

Personal Lines



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Homeowners

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Insuring Your Second Home

The National Association of Realtors reported that one in 10 real estate transactions during 2010 was for the purchase of a vacation home. Sales activity in some areas has intensified this year. If you're planning to buy a second home, please call us—vacation properties have different insurance considerations than primary residences.



Location, Location, Location

As in real estate, location matters. Your vacation home's location might put it at greater risk of windstorm, flood or fire damage than your primary residence.

Most homeowners policies cover damage resulting from windstorm. However, in some states,

including Texas and Florida, insurers can exclude windstorm coverage for properties in high-risk coastal areas. Mortgage lenders require windstorm coverage, so you might have to buy windstorm coverage separately. You can buy windstorm coverage through a high-risk insurance pool; please contact us for more information.

All homeowners policies exclude coverage for flood. If your lender determines your vacation home is located in a Special Flood Hazard Area (SFHA), or 100-year floodplain, it will require you to buy flood coverage. If you disagree with the lender's assessment of risk, you can apply for a Letter of Determination Review (LODR), a Letter of Map Amendment

This Just In

Women pay an average of 9 percent less for auto insurance than men, according to a survey conducted by InsWeb. Women paid a national median rate of \$698 for a six-month policy in 2010, while men paid \$765.

Women pay less for car insurance for several reasons. Among drivers who requested auto insurance quotes:

- ✱ Women were almost 50 percent less likely than men to have a DUI/DWI on their driving record.
- ✱ Women are approximately 10 percent less likely to have a moving violation on their record.
- ✱ Women own vehicles with an average list price more than 8 percent lower than the list price of vehicles owned by men (\$22,815 vs. \$24,861, respectively).
- ✱ Women listed as the primary driver are less likely than men to purchase a car insurance policy with multiple drivers and/or multiple vehicles.

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(LOMA), or a Letter of Map Revision Based on Fill (LOMR-F) from the Federal Emergency Management Agency, which administers the National Flood Insurance Program.

Relative fire risk depends on the property's location and construction, along with the area's topography, weather and fuels type. Your homeowners insurer will consider the type and level of fire protection available in your area and available water supplies when calculating your premium. If your local fire department has access to a stream, lake or sometimes even swimming pools, you can qualify for a price break of up to 25 percent.

Installing home sprinklers can also earn you a discount on premiums. Other measures to help mitigate fire risk include maintaining a "defensible zone" around structures, removing dry brush and ensuring access for emergency vehicles. For more suggestions, see the National Fire Protection Association's website, www.nfpa.org.

More Discounts on Insurance

Regardless of where your second home is located, it will cost more to insure than a primary residence. Why? Frequent vacancies make a second home more vulnerable to damage by vandalism and theft. Buying a second home in a gated community can qualify you for a discount of 10 percent with many insurers.

Installing an alarm system connected to a central monitoring station can reduce your premiums by up to 20 percent. A basic system that detects fire, smoke and break-ins costs approximately \$300-\$500, with monthly charges of \$25-\$50 for monitoring.

You can also get discounts by insuring your second home with the same insurer that insures your primary residence. Most discounts range from 5 to 10 percent. Some insurers offer package policies for homeowners, which cover multiple homes and cars, a boat and umbrella liability in one document. A package policy can also help eliminate gaps between your various coverages as well.

Rental Considerations

Many owners of vacation properties rent them out part-time. If you plan to do this, make sure your rental income outweighs the

InsWeb Senior Vice President of Operations Brad Cooper said. "Our data suggest there is very little rate variation when gender is the only difference between two drivers. The variance in the median rates is most likely due to differences in the underwriting profiles of our male and female consumers."

additional risk you take. Nobody takes care of a house as well as its owner, so insurers usually charge more—up to 20 percent—to cover second homes that are rented out. The more people in and out, the greater your chances of someone forgetting to turn off a faucet, lock a door or turn off a gas fireplace starter.

An occupied house has a lower risk of burglary, and someone is more likely to notice damage before it gets worse. For this reason, some insurers will charge less if the house is rented out more frequently. However, some homeowners policies will not cover damage caused by renters or their guests. If you plan to rent out your vacation home part-time, check your policy to see whether it provides this coverage.

Most rental homes are rented furnished. However, if you plan to rent your second home empty, tell your insurer—you shouldn't have to pay for contents coverage on an empty house.

Renting out a house increases your liability exposures. Individuals with second homes have enough assets to make an umbrella liability policy a good investment in peace of mind. If you do not already have an umbrella liability policy, please contact us for more information.

If you plan to rent out a second home long-term, a landlord's policy might provide better coverage than a homeowners policy. Landlord policies cover damage to your rental property, and protect you from liability claims filed by your tenants or their guests.

Protecting your investment in a second home with the right insurance and risk management plan can help make it a peaceful haven rather than a stressful obligation. Please contact us for more information. ■

Kidnapping: Not Just for Kids

In certain parts of the world, kidnap for ransom is a growth business—and adults are targets as well as children. If you plan to travel or work outside the U.S., the following information can help keep you safer.

- ✱ Check with the State Department before traveling to any country outside Canada. Heed any security warnings. When traveling to a dangerous country, inform the local embassy or consulate of your presence and where you will be staying.
- ✱ If traveling for business, make reservations in your name, not the company's. Use a personal card rather than a company credit card. Business travelers are more attractive kidnap targets, because kidnapers know they can tap into the corporation's deeper pockets.
- ✱ Where possible, reserve a room in an executive or concierge level, where security is generally better. Rooms on the third to 10th floors are the safest for security and fire reasons.
- ✱ Never publicize travel plans. Leave an itinerary, including phone numbers, with a family member, friend or your office.
- ✱ Make three copies of your passport's photograph page with the passport number. Keep one in your carryon, one in your luggage and one with a family member or in the office.
- ✱ Wear casual, inconspicuous clothing. Leave any obviously expensive clothing or jewelry at home.
- ✱ Carry inconspicuous, inexpensive luggage with covered nametags. Remove any company identification or logos.
- ✱ Avoid parking garages, which are often dimly lit and infrequently patrolled; use valet parking instead.
- ✱ If you don't know an area, ask the hotel concierge for the safest routes to your destination and what areas to avoid. If traveling by cab, ask for the names of reliable cab companies.
- ✱ Vary your routine daily. Predictability is a kidnapper's best friend! Vary your departure times and routes. Invest in good maps and know the safe havens along your routes; know the danger zones. These include high-crime areas, narrow and/or one-way streets,



- sparingly traveled roads, remote areas and tight curves or sharp corners.
- ✱ Keep a low profile. Avoid being photographed, even at social or entertainment events. Never give your name, company name or telephone number to a stranger.
- ✱ Avoid going out alone. You are safer in a group.

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- ✱ If you think you are being followed, notify security or the police. Stay in a public, crowded location.
- ✱ Sources differ on what you should do if you think you are under surveillance. The Bureau of Diplomatic Security says do not react; however, some security consultants suggest showing you know you are being watched. Clayton Consultants, a kidnap and ransom specialist, suggests asking a guard, police officer or employee to question anyone loitering near your business or home and to take a description of the person and vehicle, if applicable.

Lloyd's of London says that 70 percent of kidnappings resolve after payment of ransom. Kidnap, ransom and extortion (KR&E) insurance covers ransom payments, money lost while being delivered as ransom, and other expenses a family or employer incurs to secure the release of a kidnapping, hijack or detention victim. If you work for a multinational corporation or other organization whose employees travel overseas for business, you might have protection from a KR&E policy and not even know it. Experts generally recommend that companies buying KR&E insurance not tell anyone to avoid making employees more attractive targets.

For more suggestions on protecting yourself and your possessions while you travel, please contact us. ■

It's a car...It's a home... It's a Motor Home!

Whether you own a deluxe land yacht with all the bells and whistles, a mini motor home, a towable motor home or folding camper, having any type of recreational vehicle represents a change in lifestyle...and insurance needs.



You can insure most recreational vehicles under a personal auto policy (PAP). However, specialized recreational vehicle or motor home policies provide better coverage. You won't notice the difference until you need to file a claim, but then differences become apparent.

1 Damage to or theft of the vehicle: If your RV gets damaged or stolen, the PAP will pay only the actual cash value of the vehicle. This is the purchase price, less any depreciation. As you probably know, vehicles depreciate dramatically from the moment you drive them off the lot! An actual cash value policy won't pay enough to replace

your RV in event of a total loss or theft.

RV insurance usually offers you the option of buying agreed value coverage, where the insurer will pay you an amount specified when you buy the policy if your RV is a total loss or theft. Some insurers also offer total loss replacement coverage, which will pay for a new RV like the one you own if yours is stolen or suffers a total loss in its first five years.

If you cover your RV under a personal auto policy, the insurer will assign your claim to an auto adjuster, who may or may not have experience with RVs. When you buy a specialized policy, your adjuster will have training and experience in estimating damage and repair costs.

2 Damage to or theft of contents: Most personal auto policies don't cover personal property carried in the vehicle. Most homeowners policies provide protection for your personal property outside your home; however, they often place a limit on "contents coverage" and usually place strict limits on coverage for items such as electronics, jewelry, etc. In addition, your homeowners policy might not consider attached accessories, such as satellite dishes and other valuables, as part of the vehicle rather than part of your home's contents, and therefore not provide coverage. Many RV policies do offer this feature.

3 Personal liability: Your PAP covers you when you're driving and involved in an accident that injures another person or damages their property. And your homeowners policy pays if someone is injured at your home. But what policy protects you while using your RV as a vacation residence? Specialized RV policies can provide vacation liability coverage, which protects you from claims if someone is injured at your campsite or in your RV.

4 Towing/emergency assistance: Many PAP policies provide some coverage for towing and emergency roadside service. However, most policies limit coverage to a certain number of miles or dollars. Towing a Winnebago costs a lot more than towing a Mini Cooper, and RV dealers or servicers are fewer and farther between than auto mechanics, which could leave you with a significant bill.

Some RV insurers also offer coverage for temporary housing or travel expenses to help you get home if your RV is damaged while you are traveling. For more information on covering your RV, please call us. ■



The PAIN Index Drops

Auto insurance took a lower percentage less of median family income in 2008, continuing a drop that began in 2006, according to the Auto Insurance Report. The publication ranks the ratio of auto insurance expenditure as a percentage of median family income nationwide and by state every year. According to the January 11, 2011 issue, "The percentage of median family income consumed by personal auto insurance continued its sharp decline in 2008, just as it had in 2007 and 2006..."

In PAIN Index, PAIN stands for "Personal Auto Insurance Nastiness," a phrase the publisher devised to describe the relationship between income and insurance costs. According to the Auto Insurance Report, "Taken out of context, the average expenditure report can be misleading, failing to account for different levels of liability coverage purchased by consumers, or the differing values of the cars being insured. It is not possible to directly compare coverage by state, so we believe income level makes an excellent proxy. It stands to reason that states with high incomes will see drivers purchasing higher levels of liabil-

ity coverage. Further, people in higher income states are more likely to drive more valuable vehicles."

Countrywide, annual premiums averaged \$789, or 1.05 percent of the median income for a family of four of \$75,140. The District of Columbia earned the highest ranking on the PAIN scale with a premium/family income ratio of 1.85 percent, on average annual premiums of \$1,126 and a median family income of \$60,418. Next comes Louisiana, with a PAIN ratio of 1.67 percent (\$1,105.2 average premiums/\$66,256.39 median family income). North Dakota earned the spot as the least PAINful state, with a PAIN ratio of 0.67 percent (\$503 average premiums/\$75,140 median family income).

This information is presented for comparison purposes only; any family's premiums can vary greatly from the average in their state. Insurers consider the type and cost of insured vehicle(s), garaged location, miles driven, insured drivers' driving records and age, garaged location, credit rating and more. For information, please contact us. ■

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