadequate protection for total losses, but you may also lack full protection for smaller losses.

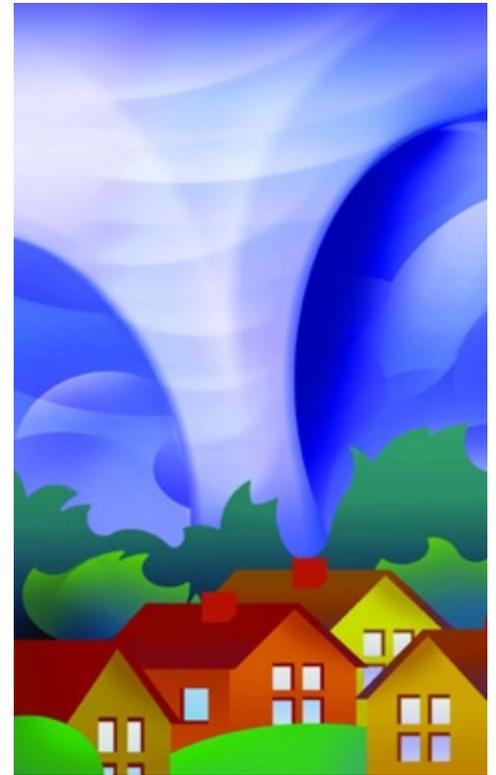
Sometimes homes are mistakenly insured for their market value. However, market value normally does not indicate the home's replacement cost. For example, market value also reflects the cost of the foundation and the nondestructible land value, both of which normally survive intact if the house burns to the ground and has to be rebuilt.

In addition, some homes may be insured improperly to meet mortgage company requirements. Some mortgage companies require the amount of insurance be at least equal to the mortgage balance on the house. The mortgage balance also does not reflect the home's replacement cost, which is often considerably more but can also be less. Insurance companies and agents often struggle in properly educating mortgage companies about these distinctions, but there is nothing to prevent you from insuring to actual replacement cost if that is indeed greater than the mortgage balance. The problem occurs when your mortgage balance is greater than the home's replacement cost, which could result in you purchasing higher limits than you need.

We can work with you to determine the correct replacement cost and corresponding insurance limit for your house. We have access to use sophisticated replacement cost estimating packages that can fairly and accurately determine the replacement cost value of your home. Factors that these programs use to determine replacement cost values include the following:

- * Square footage of the home, including its configuration
- * Construction costs for your community
- * Exterior wall construction type, such as frame, stucco, brick or brick veneer
- * Style of home
- * Number of bathrooms and bedrooms
- * Roof type
- * Attached garages, fireplaces, built-in cabinets and other special features, such as hardwood floors.

The more advanced replacement cost estimating programs require detailed information to improve the valuation estimate. For example,



a rectangular-shaped home with 1,800 square feet will have a much lower replacement cost than a similar-sized home with an “L” shape. In other words, the better cost estimating programs require information about the number of corners in the home. The more detailed information your agent asks about your home, the more confidence you can place in his or her recommended limit of insurance.

As a final note, you should request an annual review of your homeowners policy to keep up with increasing building supply and labor costs. Also ask us about the advisability of adding an “inflation guard” endorsement to your policy or about the availability of guaranteed replacement cost coverage to help assure that your home is properly protected. ■



Other Earthquake Safety Tips

- 1 Check your house's construction. A wood frame house should be strapped to its foundation; masonry buildings should be reinforced.
- 2 Bolt and strap water heaters and furnaces to the floor and/or walls to prevent them from tipping. Anchor bookshelves and other tall, heavy pieces of furniture to the walls and/or studs to prevent them from falling.
- 3 Locate electricity shut-offs and gas valves and learn how to shut them off.
- 4 Have tape, plywood, plastic and other materials on hand so you can cover windows and make other simple repairs to prevent weather damage after an earthquake or other disaster. Keep hammer, nails, saw and other simple hand tools easily accessible for emergencies.
- 5 Designate a relative or friend who lives outside your region as your family's emergency contact. If you are separated during an earthquake or other emergency, have everyone check in with this person as soon as possible, as local landlines may be down and cell networks overloaded.
- 6 Select a safe meeting place outside but not far from your home. Have family members meet there if your house is unsafe to enter after a quake.
- 7 Put together emergency supplies to support your family for at least three days. Include water and any necessary medications.
- 8 Take a CPR and emergency first aid class, or find out which of your neighbors have this training or medical expertise.
- 9 Keep your insurance program up to date. After a widespread disaster, the cost of building supplies and services go up because of demand—make sure your limits are high enough to allow you to rebuild. The National Association of Home Builders calculated the average construction cost for a single-family unit as \$219,015. Of course, actual construction costs will vary depending on your location, the size of the building and features. For a review of your homeowners insurance needs, please contact us. ■

to your own car or property.

You can add collision coverage to your policy, but this pays only when a collision damages or “totals” your car, not for any other cause of loss.

To obtain protection for theft or damage caused by something other than collision, you need comprehensive coverage. Comprehensive coverage will pay when your car is damaged or lost due to theft, fire, explosion, earthquake, windstorm, hail, flood, vandalism or riot, subject to the policy deductible. Your policy might call comprehensive coverage “other than collision loss” coverage. If your policy includes this wording, it will provide coverage for any type of “direct and accidental” loss, no matter what the cause, unless the policy specifically excludes it.

Many drivers mistakenly believe their comprehensive coverage will pay for the cost of renting a car until the stolen car is recovered or they can buy a new one. Sometimes this is true, but sometimes it isn't. Check your policy

— adding replacement rental car coverage to your policy will cost only a couple of dollars a month more, which can more than pay for itself if you need it.

You don't think comprehensive coverage is worth the extra expense? Make sure you're getting any available discounts to lower your insurance costs. Many states require insurers to give auto owners with antitheft devices discounts on their comprehensive insurance. Most insurers will provide discounts of up to 20 percent for passive antitheft devices, such as ignition cutoffs and automatic electronic auto recovery systems. Some will provide discounts up to 30 percent for more sophisticated antitheft devices, such as OnStar or other tracking devices.

To speed recovery of a stolen car, and to help make claims-filing easier, keep an extra copy of your registration and insurance card in your wallet or at home.

For more information on protecting your cars, please call us. ■

Earthquake Insurance

Standard homeowners and renters policies exclude coverage for earthquake-related damage — to obtain coverage, you must buy it separately. How much will you pay?

Earthquake rates vary greatly depending on your risk of earthquake-related loss. Factors that determine this include your distance from faults, how active those faults are, type of soil your house is constructed upon and your home's type of construction. For example, tilt-up buildings and unreinforced masonry buildings are more likely to collapse than a wood-frame building strapped to a foundation, which is more likely to sway with the seismic shock and recover.

If you buy earthquake coverage, you may have a separate deductible for earthquake-related damage, which could be 5, 10 or 15 percent of the insured property value. The insurer might also place a low-

er limit on earthquake coverage, to limit its exposures in case an earthquake in a major metropolitan area causes widespread property damage.

Your earthquake coverage might also be written on an occurrence and annual aggregate basis. This means that it will pay only up to the limit, regardless of how many earthquake-related claims might occur in the same policy year.

One way to keep your earthquake coverage costs down is to buy coverage with a high deductible. When buying insurance, keep in mind that the value of your land represents a significant portion of your home's value — particularly in dense urban areas. Buying coverage with the highest deductible you can realistically afford will keep your premium costs lower.

For information on evaluating earthquake coverage, please contact us. ■



Duck and Cover or Not?

Recently, an email entitled “Surviving an Earthquake – Please Read” has been circulating the Internet again. The article purports to be from Doug Copp, rescue chief and disaster manager of American Rescue Team International (a private company). Should you take the article’s earthquake safety recommendations seriously...or not?

This email message says that in an earthquake, the safest place is NOT underneath a piece of sturdy furniture or a doorway, but in a so-called “triangle of life.” Mr. Copp says that if you are not in one of these “triangles of life” during an earthquake, you are more likely to be crushed by the weight of falling building materials or a collapsing building.

Per Mr. Copp, “Simply stated, when buildings collapse, the weight of the ceilings falling upon the objects or furniture inside crushes these objects, leaving a space or void next to them. This space is what I call the ‘triangle of life.’ The larger the object, the stronger, the less it will compact. The less the object compacts, the larger the void, the greater the probability that the person who is using this void for safety will not be injured.”

However, the American Red Cross disputes this, saying, “Much research in the

United States has confirmed that “Drop, Cover, and Hold On!” has saved lives in the United States. Engineering researchers have demonstrated that very few buildings collapse or “pancake” in the U.S. as they might do in other countries.”

So for now, the American Red Cross recommends that when you feel a quake begin, move only a few steps to find a safe place, such as under a sturdy desk or table. Then “...hold on, and protect your eyes by pressing your face against your arm. If there’s no table or desk nearby, sit on the floor against an interior wall away from windows, bookcases, or tall furniture that could fall on you.”

As with anything you read on the Internet or in an email, consider the source carefully, particularly if it involves your health, safety or finances. Is it reliable and unbiased? Check other sites to see what they say. And to verify



whether something circulating on the Internet is fraudulent, check it out at www.snopes.com. Snopes researches many of the rumors and more sensational “news reports” circulating on the Web and in emails to verify their basis in truth — or lack thereof.

And if you come across any insurance-related information on the Web or in emails, you can verify it at any number of reliable sources. Just a few of the many good insurance-related sites available include the non-profit Insurance Information Institute, www.iii.org, your state’s insurance department (many of whose sites contain a lot of good general information on insurance coverages), and your insurance company’s website. And of course, you can always call us for any insurance-related questions.

EARTHQUAKE—continued on Page 3

What does a homeowners policy cover?

What your homeowners policy covers depends on which type of policy you have: a basic, or “named perils” policy; a broad form policy or an “all-risk” policy. The basic “named perils” policy covers you only for loss or damage caused by one of the perils named in the policy (hence its name). These are generally:

Fire or lightning	Windstorm or hail
Explosion	Riot or civil commotion
Aircraft	Volcanic eruption
Smoke	Vehicles (not owned by insured)
Vandalism	Malicious mischief

A broad-form policy provides broader coverage, covering you for the perils listed above, plus damage from burglary; falling objects; accidental discharge or overflow of water or stream; sudden and accidental tearing apart, cracking, burning or bulging; freezing; sudden and accidental damage from

artificially generated electrical currents; and weight of ice, snow or sleet.

An “all-risk” policy differs from the other two types of policies in that it covers you for damage or loss caused by any peril, unless specifically excluded by the policy. Typical policies exclude losses due to:

Ordinance or law	Earth movement
Water damage	Power failure
Neglect	War
Nuclear hazard	Intentional loss

(Source: FC&S Bulletins, Personal Lines Volume)

The “all-risk” policy costs more than the other types of policies, but it provides more comprehensive coverage. You can reduce the cost of an “all-risk” policy by taking advantage of discounts your insurer may offer; for information, please contact us. ■