

Frequently Asked Questions

Accident With a Borrowed Car: Whose policy pays?

If you lend your car to a friend and your friend has an accident, it might be your insurance that's on the hook. It all depends on the insurance company that issued your policy. One company's policy may state:"the insurance follows the car"; while another company's policy says the driver's insurance is the primary coverage even though you own the vehicle involved.

Let's take a look at the two different scenarios:

- **If the insurance follows the car** and you lend your car to a friend, your coverage is considered the primary coverage. If your friend has an accident, it's your insurance that will pay the claim. If the accident is serious enough to use up all of your policy's coverage, then your friend's coverage, which is considered secondary, might also be used.
- **If the insurance follows the driver**, coverage is provided the other way around. If you lend your car to a friend and they have an accident, it's their policy that is considered primary coverage, meaning their insurance company will pay the claim. In this case, your policy would be secondary and wouldn't pay for anything unless your friend's policy limits were used up.

All these rules go out the window in many cases if the person borrowing the car happens to be a relative who resides in the same household as the owner. You should read your policy carefully to see what type of coverage applies to you.

Remember these two things: First, always exercise caution when it comes to lending your car. Second, if you're ever in doubt about whether you or another driver is covered in any given situation, please call us.

Rental Cars: Should you purchase rental agency coverage?

If you have collision and comprehensive ("other than collision") coverages on your own car, you are most likely covered if you're traveling in the United States, its territories and possessions or Canada (for example, travel in Mexico, the Bahamas or Europe would not be covered). Most policies (except business policies) cover any rental car that you drive at no additional premium. Business cars frequently require an extra premium to afford the same coverage. Give us a call before you leave for your "fun in the sun and/or snow" to confirm your coverage.

What To Do After an Accident.

You've been in an accident. Here are some general guidelines about what to do next:

- Stop at once. Never leave the scene of even a MINOR accident.
- Seek medical assistance and summon police.
- Do not admit fault. Do not comment about the accident to anyone but your insurance representative and the police. Never accept or make an offer of cash, check or "private" settlement.
- Gather accident information. Note the date and time of accident.
- Obtain information on the other driver including: name, address, phone number, make of car, vehicle license number, insurance company and agent's name and telephone number.
- Record a description of what occurred.
- Draw a diagram of the accident showing the direction of both cars and the point of the accident. Include street names and location of traffic signs/signals.
- Report the accident promptly to your insurance agent.

Cellular Phone Coverage

Since many of us now have cellular telephones, we thought it might be worthwhile to highlight a few points regarding how insurance applies to this technology:

If a cellular phone is stolen from your car (or along with your car if it is stolen), is the phone covered by your auto insurance?

No, it is not unless the phone is permanently installed and powered by the car's electrical system.

Is your portable cell phone covered by your homeowners or renters insurance?

Sometimes it is, but coverage is subject to the policy provisions and deductible in your homeowners or renters policy.

Can you buy broader coverage for your portable cell phone?

Yes, most companies offer a special, broader coverage for portable cell phones that can be added to a homeowners or renters policy. Call us for details.

What if you lease a portable cell phone?

If you lease a phone, check with the company you lease the phone from to see what (if any) coverage they may provide. You may then want to check with us to compare coverages and cost.

Lease Loan Gap Coverage

If you are thinking about leasing or buying a car, you might consider adding Lease Loan Gap (LLG) Coverage to your auto policy. LLG Coverage is an extension of your auto's physical damage coverage.

Ordinarily, your comprehensive and collision coverages provide you with up to the actual cash value (the vehicle's cost minus depreciation) in the event of a total loss. When you sign a lease or loan agreement, you may be obligating yourself for an amount higher than the vehicle's actual cash value.

At a cost of approximately 5% of your current comprehensive and collision premiums, LLG Coverage protects you from out-of-pocket expense when such a "gap" occurs. Although there are some limitations, LLG Coverage will pay up to your lease or loan amount if your car is stolen or if the cost of repairs is greater than its salvage value. Contact our office and we'd be happy to discuss this coverage further.

Note: Some car manufacturers may provide gap coverage as part of the lease agreement --- check your particular contract for details.

New Car Selection: Safety Counts

The Insurance Institute for Highway Safety has published a shopping guide for those wanting to buy a new car based upon safety features. While the guide does provide specific car lists (from station wagons to sports cars) it also reveals some overall safety basics to keep in mind.

Vehicle size - Quite simply, bigger means safer. According to the shopping guide, "People in small vehicles are injured more often and more severely than those in large vehicles." In relation to their number on the road, small vehicles account for more than twice as many occupant deaths as large vehicles. Small sport utility vehicles have the highest death rates of all, in part because of their greater involvement in fatal rollover crashes. "While utility vehicles and passenger vans might go head-to-head in a popularity contest, passenger vans have good on-the-road crash experience --- similar to that of station wagons."

Air bags - Serving as a buffer between vehicle interiors and occupants' heads and faces, air bags provide automatic protection in frontal crashes. The Institute advises that although "the speed and force of air bag inflation may occasionally cause minor injuries such as abrasions, this slight risk is far outweighed by the benefits." This type of injury can be reduced by selecting a seat position that is not too close to the steering wheel.

Safety belts - Remember, the more comfortable the safety belt, the more likely you are to **always** use it. Even though shoulder belts allow some forward movement, automatic crash tensioners and/or belt webbing grabbers can reduce the chance of an occupant hitting the steering wheel or dashboard in a serious frontal crash.

Antilock brakes - Especially designed to avoid skidding and loss of control, antilock brakes automatically pump several times a second. Drivers need to become familiar with the difference in braking style as antilocks require heavy braking pressure to activate this safety feature.

Head restraints - Required in the front seats of all new passenger vehicles, head restraints prevent occupants' heads from snapping back in a rear-end crash. Look for a fixed head restraint or an adjustable restraint that is designed to protect tall and short people even in the "down" position. Avoid a poorly-designed adjustable restraint that would only protect the shortest occupants.

Built-in child seats - Several cars and vans offer built-in child safety seats as options.

Uninsured Motorist Coverage: Do I Really Need It?

You're driving your son to soccer practice when you are rear-ended at a stop sign. Dealing with the initial trauma of the accident and injuries and the subsequent disruption of a period of medical recovery and the inconvenience of car repairs is bad enough. What if the injuries are serious? And what if the at-fault driver has no insurance? Where do you turn?

This is where your Uninsured Motorists (UM) Coverage comes into play.

What is UM Coverage? The Ohio Insurance Institute defines it as coverage that "pays the policyholder and passengers **in** his/her car for losses sustained by reason of bodily injury ... caused by the owner or operator of an uninsured automobile or a hit and run driver."

What is the difference between Uninsured and Underinsured Motorists Coverage? Underinsured Motorists Coverage covers you and passengers in your car for "losses unpaid because sufficient bodily injury liability limits are not available from the policy of an at-fault driver." In other words, **Uninsured Motorists** covers you if the wrongdoer has no insurance while **Underinsured Motorists** covers you in the event that the wrongdoer has some coverage but not enough.

Many people wonder if UM is really necessary. After all, isn't liability insurance mandatory? How can there be any uninsured drivers out there? The problem is not everyone obeys the law. The Office of Public Safety for the State of Ohio recently quoted to us in a telephone interview that 7% of the drivers convicted of moving violations in a recent six-month period were found to have no insurance. There are upwards of 11 million automobiles registered in the State of Ohio. If even 5% of them are uninsured, that's a frighteningly high number!

Others question the necessity of UM in light of the fact they have very comprehensive medical coverage. In the event of an accident with an uninsured driver, they assume their own medical coverage will fully protect them. Yes, medical insurance would likely cover most medical expenses.

But it will not generally compensate the injured person for lost wages, disfigurement, pain and suffering, mental anguish, and changes in quality of life. For a person permanently disabled following an accident, even things such as modifications to make a home and a vehicle more accessible can cost tens of thousands of dollars. UM can compensate the victim in these broader areas.

There are ways insurance dollars can be saved, but paring down or going without UM is one we strongly discourage. The largest claim in our agency history is not a huge fire loss or a big liability settlement. It is, you guessed it, a UM claim.

Uninsured Motorist Property Damage Coverage

It is estimated that one out of every 20 motorists is driving uninsured. Although this figure represents only 5% of today's drivers, uninsured motorists are responsible for approximately 13% of all auto accidents. If you become involved in an accident with an at-fault driver of an uninsured motor vehicle there are coverage options available to ensure that you are adequately protected:

- **UMBI-** Uninsured Motorists Bodily Injury Coverage provides bodily injury coverage for you and for the occupants of your vehicle. Most policies already provide this coverage.
- **UMPD-** Uninsured Motorists Property Damage provides coverage for your vehicle. Vehicles without collision coverage have no protection for damage resulting from an accident with an uninsured driver. If the optional UMPD coverage is added to your policy and you find yourself tangled in an accident with the at-fault driver having no insurance, you won't be left to pay for the damage to your car out of your own pocket.

Please contact us if you want to check into how your particular company's UMPD coverages are structured and priced.

Homeowner's Insurance

Tornado Damage: Are you covered?

Does windstorm include tornado?

Since the policy specifically refers to windstorm as a covered cause of loss, some residents have wondered what exactly windstorm includes. Tornadoes, hurricanes, high winds, thunderstorms and blizzards are all included in the definition of windstorm. Your homeowners policy also provides 'loss of use' benefits to cover additional living expenses while repairs are being made to your home.

Please call us with any specific questions regarding your property coverage. We are always happy to review your current coverage needs.

Volunteer Activities: Are you covered?

You are a volunteer soccer coach, a 4-H advisor, a chamber of commerce committee member, on the church board, or you helped raise contributions for the last United Way campaign. Perhaps you have volunteered hundreds of hours this year without a thought of insurance coverage. If someone is injured, who pays for any legal action brought against you in these volunteer activities? If you serve as a board member and are sued for breach of duty, imprudent investments, discrimination in hiring or wrongful termination, are you covered? To answer these questions, there are two places to check: your home insurance and the organization's insurance. Let's look at them:

Your homeowners insurance policy gives you liability protection for bodily injury and property damage to others in non-business activities, like a child who is injured when you are the volunteer soccer coach or 4-H advisor. On the other hand, no protection is provided if your volunteer activity is related to a business (chamber volunteer, union, trade or professional association representative, etc.) or if you receive any compensation. Any legal action other than bodily injury and property damage is not covered (an exception: some homeowners policies cover personal injury --- libel, slander, false arrest, false imprisonment, etc.).

Also check for coverage under the organization's policy. Ask the organization leadership for proof of insurance for general liability, directors and officers liability, and employment practices liability. Also check to see if volunteers are covered (named as additional insureds) under those policies. Some other potential loss situations could include:

- Failure to examine documents signed
- Silence with respect to improper conduct of fellow officials
- Improper rejection of bids
- Failure to exercise diligence in management
- Incurring unnecessary expenses

Communities are fortunate to have so many volunteers donating their time in a host of different areas. This discussion is not meant to discourage any present or prospective volunteers. Rather, our intent is to help individuals be well-informed, comfortable and adequately protected when it comes to volunteering.

Earthquake, Flood and Sewer Back-up

While not wanting to dampen your anticipation of this long-awaited season, it is a good idea to review some optional coverages you may wish to add to your current homeowners policy. Flood insurance as well as the sewer back-up and earthquake endorsements are worth a brief examination.

Flood- Since flood damage is excluded under your homeowners coverage, you should be aware that flood insurance is available from the National Flood Insurance Program. Most Ohio communities have qualified for the program that provides coverage for surface flooding only. Structural and contents protection are offered. A \$500 deductible applies.

Sewer Back-Up- This endorsement provides protection for direct loss caused by water that backs up through sewers, drains or sump pump wells. Just as flood insurance excludes coverage for sewer back-up, this endorsement excludes any coverage for damage due to flooding. Coverage is subject to a deductible.

Earthquake- Coverage is available with the premium determined by the structure of your home or building. Because it will better withstand an earthquake, a frame structure is less to insure than a masonry one. A substantial deductible (often a percentage of the amount of insurance that applies to the destroyed or damaged property) is in effect.

For clarification of your current policy or information regarding the above coverages, please contact us. We welcome the opportunity to evaluate your present needs and to discuss possible insurance improvements for you and your family.

Your Home Business: Know Coverage

Test your knowledge of your homeowners insurance:

Are you covered?

- While caring for a child for a fee, the child is injured in your home. The parents expect you to cover the hospital bills.
- You replace your friend's car brakes for a "few bucks" and the car is damaged or your friend is hurt in some way. He expects compensation.
- A friend slips on an icy walk or trips on a toy while picking up the craft item she paid you to make. She expects you to cover medical bills.
- You use your detached garage for a small woodworking business and the garage is damaged in a windstorm. You want your garage rebuilt.
- You do word processing for a fee from your home. Your computer is stolen. You want it replaced.
- You are a self-employed sales representative with an office in the home. While entertaining a client in your home, the client is injured and expects compensation.

In each situation described, the answer is probably "not covered" --- unless you have added specific coverage to your policy for this home business. Take away the compensation, or business aspect, and each would probably be "covered". Situations like those described can be covered in one of three ways:

- Your employer may cover it if your business is conducted on behalf of your employer.
- A business insurance policy may be purchased to cover it.
- Your home insurance policy can sometimes be broadened to cover it.

If you have any concerns about a business-type activity in your home, call us. We'll be happy to discuss it with you.

Money Saving Tips

Controlling household expenses is something we all try to do. We want to help you reduce your home insurance costs when possible. Here are some points to consider:

Smoke alarms. Check your policy or contact us to see that you are receiving a discount. If you don't have alarms, get them. Not just for the discount, but for your family's safety.

Higher deductibles. The standard deductible today is \$250. If yours is lower, you are paying an added charge. If you choose a \$500 or higher deductible, more savings are available.

Delete unneeded coverage. Review your policy. There may be jewelry listed that has since been sold, endorsements for businesses in the home that are no longer in operation or other unnecessary coverages.

Central station alarms. Fire and burglary alarm systems that automatically dial a central station can provide both good security and a significant premium savings.

Combine home and auto insurance in one company. Companies often offer a discount on the home and auto insurance or both when carried by the same insurer.

In addition to these money-saving tips, some companies offer discounts if you have fire extinguishers, deadbolt locks or a loss-free record. Check with us to see if your plan offers any of these options.

Remember, *under insuring is not a recommended way to save* premium as it can lead to serious problems settling a claim. Whether it's a question about cost or coverage, we're always willing to review any insurance concerns with you. Please call us.

Homeowners Insurance: Covering the Bizarre Losses

Just how broad is your insurance coverage? Will it cover sunken tractors? This true story has occurred several times: our client parks his riding mower on a hill, dismounts, and the tractor slips out of gear and rolls into the pond. Covered? Only if you have an HO15 endorsement on your policy.

You don't have a riding mower or a pond you say? The HO15 endorsement broadens a homeowners policy so that it also covers other personal property lost due to extraordinary situations. Consider these other covered losses:

- Lost jewelry or gemstones falling out of jewelry not specifically insured (subject to a policy dollar limit).

- Loss in value when a gemstone is scratched or cracked (subject to a policy dollar limit).
- Cameras or other personal items falling overboard from a boat or a capsized canoe.
- A hot iron falling on and scorching an area rug.
- A deer crashing through a sliding glass door causing extensive damage to household contents as it struggles to deal with the unfamiliar surroundings of a family room.
- Raccoon damage (rodents and vermin are not covered).
- Lost hearing aids, eyeglasses, telescopes, cameras, etc.
- Spillage of paint, India ink, nail polish, acid, bleach, and other chemicals that damage household contents.

Most home insurance policies list 17 or 18 different perils of coverage for household contents that do not include the above or numerous other bizarre possibilities. The H015 will cover most of these --- subject to your policy deductible.

Insurance Fraud

Be a Fraud Buster!

Fraudulent insurance claims cost us all money. Toll-free numbers are available for reporting information concerning fraudulent insurance claims. The caller's identity is kept confidential and an individual may talk with a trained investigator or leave information anonymously on a telephone answering machine.

Funds spent on fraud detection are a good investment. According to the National Insurance Crime Bureau, the property/casualty industry is recovering \$3.50 for every \$1.00 it invests in detecting fraud.

If you want to report insurance fraud, please call our office. You can also contact the National Insurance Crime Bureau at the number shown below. Be a fraud buster. We can all help fight insurance fraud.

NICB Fraud Hot-Line: 1-800-TEL NICB

Long Term Care Protection

With costs approaching and frequently exceeding \$30,000 annually, this is an area of concern to all, especially those who have been successful in accumulating significant assets.

Extensive planning is often done to conserve these assets and protect them from high estate taxes. It is equally important to consider the effect a long-term stay in a nursing home can have on an estate. Death taxes and a long-term illness can exhaust accumulated assets. To avoid having to "spend down" assets before government programs (Medicaid) will pay for long-term care, a long-term plan may be purchased that will provide the dollars necessary for care. As with most types of health insurance plans, the premium increases as we age and the risk increases. The following chart shows representative annual premiums for \$100/day, 60-day waiting period, 5% compound inflation benefit at various ages.

- Issue age 50 - \$ 552/year
- Issue age 55 - \$ 723/year
- Issue age 60 - \$ 993/year
- Issue age 65 - \$1437/year
- Issue age 70 - \$2097/year

Other optional benefits such as home health care are available for an additional premium. As in any estate planning situation, with long-term care the earlier one starts in planning the solution, the lower the cost.

Individuals who have been successful in accumulating an estate should be careful in planning for estate taxes and long term care costs. We would be happy to talk with you about the need, the benefits and the costs as they would apply to your situation. Please give us a call.

Umbrella Liability

Why have it? What is it? Who needs it?

Skyrocketing court settlements and medical costs can cause uneasy feelings about the adequacy of insurance protection. Liability insurance pays for injuries to others due to negligent acts by you or another covered person on your policy. Although the liability insurance provided under a home or auto insurance policy is adequate for most situations, in a few instances large lawsuit settlements do approach or exceed the limits of these policies.

An umbrella liability policy is designed to give you peace of mind from this concern. It adds one million dollars (or multiples of \$1 million) of protection to the liability limits of your home and auto insurance policy. * Should a judgment against you exceed the limits of that policy, the umbrella picks up the unpaid portion up to the umbrella policy limit.

Persons most likely to purchase an umbrella policy are:

- "Likely "targets" for a large lawsuit--professionals, business owners, property owners, higher income individuals, etc.
- Those who want greater peace of mind knowing that their life savings will be protected from a financially devastating lawsuit.

Coverage cost varies, but it is generally \$115 to \$150 per year for a \$1 million limit. If you would like more information on this topic, please call us. We will be happy to discuss it with you.

*The umbrella can also increase the liability limit for your boat, rental property, motor home, recreational vehicle, motorcycle, vacation home and others.