

# Personal Lines



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Homeowners Insurance

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## Which Two-Wheeled Vehicles Need Insurance?

With higher gas prices and the economy in recession, people are looking at motorcycles and other motorized transport as a way to get around town. If you're thinking of buying, what do you need to know about insurance?



Even before gas prices went through the roof in 2008, motorcycle ownership was increasing. According to the Federal Highway Administration, motorcycle registrations increased 43 percent between 2001 and 2007.

### Motorcycles and motor scooters

Motorcycles and motor scooters both require licenses, registration and insurance.

The insurance is similar to auto insurance. You have the option to buy just liability coverage, which covers bodily injury

and property damage to other people and their property. In many states you can buy minimal insurance that provides \$15,000 per person and \$30,000 per accident for bodily injury. However, you should consider buying as much liability coverage as you buy for your car.

You can also buy several optional coverages:

- \* Collision coverage pays for damage to your vehicle if you hit another vehicle or object.
- \* Comprehensive coverage pays for damage due to vandalism and theft.
- \* Medical payments coverage

pays your medical costs if you are injured while riding your motorcycle/scooter.

- \* Uninsured/underinsured motorist coverage pays when you suffer injury or damage caused by an at-fault driver with insufficient insurance.
- \* Roadside assistance coverage pays for towing and labor at the site of the breakdown.

A total package of coverages can cost more than \$1,000 per year for an expensive motorcycle. If your motorcycle is financed, your lender may require you to buy collision and comprehensive coverages.

A recent study shows that the vast majority of Americans are maintaining their insurance coverage during the recession, but many are taking steps to reduce insurance costs.

The Insurance Research Council (IRC) found that 28 percent of people surveyed said that they had shopped for lower-cost auto insurance, which they normally would not have done. Six percent of respondents said they had cancelled their auto insurance, increasing the number of uninsured motorists.

A separate IRC study projects that the number of uninsured motorists will increase from 13.8 percent in 2007 to 16.1 percent next year. If you have an accident involving another car, you have a one in seven chance that the other driver will be uninsured. Additionally, some drivers carry only minimal insurance — insufficient to cover serious claims.

You can protect yourself by buying uninsured/underinsured motorist coverage, which reimburses you in an accident involving an uninsured, underinsured or hit-and-run driver.

In this tough economy, maintaining adequate home and auto insurance can protect you from financial disaster. If you would like an insurance review, give us a call.



# Covering a College Student's Belongings

If you are sending your child off to college this fall, you probably realize that your life is about to change. You might not realize that your insurance needs change as well. Here's what you need to know about college students and insurance.

**T**ake a peek inside a typical college student's room: you'll probably find a laptop, a smart phone, a television, a bike, clothing, jewelry and furniture. Altogether, most students bring thousands of dollars worth of property to school.

If your student is living on campus, her property is probably covered by your homeowners insurance policy. However, most policies do not cover the property of students living off campus. In either case, you will want to make sure your child's valuables are insured.

## Student property insurance

College students can buy insurance designed specifically to protect their personal property. This insurance has several attractive features:

- ✦ **Low deductibles:** While homeowners deductibles generally range from \$500-\$2,000, student policy deductibles can be as low as \$25. If your student's \$1,000 computer is stolen, he could receive \$975 to replace it.
- ✦ **First dollar payment:** Even if your student's possessions are covered by your homeowners policy, the student policy pays the claim. Your own claims history is not blemished by your child's loss.
- ✦ **Worldwide coverage:** This is important for students who plan to study or travel overseas.

Student property policies have limitations. Unlike most homeowners policies, they do not cover lost items — only stolen property, confirmed with a police report. Additionally, the policies do not have liability protection, which is standard in homeowners policies. This coverage costs about \$125 per year for \$5,000 in coverage with a \$25 deductible.

## Renters insurance

Renters insurance is worth considering if your child is living off campus. It covers personal property that is lost or stolen and also provides liability protection if someone is injured while in your student's residence.

According to the National Association of Insurance Commissioners, policies generally cost between \$15 and \$30 per month, depending on the location and size of the rental unit and the value of the possessions insured. As with homeowners insurance, you pay a larger premium for a lower deductible. Sometimes, roommates can buy one policy that covers everyone in the rental property.

You need to know whether you are buying "actual cash value" or "replacement cost" coverage. With cash value coverage, the insurer will settle a claim for a lost laptop for a depreciated amount. With replacement cost coverage, your settlement pays to actually replace the computer. You pay only the deductible. Replacement cost coverage costs more, but will provide a higher settlement for property claims.



Please note that some policies have separate, lower limits for valuable items such as jewelry, antiques and electronics. If your child's renters policy doesn't provide adequate coverage for his or her electronics, you can buy additional coverage by "scheduling," or itemizing, this property separately.

## Auto insurance

If your student is taking a car to school, call us to discuss the best way to handle your auto insurance. Auto rates may be significantly different in the city or state where the school is. We can run the numbers and let you know whether it makes sense to keep the car on your policy or buy a new policy.

## Identity theft

Identity theft costs victims more than \$5 billion each year. College students are especially vulnerable because they are more open to requests for personal information. (Think Facebook.) Your homeowners policy may already cover you and your family for the costs of reclaiming your identity. Give us a call and we'll confirm your coverage or give you information about adding it.

## Protecting your property

The Insurance Information Institute recommends several things students can do to help recover lost items and lower the odds of a theft.



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- ✱ Leave valuables at home. Do not take unnecessary items such as expensive jewelry.
- ✱ Create a dorm inventory. See [www.KnowYourInventory.com](http://www.KnowYourInventory.com) for an easy, online inventory form.
- ✱ Engrave electronics with the student's name.
- ✱ Lock the door. Insist that roommates also lock the door to a dorm room or rental unit.
- ✱ Use a laptop security cable.
- ✱ Beware of scams. Encourage your child to talk to you before buying anything that requires advance purchase or providing a Social Security number.

Whenever you have a major change in your family, it makes sense to see if your insurance matches your lifestyle. Call us to talk about insuring your college students and any other insurance-related questions. ■

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The kind of car you drive also affects your premium. Cars that are more likely to be stolen, such as the Cadillac Escalade, cost more to insure.

### Credit scores

Insurance companies may use credit scores to determine insurance rates. Insurers have found a direct correlation between high credit scores and low insurance claims.

The use of credit scores is controversial, especially since no one seems to know exactly why the correlation exists. Consumer watchdogs have criticized the practice and some states have passed laws that limit or restrict the use of credit scores in determining insurance rates. Nonetheless, in 2007 the Federal Trade Commission validated the use of credit scores as a legitimate underwriting tool.

### How to save money on your premiums

In addition to driving safely, there are several things you can do to save money on your auto insurance.

**Traffic school:** If you have a traffic violation, take advantage of traffic school, which

### TWO WHEELED—continued from Page 1

Many bikers save money by buying only liability insurance, which may cost as little as \$75 per year for coverage of \$250,000 per injured person and \$100,000 per accident.

If you are buying an expensive bike, it can make sense to buy vandalism and theft coverage. According to the National Insurance Crime Bureau, more than 60,000 motorcycles were stolen in 2008.

Insurance companies know which bikes are stolen most frequently and their insurance rates reflect the anticipated claims costs. According to the National Insurance Crime Bureau (NICB), just five makes account for more than 80 percent of motorcycle thefts: Honda, Yamaha, Suzuki, Kawasaki and Harley-Davidson. You will get lower insurance rates on a bike that's less likely to be stolen.

You may also save money on motorcycle insurance if you take a safety course. If you don't ride during the winter, you may be able to save money by eliminating collision and liability coverage for several months. Interestingly, the NICB has found that motorcycle theft has a clear seasonal pattern, with the most thefts occurring in July and August and the fewest during December, January and February.

### Other vehicles

Mopeds have been around for years, but now new kinds of small, motorized transportation are showing up on city streets: motorized bikes, motorized scooters and the Segway® Personal Transport — an electric scooter with two wheels on one axle.

Generally speaking, if a vehicle requires

a driver's license or registration, it also has to have insurance. It is important to realize that while state regulations may not require insurance for certain motorized vehicles, your homeowners policy may exclude coverage for them.

Homeowners policies generally provide coverage for motorized vehicles only if they:

- ✱ are used off-road.
- ✱ do not need to be registered.
- ✱ do not need a license to operate.
- ✱ are owned by the insured or used on insured property.

Mopeds usually require registration, and they can be insured on a motorcycle policy. Motorized bicycles — a traditional pedal-bike with an electric or gas motor added — are generally classified as bicycles and, therefore, do not need registration or insurance. Similarly, Segways and motorized scooters do not generally require insurance.

If you are motoring around town on your scooter and injure someone, you may find yourself in a gray area for insurance coverage. Segway wanted to make sure its buyers would be confident they were insured, so the company worked with an insurer to develop a special policy that provides collision, comprehensive and liability coverage just for Segways.

**Bottom line:** If you are thinking about buying any kind of motorized transportation, give us a call and we'll discuss your needs based on where you live, what you are planning to buy and your current insurance coverage. ■

in many states allows you to erase your violation from your driving record.

**Deductible:** Raising your deductible will lower your premium.

**Collision insurance:** If your car is several years old and showing its age, decide whether you need to carry collision insurance, which covers the cost to repair your car if you are at fault in an accident. Consider the tradeoffs between your car's value, your deductible and the additional annual cost of collision insurance.

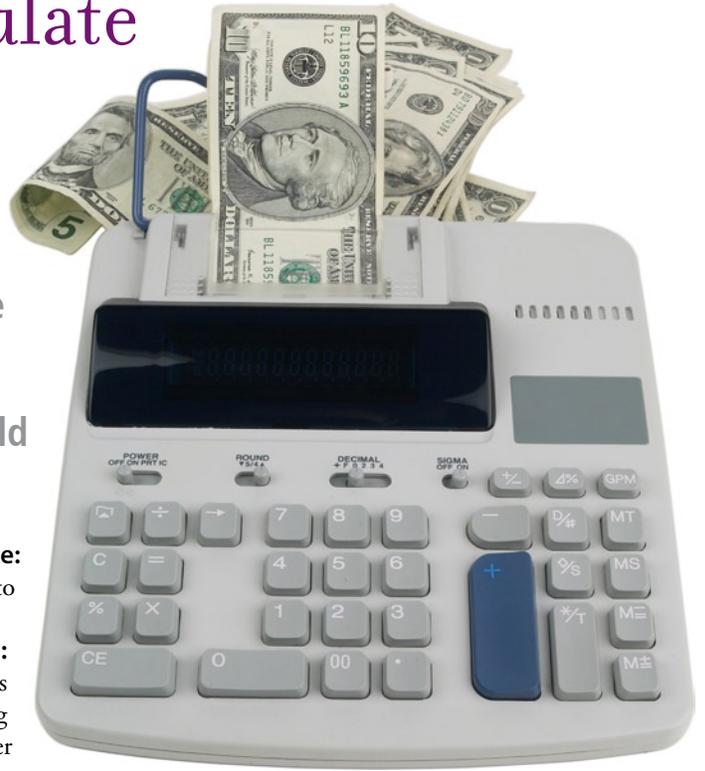
**College students:** If you have children who are away at college (i.e., 100 miles from home), you may be eligible for a reduced rate on your insurance.

**Credit score:** Improve your credit score by paying bills on time, paying down balances and not applying for unnecessary credit cards.

If you think any of these money-saving ideas could work for you, give us a call and we can discuss your current policy. ■



# How Do Insurers Calculate Your Auto Rates?



Most people know that having a car accident can affect the price of their auto insurance. However, insurance companies use many factors to determine what they charge, and some of those factors may surprise you. Knowing what determines your premium could help you save money.

**A**uto insurance premiums are determined by two factors: underwriting and rates. Underwriters use statistical analysis to determine the likelihood and cost of claims within broad classes of people — for instance, men 18-24 years old. Then the insurance company calculates what insurance rate it needs to charge each of those classes.

“Claims frequency” is the single biggest factor insurers consider in setting rates. This number reflects how often claims occur within a group of people, such as those men 18-24. Insurers use it to determine how much they need to charge to pay all of the claims they can expect. Young men pay higher rates than mature men because they are more likely, as a group, to have accidents.

Several other factors determine the ultimate rate you will pay for your auto policy:

- ✳ **Annual mileage:** More miles lead to more claims.
- ✳ **Driving record:** Drivers with previous accidents or moving violations pay higher rates.
- ✳ **Geography:** Urban areas have more claims.
- ✳ **Gender:** Men have more accidents.
- ✳ **Age:** The youngest and oldest drivers have more accidents.
- ✳ **Marital status:** Married people have fewer claims.
- ✳ **Prior insurance cancellation:** Previously failing to pay premiums affects current rates.
- ✳ **Vehicle make and model:** Sports cars average more claims.

## CLUE

If you have had an accident, you can't hide that fact from your insurer. Insurance companies feed their claims data into a central database, called CLUE, that each insurer accesses to determine auto rates for new and renewal policies. Your claims history stays in the database for seven years.

Consumers can receive one free copy of their CLUE report each year. If you find any inaccuracies, you can dispute them. Go to [www.ChoiceTrust.com](http://www.ChoiceTrust.com) to learn more.

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## Auto Insurance Goes Green

**I**f your auto insurance cost were tied directly to how many miles you drive, would you drive less?

The Brookings Institute and various government agencies have concluded that if consumers paid for auto insurance based on their mileage, the country would see an eight percent decline in miles driven, cutting carbon emissions by two percent and oil consumption by four percent.

Currently, low-mileage drivers receive only a minimal reduction in their auto rates, despite the fact that claims costs are directly related to the number of miles driven. Under a new system of pay-as-you-drive (PAYD), mileage would become a significantly more important component of the total rate each driver pays.

Mileage could be verified through either an onboard

electronic device, such as OnStar, or by verification of odometer readings. One insurance company proposes to let customers “buy” a certain number of miles each year and then verify the mileage only if they file a claim. Several other companies are looking at ways to implement PAYD.

At least one skeptical insurance executive doubts that PAYD will work. “People who don't drive much will sign up for it, reducing the total pool of premiums available to pay claims,” the executive said. “The companies will have to raise rates for other drivers, losing any competitive edge they may have with mainstream customers.”

Whether or not PAYD pans out, it pays to see if your actual mileage driven lines up with your policy. If you are driving fewer miles, we may be able to save you a few dollars. ■