

Personal Lines



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Auto Insurance

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How to Understand Your Insurance Policy

When you buy or renew an insurance policy, you should review it to make sure coverage reflects your current needs. The following article will help you understand the various parts of your personal auto policy (PAP) and what to look for.

As with any insurance policy, your auto policy is a contract between you and your insurer. The policy and any attachments (called “endorsements”) spell out the terms of the agreement and what the policy covers, along with any limitations or exclusions. An auto policy has the following parts:

Declarations Page

The first page of your policy, the declarations page outlines your agreement with the insurance company. It contains information personalized for you, so you will want to review it to ensure this information is correct. This includes the name of the insurer and

policyholder(s), policy number, policy period, description of insured vehicle(s) and their identification numbers, and the garaging address.

The declarations page also lists the financial details of your agreement, including the coverages you have selected, the limit of liability for each (the maximum the insurer will pay for this type of claim), and the premium for each coverage.

If you have a loan on the car(s), it will list your bank as “loss payee,” meaning the policy will pay the



This Just In

The number of auto crashes has been declining for decades and the trend will continue, predicted Brian Sullivan, editor of *Auto Insurance Report*, at the Auto Insurance Report National Conference in April. Sullivan attributes the decline to improved auto safety and better demographics.

Sullivan says the number of auto crashes dropped from 17.9 million to 11.5 million between 1980 and 1990. Aside from a spike in 2000, numbers have continued to decline, reaching 10 million in 2008, “even though miles driven continued to climb until peaking at more than 3 billion in 2008 before drifting down along with the economy.”

Claim costs have also declined, partly because of more business-friendly courts, but also due to auto safety features, including crumple zones, air bags, side impact protection and roll-over protection. These features have paid off in dramatic reductions in auto crash fatality rates: from 1.73 per million

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bank in case of a total loss to the car.

It should also list any discounts or credits you might have. Finally, it lists the forms that make up the rest of the policy, along with any endorsements, or additional coverages that you buy, plus their premium.

Insurance Policy

The policy itself forms the second part of the insurance contract. This is almost always a standard form. Most policies include the following sections:

- ✱ **Insuring Agreement.** In the insuring agreement, your insurer states that it agrees to pay any covered claims you incur during the policy period, up to stated policy limits, as long as you pay your premiums.
- ✱ **Definitions.** Most policies include a section with definitions of some of the terms used in the rest of the policy.
- ✱ **Coverages:**

Part A – Liability Coverage. Every state requires owners to have a certain minimum of liability coverage, usually expressed as three numbers, such as 25/50/20. The first number refers to the per-person bodily injury limit, or the maximum a third party injured in an accident would receive from the policy, in thousands. The second number indicates the per-accident bodily injury maximum in thousands. This policy would pay a maximum of \$50,000 in bodily injury claims per accident, regardless of how many people were injured. The final number indicates the property damage limit per accident, which in this case would be \$20,000.

Part B – Medical Payments Coverage/Personal Injury Protection Coverage. In states with fault-based auto insurance systems, this coverage helps pay medical bills of the insured if injured while driving, while a passenger in another car, or as a pedestrian. In no-fault states, you might have personal injury protection, which would cover your medical payments.

miles traveled in 1995 to 1.13 in 2009. Sullivan predicts the next generation of safety features, accident avoidance systems, could have a “profound impact on the number of accidents.”

Many insurers offer discounts on insuring cars with certain safety features and/or for drivers who take safe-driving classes. For more information, please contact us.

Part C – Uninsured Motorists Coverage (UIM). Not all drivers buy required liability coverage, so this section covers you if you are involved in an accident with an uninsured driver. If you lack this coverage, an accident with an uninsured driver could leave you with repair or medical bills, even if the accident was not your fault. Although it’s optional, we highly recommend you buy this coverage.

Part D – Collision and Comprehensive Coverage. These optional coverages pay for property damage to your own car. Collision coverage pays for damage by impact with another car or object, regardless of whether you are at fault. Comprehensive covers your car from loss or damage from other causes, such as theft, fire, vandalism, water or animals. Whether you opt to buy these coverages should depend on the value of your car and your risk tolerance.

Part E – Duties After an Accident or Loss. Included in every policy, this section outlines your responsibility to notify your insurer about every accident promptly, and other responsibilities.

Part F—General Provisions. This section describes the conditions that apply to your coverage. If you have questions on any of these, we are happy to discuss them with you.

Optional Coverages. In addition to the coverages outlined above, many insurers offer additional coverages, such as personal injury protection (additional medical coverage for you and insured family members), towing/labor coverage, coverage for electronics and more. Please contact us for more information. ■

Do You Need Earthquake Insurance?

As the 200th anniversary of the New Madrid earthquake approaches, it serves as a reminder that earthquakes can affect many areas of the U.S., not just California. Do you need coverage for earthquake or seismic events?

Many areas of the U.S. are vulnerable to damage from earthquakes or seismic activity. These include many areas of California, coastal areas of Oregon and Washington, along with several cities on the East Coast, including Charleston, S.C. and Boston. Another major earthquake in the New Madrid Seismic Zone in the central Mississippi Valley could devastate Memphis and St. Louis, with damage possible in areas ranging from Arkansas and Mississippi in the south to Illinois and Indiana in the north.

In Missouri, the percentage of homeowners who have earthquake coverage ranges from a high of 63 percent in St. Louis County, to a low of 32 percent in Pemiscot County. Even in California, where residents have had more recent reminders of the Earth's power, only about 12 percent of homeowners have earthquake coverage.

The standard homeowners policy excludes coverage for damage from all types of earth movement, including earthquakes, landslides, mudslides and shock waves associated with volcanic activity. You can buy earthquake coverage in a separate policy or add coverage to your homeowners policy by purchasing an earthquake endorsement.

Earthquake coverage generally applies only to damage caused directly by earthquake. Although earthquakes often trigger other events, such as tsunamis, landslides, mudslides and subsidence, earthquake insurance will not cover damage from these causes. However, a flood policy would cover tsunami-related damage.

When buying earthquake coverage, you should know that:

- 1** Earthquake coverage usually has a separate deductible. Your homeowners insurance policy has a deductible expressed as a dollar amount, such as \$500 or \$1,000. You must pay this amount out of pocket before the policy will begin paying for a covered claim.



Earthquake deductibles usually equal a percentage of your policy limit, or insured amount. Most insurers sell coverage with 10 percent or 15 percent deductibles, although amounts can range from 2-20 percent. A higher deductible may qualify you for premium discounts.

If you insure your home for \$400,000 and have an earthquake deductible of 10 percent, you would have to pay \$40,000 toward covered earthquake damage before the insurance began to pay.

- 2** Most earthquake policies also have a separate deductible for contents. If you insure your home's contents for \$200,000 and have an earthquake deductible of 10 percent, you would have to pay a \$20,000 deductible for damaged or lost contents, in addition to your dwelling deductible.

High deductibles are the reason many people consider earth-

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quake coverage catastrophic coverage only—useful if an earthquake destroys your home completely, but not if it is simply damaged.

- 3 Does the policy include additional living expense coverage if you can't live in your home due to damage? Additional living expense coverage will pay towards moving, rent and other additional expenses for up to one year while your home is repaired or rebuilt.
- 4 Does coverage apply to the dwelling only, or does it cover accessory structures, such as separate garages, swimming pools, etc.?

Knowing the following information about your area and home can help you decide whether you need earthquake insurance and if so, how much:

- proximity to active earthquake faults
- frequency of earthquakes and time since the last one
- type of construction and foundation
- earthquake-resistant design/construction features
- geologic structure of the earth beneath, including type and condition of soil
- quality of construction and materials
- value of the building and its contents

We can help you evaluate your earthquake exposures and coverage available in your area. Please call us for more information. ■

Insuring Your Boat

In 2009, the Coast Guard counted 4,730 recreational boating accidents that involved 736 deaths, 3,358 injuries and approximately \$36 million dollars of damage to property. If you own or regularly operate a boat, you probably need more coverage than your homeowners policy provides.



A survey by one insurer found that 29 percent of all boat owners did not have a separate watercraft insurance policy. Many boat owners mistakenly think their homeowners or personal auto policy will provide coverage; however, the standard homeowners policy limits property damage coverage for boats

to \$1,500—far less than the value of most recreational boats.

Further, the standard homeowners insurance policy excludes coverage for any liability you may incur arising from “ownership, maintenance, use, loading or unloading” of watercraft. If you have a smaller boat, you might be able to obtain the liability coverage

you need with an endorsement to your homeowners policy. But if you own a larger craft, a specialized boat insurance policy offers property coverage to protect your investment in your boat, along with the liability coverage you need to protect your family from catastrophic lawsuits.

What boat insurance covers

Like your homeowners policy, boat insurance contains two parts: liability coverage and property coverage.

The liability portion covers you for injuries or property damage you or an insured family member cause to another person through your boating activities. Liability limits under boat insurance policies usually range from \$15,000 to \$300,000; yacht policies can provide from \$300,000 to \$2 million in coverage. You'll want to ensure you have enough coverage to protect your assets in case of a serious lawsuit; you can insure part of your liability exposure through a personal liability umbrella.

The property portion covers you for property damage to your own boat. Most boating-related claims—and therefore, most of your premium costs—involve property damage to your own boat. How much coverage you want—the limits of your policy—will depend on the boat's value. If you just bought a brand-new boat, you'll want to insure it for its purchase price. If you have an older boat, an examination of boating “blue books” or an appraisal by a marine surveyor can help determine its worth.

Where you dock and operate your boat will also affect how much your coverage will cost. You'll pay more to keep a boat in hurricane-prone Florida than in California, for example. Operating a boat primarily in saltwater exposes it to more of the elements and makes it more vulnerable to damage over the long term than a boat operated in fresh water.

The length of the boating season in your area also enters into the equation. A boat on Lake Ontario has a shorter operating season—and lower risk exposures—than one on Lake Mead.

The underwriter will look at your boating experience, the size of the boat and your motor vehicle records (because a bad driver will

generally be a bad boat captain) to evaluate the risk you pose. Taking a boating safety or other boating-related course can reduce your risk of accident and might lower your insurance costs.

You'll want to be sure your boat policy covers your trailer and the boat's motor. You can also endorse the policy to provide coverage for personal belongings stored on the boat, dinghies and fishing gear. For more information on insuring your boat, please contact us. ■



Safety First!

Drowning accounts for two-thirds of all boating deaths—even more if deaths with unknown cause are excluded—but does not account for the same fraction of deaths for all types of boats.

Personal watercraft (PWC) accidents are more likely to result in blunt trauma injuries (in part because of speed). But another important reason why PWCs have fewer drownings is because most states require PWC operators and passengers to wear life jackets.

Other boaters are less likely to wear their life jackets. Coast Guard observational studies have found overall life jacket wear rates of 17.4 percent for all boaters excluding PWC operators. Among those in power boats, only 3.9 percent wore life jackets.

Among boating accident victims who drowned, 84 percent were not reported as wearing a life jacket. To protect life, ensure everyone in your boat has—and wears!—their life jacket. ■

What to Do Before an Earthquake

Identifying potential hazards can reduce the dangers of serious injury or loss of life from an earthquake.

1 Check for Hazards in the Home

- ✓ Fasten shelves securely to walls.
- ✓ Place large or heavy objects on lower shelves.
- ✓ Store breakable items in low, closed cabinets with latches.
- ✓ Hang heavy items such as pictures and mirrors away from beds, couches and anywhere people sit.
- ✓ Brace overhead light fixtures.
- ✓ Repair defective electrical wiring and leaky gas connections. These are potential fire risks.
- ✓ Strap water heaters to the wall studs and bolt them to the floor.
- ✓ Repair deep cracks in ceilings or foundations. Get expert advice if there are signs of structural defects.
- ✓ Store hazardous and flammable products in latched cabinets with latches and on bottom shelves.

2 Identify Safe Places Indoors and Outdoors

- ✓ Under sturdy furniture.
- ✓ Against an inside wall.

- ✓ Away from where glass could shatter or where bookcases or other furniture could fall.
- ✓ In the open, away from buildings, trees, telephone and electrical lines, overpasses or elevated expressways.

3 Educate Yourself and Family Members

- ✓ Contact your local emergency management office or American Red Cross chapter for more information on earthquakes.
- ✓ Teach children how and when to call 9-1-1, police or fire department and which radio station to tune to for emergency information.
- ✓ Teach all family members how and when to turn off gas, electricity, and water.

4 Have Disaster Supplies on Hand. Supplies include flashlights and batteries, battery-operated or crank radio, first aid kit, essential medicines, cash and credit cards, and sturdy shoes.

5 Develop an Emergency Communication Plan

- ✓ In case family members are separated from one another during an earthquake, develop a plan for reuniting after the disaster.
- ✓ Ask an out-of-state relative or friend to serve as the "family contact."

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