
# SIMPLIFYING INSURANCE:

## Understanding Coverages and Your Options

PARKER | SMITH | FEEK

ALASKA // OREGON // WASHINGTON

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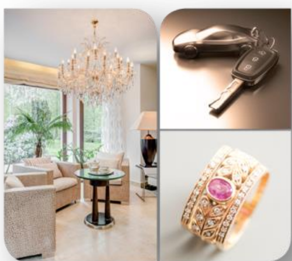
# DEFINING PRODUCER, AGENT, AND BROKER



Most people use producer, agent and broker interchangeably when they talk about insurance. However, there are significant differences, and understanding the terms can help you determine which is best for your insurance needs.

**Producer** is a general term used for people who sell insurance. Producers are either agents or brokers.

**Insurance Brokers have access to a broader market than an agent.**

**Insurance Agents** work for and represent just one insurance company. Many direct writers, such as Allstate, Farmers, and State Farm, employ insurance agents. The agents only provide the coverages offered by their company. Insurance agents are often called "captive agents" because they are captive to one company.

**Insurance Brokers** work for the insured and represent multiple insurance companies. Brokers can provide a broader range of coverages because they have access to more markets than an agent. Brokers are often referred to as independent brokers because they are not dependent on any one insurer. Just to keep things confusing, brokers are often called "independent agents" in advertising.

Both agents and brokers are professionals. Each must pass a rigorous test in order to be licensed and, in nearly every state, must provide proof of continuing education in order to renew licenses. Additionally, agents and brokers may earn professional designations through intensive educational programs. Some designations require years of study and exams, and represent the highest levels of knowledge and achievement in the insurance industry.

**Parker, Smith & Feek is an insurance broker.** We believe that there are significant advantages to working with a broker, especially for high net-worth clients with complex insurance needs.

| Insurance Broker | Insurance Agent |
|---|---|
| We represent our client, whose needs are our highest priority. | Agents represent the insurer; their priority is to sell and service coverage on behalf of the insurer. |
| We craft coverage to each client's specific needs and concerns. We are familiar with unique insurance situations and partner with multiple insurers to obtain appropriate coverages. | Agents can only offer coverages provided by their insurer. An agent representing one insurer may be an appropriate choice for clients with basic insurance needs. |
| Our insurers' products are designed for high-net worth clients. They include coverage enhancements and value-added services that address the affluent market. | The insurer's product is designed for the "Main Street" market and the insurer has less appetite for complex or unusual exposures. They offer few coverage enhancements or value-added services. |
| We provide claims support. Our Claims Advocates work with the insurer's claims adjusters on behalf of our client. | Insureds work directly with the insurer's claims adjusters and have no claims advocate. |

Both agent and broker incomes are primarily based on commission, a percentage of policy premiums. Parker, Smith & Feek's compensation plan is unique within the industry. While our firm's income is based on commission, all of our employees are salaried. This promotes teamwork, eliminates competition for commissions, and enables us to always fulfill our primary purpose as brokers—to make the client's needs our highest priority.

We have served our clients as an independent broker for over 80 years and firmly believe it is the most effective means of providing appropriate coverage and superior client service. Parker, Smith & Feek is one of the top 100 brokers in the country and has received a number of regional and national recognitions within the industry.

# ASSUREX GLOBAL

Parker, Smith & Feek is a proud member of Assurex Global, a network of upper-tier independent brokers throughout the world. We work with our Assurex partners to obtain coverage for our clients with exposures beyond our region, from watercraft in hurricane-prone Florida to vacation homes in other countries. As a member of Assurex, we can address your insurance needs locally, nationally, and internationally.

Founded in 1954, Assurex is a unique international corporation that marshals the experience, expertise, products, and services of the world's most successful and respected independent insurance professionals. Partners are selected on the basis of their premier market position, quality, breadth of services, integrity, and commitment to serve the clients of all Assurex partners around the world. Assurex invites only one independent broker per market to be a partner. Parker, Smith & Feek was selected to join in 1984 and remains the sole representative in the Pacific Northwest.

In locations around the globe, Assurex provides valuable information on local customs, insurance laws and regulations, and industry-specific business practices from insurance professionals who have lifelong, resident experience. Our clients enjoy access to the most experienced local independent in every country in the world.

All Assurex partners are committed to providing an immediate and professional response to other partners' requests for assistance with local coverages, claims, and loss control.

*Assurex Global's singular goal is to help a member's client*

*with the same respectful, professional service*
*that the client expects and receives from their "home" broker.*

# CLAIMS ADVOCATES

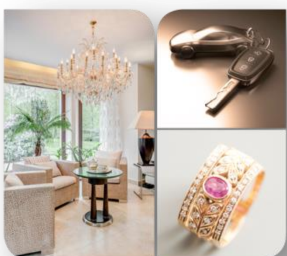
Parker, Smith & Feek is unique in its commitment to client advocacy throughout the claims process. Our Claims Management department consists of 13 staff members, accounting for 5% of our firm's professional staff. (In contrast, the industry standard is only 1% of a brokerage's staff dedicated to claims.) Our Claims Advocates handle over 2,400 claims for commercial and personal claims annually.

At PS&F, two Claims Advocates are dedicated to clients of the Private Client Group. Their role is to guide you throughout the claims process and serve as your liaison with the insurer's claims adjusters. They have extensive knowledge of our high net-worth insurers' products, policy forms, and claims processes, so they are a tremendous resource when you have a loss. If you experience a claim, you can expect:

- 24/7 availability for claims reporting and emergencies.
- Advice regarding emergency needs.
- Prompt reporting of claims to the appropriate insurer(s).
- Professional, knowledgeable assistance when you have questions or concerns.
- Review of your claim to confirm that coverage is applied properly.
- Advocacy to ensure that your claim is handled fairly and timely.
- Monitoring and tracking of your claim to conclusion.

We pride ourselves on our best-of-class service and believe that our claims advocacy is one of the most valuable services we provide to our clients. With each claim, large or small, our goal is to help you achieve a superior outcome through our pro-active claims advocacy and management.

# NEW ACCOUNT CASE STUDY



A successful insurance program protects the client's assets while taking advantage of available savings. In our review of a prospective client's existing insurance, we look for ways to rebalance the account to avoid underinsurance and overpayment. This may include placing coverage with a more appropriate carrier (one who specializes in coverage for high-net worth clients), amending coverages and limits, applying all available credits, and adjusting deductibles. This case study is based on an actual client and illustrates how we created a more robust, appropriate, and cost-controlled insurance program for a family who had clearly outgrown their insurance.

**Exposures:** The client owned two homes, a primary residence in WA and a secondary in another Western state. They had five autos and three drivers, including a youthful operator with an at-fault accident. They also owned a high-value motorboat.

**Current Program:** In our initial review, we found that the current program was fragmented rather than unified. The client had policies with two direct writers and a specialty earthquake insurer. The six policies were serviced by two different brokers. The client provided copies of the current policies except for the primary homeowner, which could not be located.  The remaining policies had five different effective dates, with the auto on a 6-month policy.

**Insurance Review and Proposal**

**Proposed Program:** After review of the current program and consultation with the prospective client, our goal was to more fully protect the client's assets, place coverage with a high-net worth insurer, fill some coverage gaps, provide more appropriate coverages and limits, and take advantage of all available credits to control insurance costs. We also wanted to unify the insurance program by serving as the sole broker, reducing the number of insurers, and simplifying the paperwork with one common effective date and consolidated billings.

**Marketing:** Three of our high-net worth insurers reviewed the account. Two provided quotations and one declined the account due to two auto losses, including the youthful operator's at-fault accident. We quoted the high-value motorboat with a carrier who specializes in watercraft of this type because they provide broad coverage with very competitive pricing.

### Coverage Improvements and Adjustments

**Primary Home**—The current home limit was unknown; we determined a replacement cost value of $2,500,000. Our homeowner quotations included earthquake, which had been insured on a separate policy. We added basic flood coverage, which protects against water damage due to flood or water intrusion from outside the home (such as heavy rains or broken water mains). We quoted a $5,000 deductible because the client was willing and able to handle a higher deductible in exchange for a premium reduction. Credits for central station alarms and a sprinkler system also resulted in a premium reduction.

**Secondary Home**—The home was underinsured and we increased the dwelling limit by $200,000 for our quotations. We also reduced the deductible from $10,000 to $5,000, to be consistent with the primary home. The client declined earthquake and flood insurance on this home.

**Automobiles**—We increased the liability and uninsured motorist limits to $500,000 for our quotations. We also added coverage for full glass, roadside service, and rental reimbursement. Physical damage coverage on the current policy was on an Actual Cash Value basic (replacement cost minus depreciation); our quotations included Agreed Value coverage on all autos. Comprehensive and collision deductibles were increased from $100/$500 to $1,000/$1,000 because the client was comfortable with a larger deductible in exchange for a premium reduction. The youthful operator qualified for a good student credit, which helped reduce the premium charge for a young driver. Our auto quotations were annual rather than 6-month terms.

**Watercraft**—Enhancements to the watercraft coverage included the addition of unattached equipment coverage and a deductible increase from $100 to $1,000.

**Excess Liability**—The current limit of $2,000,000 was inadequate to protect the prospective client's assets in the event of a catastrophic liability claim. Based on the client's net worth, we increased the limit to $10,000,000.

**Total Account**—By quoting all lines of coverage (with the exception of the watercraft) with one carrier, the client received additional "account credits" on the home, auto and excess liability premiums.

### Proposal Outcome

We presented a proposal to the client that compared the current coverages, limits, deductibles, and premiums with the quotations from our two high-net worth carriers. After a careful review and discussion, the client chose one of the programs, including the watercraft policy with the specialty carrier. With the additional coverages, limit increases, and deductible adjustments, the total account premium of $17,300 was only 1% higher than the client's current fragmented, underinsured program.

Equally important, the new high-net worth carrier's policies included coverage enhancements that are typically not available (or specifically excluded) on "Main Street" policies. While each of our insurers has its own coverage enhancements, our new client now has an insurance program with many "added-value" coverages, including:

- Guaranteed Rebuild Cost—in the event of a total loss, the carrier will pay the full cost to rebuild the home even if the amount is greater than the insured limit.
- Complimentary Home Inspections—to confirm the replacement cost value of the homes and offer loss prevention recommendations.
- Worldwide Contents.
- Earthquake Coverage for Contents included in the homeowner coverage.
- Large Loss Deductible Waiver—if a homeowner claim is over $50,000, the insurer waives the deductible.

- $30,000 Identity Theft and Fraud Coverage.
- $10,000 Mold Remediation Coverage.
- Sewer, Water Backup and Overflow Coverage (included up to homeowner policy limits).
- Auto Repairs using Original Manufacturer's Parts (unless no longer unavailable).

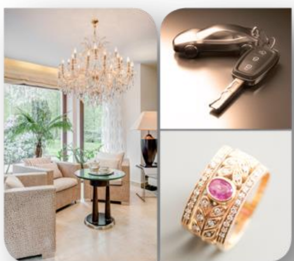
### How We Can Help

Our goal is to protect the client's assets and each step of the proposal process is based on one question: What is best for our client? As an independent insurance brokerage specializing in the affluent market, we understand the needs and concerns of high-net worth families, and we partner with the leading insurers whose products are specifically designed to respond to those needs and concerns. Our Private Client Group team of professionals has the expertise and experience necessary to provide concierge-level client service to all prospective and existing clients.

While not every client will experience the ideal outcome of this particular case study—broader coverage and higher limits for little or no premium increase—all prospective clients will benefit from our risk management approach that includes a detailed review of the client's risk exposures, evaluation of the current insurance program, coverage recommendations, and optional quotations for their consideration.

Like the family in this case study, many prospective clients have built wealth over the years but their insurance program has not kept pace. We can help clients review and evaluate their increasingly complex insurance needs and offer constructive recommendations for crafting a robust insurance program that appropriately and adequately protects their valuable assets.

# HOME MARKET VALUE vs. REPLACEMENT COST VALUE



Many people equate the value of their home with what it would sell for in the current market. Market value fluctuates based on non-economic (and non-insurable) considerations that make a home attractive to buyers—location, school district, local tax base, neighborhood crime statistics, and the availability of similar homes on the market.

In contrast, your homeowner's coverage is based on the cost to replace or rebuild the home in the event of an insured loss. Replacement cost includes all the construction components necessary to repair or rebuild your home with like kind and quality of materials used in the original construction. The market value and replacement cost value may be quite different for your home.

Replacement cost includes a wide range of expenses including:

- Construction labor
- Materials of like kind and quality
- Demolition costs
- Architect and engineering fees
- Permits
- Interior designer fees
- Specialty interior finishes
- Designer name brand items

Historic and custom homes often have hand-crafted construction features, materials that are no longer in common use, and custom materials and designs. Theses factor can further impact the replacement cost of your home.

In fact, the cost to replace or repair a home is often more than the original cost. You may incur demolition costs before the rebuild can begin. You may also need to comply with current building codes. (For example, the rebuilt home may be required to comply with current earthquake building codes.) In addition, contractors lose their economies of scale (buying in bulk and scheduling subcontractors) when rebuilding a single home. The cost of energy efficient and green materials, commodity prices (gas to transport materials), and the cost to expedite the project (materials delivery and labor) also play a role in the replacement cost. And finally, in the event of an area-wide catastrophic event, supply and demand will have a huge impact on both the availability and cost of materials and labor.

What can you do to be certain that you are adequately insured for replacement cost of your home? Parker, Smith & Feek and your insurer can help you determine the replacement value based on the square footage, construction materials, and special features of your home. Your insurance company may inspect your home to determine the replacement cost and document custom features. Many insurers increase home limits at renewal to keep pace with the current rate of inflation. And finally, don't wait to report renovations and additions. Let your Account Advisor know about them as they occur so that your policy limit can be increased accordingly.

# FLOOD INSURANCE

Water damage is a common and costly homeowner loss, but coverage under the homeowner policy is limited. Homeowner policies cover water losses that originate inside the home—broken pipes and hoses, for example. However, coverage is excluded for losses that originate outside the home, such as heavy rain, snow melt or broker water mains. And so, even if you don't live near a body of water, you may want to consider flood insurance to fill the homeowner coverage gap.

**According to FEMA, homeowners are five times more likely to experience flood damage than a fire.**

**National Flood Insurance Program (NFIP):** NFIP is a government sponsored insurance program administered by FEMA. Policies can be purchased through FEMA or an insurance broker, with no difference in premium. NFIP also maps the nation's flood plains, which are used to determine a location's probable frequency and severity of flooding. The flood zone is the primary factor in determining flood insurance premiums.

**NFIP definition of flood:** In order for a loss to be covered under an NFIP policy, the flood must 1) affect two or more properties or 2) cover two or more acres if the flood is confined to just your property.

**The difference between basic and excess flood coverage:** The NFIP flood policy provides basic flood coverage with limits of $250,000 for your dwelling and $100,000 for your personal property. Many people in low risk areas purchase basic coverage with the expectation that these limits will be adequate for any flooding that they may experience.

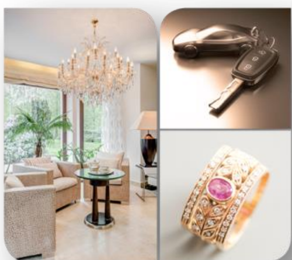
Private insurers offer excess flood coverage, with limits over the NFIP's basic limit. Excess limits are available up to the dwelling and personal property limits on your homeowner policy.

**Flood insurance cost:** Basic coverage for homes in a low risk zone is typically $400 to $800 annually. If you live in a higher risk zone, premiums increase accordingly. (NFIP may also require that you obtain an elevation certificate, at your expense, in order to evaluate your risk and determine a premium.) Excess flood premiums are based on your home's replacement cost limit as well as your flood zone.

**Flood insurance through Parker, Smith & Feek:** Most of our high net-worth insurers offer basic and excess flood coverage, either as an endorsement to the homeowner policy or as separate policies. Their coverage complies with NFIP standards and many offer enhanced features, including broadened coverage or a less restrictive definition of flood. If you live in a low risk zone, your Account Advisor already has the information needed to obtain a quote. For high risk zones, you may have to provide additional information, including an elevation certificate.

Many people are unaware of the homeowner policy exclusion and flood insurance as a means of filling the gap. Your Account Advisor will be happy to answer your questions and obtain a quotation for your consideration.

# DIFFERENCE IN CONDITIONS COVERAGE: EARTHQUAKE, FLOOD & LANDSLIDE



The Pacific Northwest's dramatic natural beauty—mountains and water—makes the region vulnerable to natural disasters. As a homeowner, it's important to know what your insurance does and doesn't cover. Unpredictable, catastrophic losses that affect a wide swath of homes within a concentrated area at one time, such as earthquake, flood, and landslide are beyond the scope of the standard homeowner policy and are specifically excluded.

### A Primer on Earthquake, Flood, and Landslide

Insurers define earth movement and flood in their homeowner policies and use those definitions to determine if coverage is excluded. Definitions below are general guidelines, subject to your policy contract.

Earth Movement is a broad term that includes four types of movement—earthquake, landslide, mudflow, and mudslide:

**Earthquake** **Definition**: Earth movement as a result of seismic activity. All homes in the Pacific Northwest are vulnerable to earthquake damage due to multiple faults in the region.

Many of our high net-worth carriers offer earthquake coverage as an endorsement to the homeowner policy, although older homes will require proof of retrofitting. If coverage is not available on the homeowner policy, we can arrange coverage through a separate earthquake policy.

**Landslide** **Definition**: Movement of destabilized land down a coastal bluff or hillside, caused by gradual erosion with heavy rainfall, snow melt, or faulty drainage. Risk factors include the degree of slope and soil composition (glacier soil and sand over clay are prevalent in the Pacific Northwest). Coverage is available through a difference in conditions (DIC) policy.

**Mudflow** **Definition**: River of mud, primarily water mixed with land, caused by gradual erosion with heavy rainfall, snow melt, or faulty drainage. Because mudflow is primarily water, it is usually included with flood coverage.

**Mudslide** **Definition**: Land (earth and rocks) mixed with some liquid that moves downhill by gravity. Since mudslide is primarily land instead of water, it is not considered flood. Generally, coverage is not available for mudslide.

Flood is a broad term that includes more than overflow of water in high risk areas:

**Flood** **Definition**: Overflow of inland or coastal waters, and rapid accumulation or runoff of surface water from any source.

The homeowner policy excludes coverage for water losses originating <u>outside</u> of the home (heavy rains, snow melt, and broken water mains). Clients in low risk flood zones often consider flood coverage in order to fill the coverage gap on their homeowner policy.

Consider flood coverage if you live in a high risk flood zone, close to bodies of water subject to overflow.

Many of our high-net worth carriers can offer flood coverage as an endorsement to the homeowner policy or as a separate policy. For clients in a high risk flood zone, we can arrange coverage through the National Flood Insurance Plan (NFIP) administered by FEMA.

## Coordinating Coverage for Earthquake, Flood, and Landslide

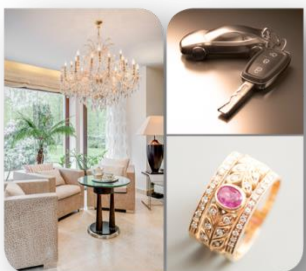
A difference in conditions (DIC) policy coordinates with a homeowner policy to provide additional property coverage. Essentially, "difference in conditions" means "difference in exclusions." Although a DIC policy includes some exclusions, it is designed to primarily provide coverage for the big three homeowner exclusions—earthquake, flood, and landslide.

When crafting an insurance program for clients, we include earthquake and flood coverage on the homeowner policy whenever possible. Alternatively, those coverage(s) can be written on separate policies with an admitted insurer. If a home is at risk of landslide, we recommend purchasing a DIC policy through the surplus line market. Although a DIC policy can include all three coverages (earthquake, flood, and landslide), it will be more expensive. A DIC policy whose primary purpose is to provide only landslide coverage will be priced accordingly.

DIC policies are only available through the surplus line market; Lloyd's of London is one of the more well-known DIC insurers. Surplus line policies are not covered by state guaranty funds, which means that claim payments are not guaranteed in the event of insurer insolvency. Surplus line policies are usually more costly than non-surplus line policies, too.

If you are concerned about your exposures or have any questions regarding these coverages, please contact your Account Advisor. We can answer questions, explain your options, and obtain quotations for your consideration.

# EARTHQUAKE DEDUCTIBLES: DO YOU KNOW YOUR COSTS?



When you purchase earthquake coverage, the deductible—your portion of the claim—will be substantial. This is because an earthquake usually affects most of the homes in the area, which can be catastrophic for any insurer who insures a large number of them. High deductibles make it possible for insurers to provide coverage while managing their own financial stability.

Earthquake coverage, whether added to the homeowner policy or written as a separate policy, is subject to a percentage deductible rather than a flat dollar amount. Insurers determine possible deductibles based on several risk factors. They map the location for distance to fault lines and soil stability. Other factors are the age of the home and type of construction. (Frame homes do better in earthquakes than brick ones.) Deductibles range from 2.5% to 25%, with 10% being a common deductible for homes that are of average risk.

### Not All Deductibles are Alike

It can be difficult to have a clear understanding of how the percentage deductible applies and many people are unpleasantly surprised when they have a loss. There are several reasons for the complexity:

- The earthquake deductible is based on a coverage limit, not the amount of loss. This means that a 10% deductible on a $3,000,000 home is $300,000. In the event of a partial loss of $600,000, the deductible is $300,000 and the insurer will pay the remaining $300,000.

- There is no standard contract wording for earthquake deductibles and variations can have a material effect on how much your total deductible may be. For example:
  - Some insurers apply the deductible to each coverage. If you have damage to your home, another structure (such as a detached garage), and contents, the deductible would apply separately to each one. A 10% deductible on a $3,000,000 home that sustains damage to a detached garage and contents would be:
    - Home limit $3,000,000 Damage $600,000 Deductible $300,000
    - Garage limit $600,000 Damage $100,000 Deductible $60,000
    - Contents limit $1,500,000 Damage $500,000 Deductible $150,000
    - Total loss $1,200,000 Total Deductible $510,000
  - Other insurers apply only one deductible (usually a percentage of the dwelling limit) even if the loss involves the residence, other structures, and contents. In the above example, the total loss of $1,200,000 would be subject to a $300,000 deductible. This is clearly the better option whenever it is available.
- Some insurers include earthquake coverage for contents—subject to the standard (flat dollar) homeowner deductible—in their homeowner contract. Earthquake coverage for the residence and other structures (detached garage, fences, etc.) is then endorsed onto the homeowner policy, subject to the special (percentage based) deductible. In that case, a loss involving the residence, other structures, and contents may be subject to two deductibles. The good news is that many insurers waive the contents deductible in that instance.

## How to Determine Your Earthquake Deductible(s)

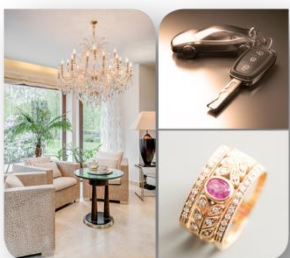
Given the complexity—as well as lack of uniformity between insurers—it can be a challenge to determine how your deductible will apply if you have a claim. It's important to read your policy because claims adjusters use it to determine if a claim is covered and, if so, how the deductible will be applied.

- First, read the earthquake exclusion on your homeowner policy. You may have coverage for your contents already. If so, the exclusion will state that the residence (Coverage A) and other structures (Coverage B) are excluded. If contents (Coverage C) are not excluded, then you have earthquake coverage on your contents.

- Next, read the earthquake coverage form, either attached to your homeowner policy as an endorsement or as a separate earthquake policy. Pay particular attention to the deductible clause, which will state how the deductible will be applied. The deductible percentage will be stated on the earthquake coverage form or on the policy declarations.
- Finally, consult with your Account Advisor, who can answer questions and clarify policy wording. Since we are located in earthquake territory, we work with earthquake coverage for clients on a daily basis and are well versed in each of our insurer's earthquake forms. We can assist with specific questions about your coverage and provide illustrations of how earthquake claims may be adjusted by your specific carrier.

Earthquake is an important coverage for those of us who live in Western states and Alaska, even with the substantial deductibles. We want to be sure that you have the facts that you need to make an informed decision about all of your insurance coverages, including earthquake. Please don't hesitate to contact your Account Advisor with your questions or concerns.

# PREPARING YOUR VACATION HOME FOR WINTER



The end of summer means closing up the vacation home—the beach house, mountain cabin, or family retreat—for the winter months. Your home is at greater risk for water damage, burglary, and fire when it is unoccupied for long periods of time. Fortunately, there are steps that you can take to mitigate the chance—or severity—of losses during the winter months. Some are simply good maintenance reminders and others are proactive suggestions to protect your investment.

## WATER DAMAGE

The gold standard for water damage protection is a central water shut off system, with alarm, connected to the main water valve. It works by monitoring water flow volume and shutting off water when an excessive amount is detected. The two most common systems are Leak Defense System (Sentinel) and FloLogic. Leak Defense will fit any size valve. The cost is approximately $3,000 to $4,000, depending upon the size of your home and alarm choices. FloLogic will fit small valves (1″ and 1.5″) only. The cost is about $1,500 to $2,000, but you may notice lower water pressure with this one. Most high-net worth insurers partner with selected vendors that offer significant discounts—typically 25-40%—for their insureds.

An option is to simply turn off the main water supply. The shut-off valve is usually located in the lowest level and near the street side of the home.

To avoid frozen pipes and leaking appliances, drain exterior water faucets and water lines, including for all appliances. Detach outside garden hoses and disconnect washing machine hoses. Consider adding low temperature sensors to your central station alarm system, so that you are alerted when freezing temperatures may lead to frozen pipes. Set your thermostat to 55 degrees, and leave kitchen and bathroom cabinet doors open so that warm air circulates around pipes.

Your roof can be another cause of water damage. Clean the gutters and make sure that the down spouts are tilted away from your home and its foundation. Consider making arrangements with a local roofer to remove heavy snow or ice dams from your roof, if needed, after winter storms.

## BURGLARY

Unoccupied homes are easy marks for burglars, so it's important to do everything that you can to make your home a less-attractive target. Your best protection is a central station burglar alarm with infrared motion detectors, but there are many steps you can take as well:

| | |
|---|---|
| Install adequate security lighting around the property. | Store ladders, outdoor furniture, grills and large items (that could be used to gain entry to the upper floor or roof) in a locked garage or storage unit. |
| Set timers or use an IOT app to remotely control lights. If you can, vary the trimming so lighting is not predictable. | Close and lock all doors, windows, and skylights. |
| Have your caretaker or reliable neighbor open and close the shades frequently. Combined with varied timing of lights, this gives the impression that the home is occupied. | Lock all sheds, outdoor cabinets, and garage doors. |
| Notify the post office to stop all mail delivery. | |

## FIRE

The most common causes of fire in unoccupied homes are older electrical systems, poorly maintained chimneys, stoves or fireplaces, and lightning strikes. Your best protection is a central station fire alarm, but preventive measures are important.

Have your electrical system professionally inspected if you have any of these situations: 1) recent improvements or new appliances that strain the system; 2) an electrical system older than 40 years without recent updates; or 3) aluminum wiring (instead of copper). Also, have an electrician check your home if you've noticed frequent dimming or flickering of lights. As part of your annual maintenance, have your chimney, fireplace or wood burning stove professionally serviced. This will avoid creosote buildup, one of the main causes of home heating fires.

When you are closing the house, take these steps to lessen the possibility of fire:

- Turn off all circuit breakers except to central station alarms, security & timed lighting, and porch lights. If you decide not to turn off circuit breakers, unplug all appliances including the washer and dryer, to protect against lightning strikes and power surges.
- Turn off the gas supply to the home. Alternatively, turn a gas water heater to "vacation" mode or turn it off completely.

## GENERAL MAINTENANCE AND LOSS PREVENTION MEASURES

If you home is vulnerable to critter invasion during the winter months, check and seal entry points, paying attention to foundation cracks, crawl spaces, fireplace openings, attic, and eaves.

Empty the fridge and kitchen cabinets of food, make a final garbage run, and store trash cans in a locked garage or storage unit.

Drain and cover the swimming pool, and don't forget to drain fountains and other outdoor water features.

With a few proactive loss control steps and routine maintenance, you can lock the door knowing that your home is well-protected for the winter. And hopefully, there will be no surprises when you return in the spring—only expectations of another great summer ahead.

**Have a caretaker or reliable neighbor check your home on a regular basis. Be sure they have your contact information for emergencies.**

**Let the local police and fire department know that your home will be unoccupied, and provide your emergency contact information.**

# WATER DAMAGE: MANAGING YOUR RISK

Many homeowners are unaware of their water damage risks. While 95% of American homes have fire and smoke detectors, and 54% have burglar alarms, less than 2% have water detection systems to protect the home against interior water damage. This is despite the fact that water damage is the most prevalent type of homeowner claim. It is five times more likely than a fire and seven times more likely than a burglary.

## CAUSES OF INTERIOR WATER DAMAGE

The average 2 ½ bathroom home has 13 plumbing fixtures, including toilets, sinks, showers, bathtubs, washing machines, ice makers, dishwashers, water heaters, and lots of plumbing pipes. The likelihood that one of them will fail increases with age. Today's appliances have about an eight year life span, with water heaters requiring replacement about every 10-15 years. Insurance companies attribute the recent dramatic increase in losses to the housing boom prior to the 2008 recession. The new homes (and renovations) dating from 2000 to 2008 are now experiencing age-related water losses. The number one cause of water damage is plumbing failure—leaking, broken or frozen pipes. Other common causes are older water heaters, worn out washing machine hoses, dishwasher and icemaker connections, and toilets.

**August is the #1 month for water damage losses. It is also the #1 month for vacations, when homes are unoccupied.**

**Water losses in an unoccupied home are four times more severe due to the length of time a leak or break goes undetected.**

## CONSEQUENCES OF WATER DAMAGE

You may have structural damage to your home and loss of personal property. A water leak can destroy flooring, carpets, walls, ceilings, furnishings, electronics, art, and personal belongings. Depending upon the origin, damage can include multiple levels of the home. A major water event can empty massive amounts of water into a home in a very short amount of time.

Your home may be uninhabitable during restoration. Your insurance policy includes additional living expenses for alternative housing, but the inconvenience of living away from home for an extended time can be an additional burden on top of the trauma of a major loss of home and possessions.

The risk of hazardous mold exists anytime there is water in places where it shouldn't be. Restoration must include mold monitoring and prevention. If undetected mold results, despite proper prevention steps, you and your family will be exposed to mold-related health risks.

**On average, a family must relocate to alternative housing for three months after a large water damage loss.**

There are also consequences after a loss. Your insurance premium may increase due to the claim and, in some cases, insurability may be threatened. Insurance companies will probably require that you install a water detection system with an automatic shut-off feature if your loss could have been avoided by one. The loss could also make it more difficult to sell your home in the future, as most states require that prior water damage be disclosed to potential buyers.

## WATER DAMAGE PREVENTION

Conduct periodic preventive checks on appliances and plumbing. Check water-line hoses and connections, look for corrosion or slow leaks in your water heater, and check under sinks for plumbing leaks. Replace washing machine hoses with steel braided metal hoses, which are more reliable and last longer than rubber hoses. Plan ahead and schedule routine replacement of aging appliances before they break down.
Arrange for a house sitter when you are away. If you have a caretaker or neighbor who checks on your home, ask them to check inside the house on a daily basis. Shut off the main water valve if your home will be unoccupied for a period of time.

And finally, the best protection is a centralized water detection system with an automatic shut off valve.

## TYPES OF WATER DETECTION SYSTEMS

The gold standard is a central water shut off system, with alarm, connected to the main water valve. It works by monitoring water flow volume and shutting off water when an excessive amount is detected. The system includes a control panel (similar to ones for a burglar alarm) that you can program for multiple levels, such as "home" and "away." Alarm choices include in-home only (like a smoke detector) or reporting. Many systems can be integrated with your central station fire & burglar alarm or your smart home system. Installation will require coordination with the system vendor and a local plumber.

The two most common centralized systems are Leak Defense System (Sentinel) and FloLogic. Leak Defense will fit any size valve. The cost is approximately $3,000 to $4,000, depending upon the size of your home and alarm choices. FloLogic will fit small valves (1" and 1.5") only. The cost is about $1,500 to $2,000, but you may notice lower water pressure with this one.

There are also sensor-based water shut off systems, but they are not designed for comprehensive home protection. Sensors are placed near water-using appliances and fixtures, and will shut off water when a leak is detected. A 2 ½ bathroom home will require 15-35 sensors to cover all water points and some sensors may be visible (i.e. around toilets). Water Cop is one sensor-based system recommended by some insurance companies. Installation by a professional plumber is recommended. Cost is much less than centralized water shut off systems, typically under $1,000.

Whenever possible, we recommend a centralized system because it provides the most complete and reliable protection. Of course, some protection is better than none and a sensor-based system may be the right choice for you initially.

## INSURERS MAY PROVIDE FINANCIAL INCENTIVES

Water shut off systems are an investment in your home and reflect your commitment to responsible risk management. Insurers recognize this and many offer incentives and rewards that help manage preventive costs.

**When you install a centralized system:** While each insurer's program is different, many are partnered with selective vendors that offer significant discounts—typically 25-40%—for their insureds.

**Future credits:** Most insurers offer a premium credit on the homeowner policy when you have a centralized system. Credits vary by insurance company, but are typically 5-8% of the basic homeowner premium.

**When you have a loss:** In response to the increased frequency and severity of water damage losses, insurers are responding in innovative ways. If a system would have prevented or mitigated a loss, many high net-worth insurers include an allowance in the claim payment for installation of a centralized system. Allowances vary from $2,500 to $5,000, which means that insurance companies are paying all or most of the costs of the system. Their incentive is to control their own loss ratios and to help insureds avoid future losses—a win-win for everyone. However, those who have had a significant water damage claim will tell you that a system allowance is not really free. The trauma and hassle of a water damage claim is a high cost to pay.

Your Account Advisor can help you determine the best way to protect your home against water damage. We can provide you with detailed information about specific systems, preferred vendors, and discounts and credits that your particular insurance company offers. Even if you are not ready to take action immediately, this information can help you begin to consider your options.

Information in this article was aggregated from materials provided by some of our high net-worth insurers, particularly Chubb, AIG, PURE, and Cincinnati Insurance, and we are grateful for their permission to share this information with our clients.

# HOME ADDITIONS, RENOVATIONS, AND NEW CONSTRUCTION

A new addition or renovation can increase the value of your residence and your enjoyment of your home. We are here to help you ensure that your insurance coverage keeps pace with your home's value from the beginning of your project through completion.

**The Planning Stage:** Homes have increased exposures to loss during a construction project. There are restrictions in the homeowner insurance contract that will need to be addressed. These include prior notification requirements and, in the event of a loss, special adjustment provisions and deductibles. Each insurer's contract is different, so it's important to notify our office prior to the start of your project.

**The most important thing is to include insurance in your planning.**

Most insurers require prior notification for larger projects (typically 5-10% of your current dwelling limit), but some insurers require notice for projects as small as $5,000 project. In addition, homeowner policies include special loss adjustment provisions and deductibles for homes under renovation; these are more restrictive with higher deductibles. The good news is that most insurers waive the restrictions and higher deductible if you provide proper prior notification.

To avoid underinsurance, your carrier will increase your dwelling limit to include the renovation.

**Builder's Risk Coverage for Major Renovations and New Construction:** Major renovations and new home construction may be best insured under a builder's risk policy. There are a couple important advantages to a builder's risk policy. First, it can include you, the general contractor, and all subcontractors as insureds and, in the event of a claim, the policy will pay for damage to or loss of materials and supplies for all insureds. (Keep in mind that your general contractor and subcontractors may pay for materials and supplies with the understanding that they will be reimbursed at agreed-upon intervals throughout the project term, so all parties may have a financial interest in the project at the time of loss.) A builder's risk policy can also include coverage for materials and supplies that are in transit or stored offsite (by yourself or your contractors) while awaiting installation.

Your Account Advisor can help you determine if a builder's risk policy is appropriate for your project. If so, we will coordinate with our Project Risk Service specialists, who handle builder's risk coverage for all Parker, Smith & Feek clients.

**Construction Contract:** For any new construction or renovation project, you should have a written contract with the contractor that explicitly states the work to be performed, the start and end dates, payment agreements, and warranty information. It should include a hold harmless clause in your favor, which specifies that the contractor will indemnify you for your liability to people who are injured or whose property is damaged during the course of the contractor's work. It should not include a waiver of subrogation in favor of the contractor and we recommend that you not sign any contract that does.

Your contract may include insurance requirements for yourself and your contractor. If so, review the requirements to determine which party, if any, is contractually required to provide builder's risk insurance and 1) who is to be included as a named insured; 2) the perils to be insured against; and 3) which party is responsible for deductible payment. This is general advice and not be construed as legal advice. We consider it an important aspect of our role as your insurance broker, but we are not practicing attorneys. We recommend that you have your attorney review any contract, if you have questions or concerns, before signing.

**Additional Insurance Concerns:** Ask your contractor to name you as an additional insured on their general liability policy and provide you with a Certificate of Insurance.

The most important thing is to include insurance in your planning. Once a project has started, it is more difficult to secure coverage on your behalf. Your Account Advisor will need advance notice in order to notify the carrier and obtain consent before a renovation project starts. If builder's risk coverage is needed, additional information will be required and then it will take up to seven working days to obtain quotes. For extensive projects and new construction, you will want to include of the cost of insurance in your project budget.

Please contact your Account Advisor if you have any questions about a current or future project.

# INSURING YOUR COLLEGE STUDENT

Leaving home for college is a milestone in a young person's life, one of the first steps toward independence and adulthood. As with every major life change, it's important to know how it affects your insurance and what changes, if any, you need to make so that your insurance program keeps pace and adequately covers your student away from home. Your main concerns are personal property that the student takes with her and automobile coverage.

**Personal Property in the Dorm:** If your child lives on-campus, your homeowner policy includes coverage for personal property at other locations for up to 10% of your contents limit. For example, if you have $500,000 contents coverage on your primary home, you have $50,000 contents coverage in the dorm. This coverage is included; no notice or endorsement is required. However, coverage is subject to your homeowner deductible. If you have a high deductible, most dorm claims (such as a stolen computer) will probably be under your deductible. If your student takes valuable items to school—musical instruments, sports equipment, or expensive bicycles—you can insure those items on a valuables policy, along with your own jewelry, fine arts, and other valuables. Valuables coverage is worldwide, includes theft and mysterious disappearance, and is not subject to a deductible.

**What about "Dorm Insurance"?** Two insurers offer contents coverage designed for students who live in dorms. Deductibles are low ($25 to $100), coverage is broad (including accidental damage to electronics) and annual premiums are affordable, typically $150 to $300. This can be an attractive alternative to insuring your student's belongings under your homeowner policy. The low deductible mean that you won't pay out of pocket for smaller claims and dorm claims will not show on your homeowner loss history. Since this is a specialized coverage, it is only available through designated brokers. For information (including insurer links), we recommend this Consumer Reports article http://consumerreports.org/cro/homeownersinsurance/should-you-buy-college-dorm-insurance.htm.

**Personal Property in Off-Campus Housing:** If your child rents an apartment off-campus, insurers typically will not extend coverage because she is no longer considered a permanent member of your household. She will need to purchase her own tenant policy, which will cover her contents and personal liability. If you co-sign the lease, be sure that both you and your child are named as insureds on the policy. If there are roommates, each one will need to purchase their own tenant policy. Although you will have to purchase an additional policy, there are some advantages to doing so. A lower deductible may be appropriate, so that smaller losses are covered. The tenant policy includes liability coverage, which responds if your child is sued for negligence by an injured guest. She also establishes her own insurance history, which can be helpful in the future when she needs auto insurance and/or homeowner coverage. A tenant policy is inexpensive, usually available for $150 to $300. Today, most landlords require that renters provide evidence of insurance.

**Student Personal Property Inventory:** It's important to make an inventory of the student's belongings for two reasons. First, if you are insuring the belongings on your homeowner policy, it will verify that the homeowner's coverage extension (10% of your contents limit) is adequate for everything your child takes to school. Also, an inventory is invaluable in the event of a loss. It can help expedite the claims process and ensure a fair and equitable settlement. See our "Inventory Checklist for Students Away at School" for helpful information on creating and saving a student inventory.

**Student Away from Home without an Auto:** Keep your child on your auto insurance as a driver, even though he is away from home for most of the year. He is covered when he drives your autos during holiday breaks and summer vacations. He also has coverage when he drives other cars while away at school, whether he borrows a car or serves as a designated driver. Your coverage could also respond if he is injured as a passenger or pedestrian in an auto accident. The good news is that insurance companies recognize the lower risk when your child is away from home (more than 100 miles) without an auto. Be sure to let us know and we will request an endorsement, which will reduce your auto premium.

**Student Away from Home with an Auto:** Your insurance company must be informed that your child has taken an auto to school and they may rate the auto based on the new garaging location. The change in garaging location can increase or decrease the premium. We recommend that you retain ownership of the auto rather than transfer the title to your child. The advantages are that you retain your multi-car discount, and both the auto and your child are included on your excess liability policy. If you did transfer title to your child, he would need to purchase his own auto policy, which can be much more expensive for a youthful operator without an established insurance history. He would also need to purchase his own excess liability policy.

**Good Student Credit:** Insurers reward students who maintain good grades (B or better) and the discount applies to college students as well as high schoolers. Be sure to submit a copy of an official grade report (showing the student's name, school name, and grades for a recent term) and we will forward to your insurer.

# INVENTORY CHECKLIST FOR STUDENTS AWAY AT SCHOOL

In the event of a claim, you will need to provide a list of your student's possessions that were destroyed, damaged, or stolen. This can be challenging if you don't have an inventory prepared ahead of time. It's not only hard to remember and assemble a complete list, but documentation (such as photos and receipts) may be lost along with the items. The claims process can be more accurate, easier, and quicker if you have an inventory that documents the items that your student takes to college.

**Scan or photograph receipts and email them to yourself so that you have easy access in the event of a loss.**

The more detailed your inventory is the better, but don't let a lack of details deter you. Begin with the attitude that something is better than nothing. There are several ways to complete an inventory:

- Apps: A quick Google search will give you an up-to-date recap, including apps for iPhones, iPads, and Android devices. Most include options for photos, videos, and receipt storage, so that you have a detailed inventory in one convenient package.
- Alternatively, your student can make a video tour, with commentary regarding estimated purchase date and cost, once he is moved into his dorm room. (Open all closets and drawers so that the inventory is as complete as possible.) Save a copy of the video where you will have access even if the dorm room is inaccessible—at home or emailed to yourself.
- For people who like paper files, start with your child's packing list of everything he is taking to school.

Hopefully, the inventory will never be needed. But if it is, the time and effort that you put into compiling it now will pay off with an accurate, fair, and timely claims resolution.

The following categories will help you get started on a comprehensive inventory, which should be updated annually.

## INVENTORY CHECKLIST FOR STUDENTS AWAY AT SCHOOL

### CLOTHING

- Photo or video the contents of closets and dresser drawers; make note of name brands in your commentary
- Coats and Jackets
- Shoes and Boots
- Hats, Scarves, Accessories
- Jewelry

### SCHOOL AND ART SUPPLIES

- Books
- Drafting Supplies
- Photographic Equipment
- Art Tools
- Paint and Art Materials
- 'Class Specific' Supplies

### DORM ESSENTIALS

- Fridge
- Microwave
- Coffeemaker
- Toaster Oven
- Lamps
- Chairs
- Tables
- Rugs
- Décor
- Other Essentials

**ELECTRONICS**

- Computer and Tablet
- Phone
- Printer
- Music
- TV
- Games
- Other Electronics

**LINENS**

- Sheets
- Comforter
- Blankets
- Pillows
- Towels
- Other Linens

**PERSONAL CARE**

- Hair Dryer, Curling Iron, etc.
- Shaver
- Makeup
- Dental Gear
- Other Personal Care

**MUSICAL INSTRUMENTS**

- Instruments, including Cases
- Music Books
- Music Accessories

**SPORTS EQUIPMENT**

- Sports Equipment/Gear
- Sports Clothing
- Bicycle
- Skateboard/Rollerblades
- Other Sports Equipment

**MISCELLANEOUS**

- Backpacks and Book Bags
- Suitcases
- Duffle Bags
- Storage Bins/Units
- Other Miscellaneous Items

# TRUSTS AND LLCs

Many people transfer ownership of homes and other properties to a trust or limited liability company (LLC) as a wealth management strategy. It is vitally important to notify your insurance broker whenever you transfer ownership so that coverage is extended to insure both you and the entity.

**Who is an Insured?** Your policies include a definition of the Named Insured—you, your spouse, and family members living in your household—for example. In the event of a loss, the insurer will only pay for claims sustained by the Named Insured as defined in the policy.

**How Do I Insure the Trust or LLC?** Have the entity added to your policy as an additional insured, so that both you and the trust or LLC are covered in the event of a loss. The entity can be added by endorsement for little or no premium.

**How Would Coverage Apply in the Event of a Homeowner Claim?** For a property claim, a properly endorsed homeowner policy would respond for loss to the dwelling (owned by the entity) and contents (owned by you). For a liability claim—when a guest is injured while visiting, for example—a properly endorsed homeowner policy would respond if the lawsuit was brought against you, the trust or LLC, or both. If the policy has not been properly endorsed, there would be serious gaps in coverage. The dwelling loss would be uninsured and the trust or LLC would be uninsured for the liability claim.

**What Policies Should Include the Trust or LLC?** Each policy that covers property owned by the trust or LLC should include an additional insured endorsement. This includes homes, rental properties, vacant land, fine arts, automobiles, and watercraft. The trust or LLC should be added to your excess liability policy, too.

**What Information Will the Insurer Need?** Insurers will need to know the purpose of the trust or LLC, who comprises the entity, and what properties are owned in the name of the entity. They will also need to know if the trust or LLC owns other assets, has any employees, or generates any revenue. Most carriers will ask that you complete a short questionnaire, which will include the required information.

If any of your property is in the name of a trust or LLC, confirm that the entity is endorsed onto your insurance policies. Your Account Advisor is here to answer your questions and make any changes needed so that that your trust or LLC is properly added to your policies.

# INSURING YOUR NANNY

Families develop close, trusting relationships with their nannies and the experience can result in fond, lasting memories for all. A nanny is often the only domestic employee that people hire and it's important to approach the relationship professionally. This includes understanding your nanny-related risk exposures and updating your insurance program to adequately protect your family's assets.

**Automobile:** Your insurance will be primary if the nanny drives your autos. Add her to your policy as a permissive driver. (We will need her full name, date of birth, and license number.) Her insurance will be primary if she drives her own auto as a part of her job responsibilities, but you could be named in a lawsuit if her liability limits are exhausted by a claim. Keep in mind that many people, especially young adults, carry only the minimum limits required by law, which can be woefully inadequate.

**Excess Liability:** Your excess liability coverage could come into play as a result of your nanny's actions that cause injury or damage to third parties while she is on the job. Possible scenarios include a severe auto accident or injury to your child's friend during a supervised play date. Once the primary policy limit is exhausted, your excess liability policy will respond. You may want to review your excess liability limit in consideration of the increased exposure of a domestic employee.

**Employment Practices Liability (EPL):** The nanny can file a lawsuit if she believes that she has been treated unfairly. EPL coverage protects you against allegations of wrongful employment acts, including discrimination, sexual harassment, and wrongful termination. Coverage includes defense costs, even if you are falsely accused. The coverage often includes reputation protection, which pays for the services of a public relations firm if your nanny goes public with her allegations.

**Worker's Compensation:** You may be legally required to provide worker's compensation coverage for your nanny's injuries while on the job. Requirements vary from state to state, but we can advise you and help you obtain coverage, if needed.

**Theft:** A nanny is an especially trusted employee since she is charged with the safety and well-being of your children. Ironically, that very trust creates opportunity for theft, from minor pilfering to major crimes. Insure your jewelry, fine art, and collectibles on a valuables policy, which includes coverage for theft and mysterious disappearance with no deductible. Be sure that your homeowner policy includes coverage for identity theft, which will pay for expenses you incur as a result of identity fraud.

**How Can We Help?** Your Account Advisor can answer questions, obtain quotations, and make necessary changes to your insurance. In addition, your insurer may offer value-added services, including background check services and best practices advice—from interview tips to crafting employment agreements, employee manuals, and confidentiality agreements.

# FIDO AND HOMEOWNER INSURANCE

There are common sense, simple steps you can take as a responsible dog owner to lessen the chances that your dog will bite or attack. It's important because dog bites are more common than we think and owners are held liable for injuries caused by their pets.

According to the CDC, 4.5 million people are bitten each year, with 800,000 victims requiring medical attention. In 2015, the insurance industry paid over $570 million in claims due to dog bites and dog-related injuries, accounting for over one-third of all homeowner liability claims.[1]

## REDUCE THE CHANCE THAT YOUR DOG WILL BITE

### Choosing Your Dog

Select a breed that is appropriate for your lifestyle and training abilities. Conduct research and discuss your options with a professional, such as a veterinarian or trainer, before making your final decision. Include gender in your considerations; male dogs are more likely to bite than female dogs.

If you adopt a shelter dog, try to find out about its prior life. Does it have a history of aggressive behavior or nipping? Some owners turn dogs over to shelters without revealing behavior problems, so confirm that the shelter conducts a thorough socialization and behavior test before putting dogs up for adoption.

### Protecting Your Dog

Commit to training and socializing your new dog. Consider enrolling in a certified obedience training program or dog socialization classes. The American Kennel Club sponsors a Canine Good Citizen (CGC) program that teaches good manners to dogs and

[1] www.cdc.gov/features/dog-bite-prevention/; "A Community Approach to Dog Bite Prevention," by American Veterinary Medicate Association, JAVMA Vol 218, No 11, June 2001; "Breeds of Dogs Involved in Fatal Home Attacks in the United States between 1979 and 1998," American Veterinary Medical Association, JAVMA, Vol 217, No 6, Sept 15, 2000; and www/dogbites.org/dog-bite-statistics-quick-statistics.php.

responsible ownership to new owners. It is open to both purebreds and mixed breeds, and includes an award upon successful completion.[2]

Spay or neuter your dog. Sexually intact dogs are 2.6 times more likely to bite.[3]

Control your dog's access to the public by installing fencing and keeping it in good repair, always using a leash in public, and never letting your dog run loose (except in designated dog parks).

Never leave your dog alone with children, even for a moment. Some of the most serious bite claims involve children, including family members within the home.

Play non-aggressive games. A dog of any breed can be taught to be aggressive, even unintentionally, through rough play.

Seek advice and help if your dog displays aggressive, problem behaviors. This can be a warning sign of serious bites and attacks in the future.

Avoid chaining your dog outside. These dogs are more prone to aggression, possibly because they have no escape from taunting children who don't understand the dangers involved.

Treat your dog kindly and responsibly with proper attention, nutrition, exercise, shelter, medical care, and affection.

## DOG OWNERSHIP AND YOUR HOMEOWNER INSURANCE

With nearly 90 million dogs in U.S. homes, insurers understand that dogs are a routine homeowner exposure. Some companies do not consider pet ownership in their underwriting process, but others will. If an insurer has concerns about a particular breed, they may request information about the dog's training and socialization, history of behavior problems and biting, and your preventive measures (i.e. fencing).

A few carriers will decline homeowner coverage when a dog is on their "dangerous breed" list. Akitas, Pit Bulls, Alaskan Malamutes, Chow Chows, Dobermans, German

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[2] www.akc.org.

[3] "Breeds of Dogs Involved in Fatal Home Attacks in the United States between 1979 and 1998," American Veterinary Medical Association, JAVMA, Vol 217, No 6, Sept 15, 2000.

Shepherds, Huskies, and Rottweilers are the most common breeds on insurers' blacklists.[4]

If you have rental properties, the underwriter may ask about your tenants' pets and any pet limitations in your rental agreements. As a property owner you could be held legally liable for injuries caused by a tenant's dog on premises that you own.

Unless specifically excluded by endorsement, your insurance will respond for liability claims resulting from a dog bite or attack, but your best protection is prevention. Once you have a dog-bite claim, it will be more difficult to obtain homeowner coverage with dogs in the home.

When you take steps to socialize your dog and prevent aggressive behavior, your efforts will result in good outcomes all around. Your dog will enjoy her life more fully, your family and community will be safer, and your insurability will be uncompromised.

[4] "The Ultimate Guide to Homeowners Insurance for Dog Owners," http//usinsuranceagents.com/homeowners-insurance-for-dog-owners.

# WILDFIRES-PROTECTING YOUR HOME

Wildfire season consists of a "perfect storm" of strong winds, low humidity, and high temperatures. There is nothing that we can do about the weather, but there are steps that we can take to greatly reduce the risk of losing our homes. Preparing ahead is our greatest defense.

Home fires originate from three wildfire elements: flying embers, radiant heat, and direct flames. Once fire enters the home, it is susceptible to devastation. In this white paper, we will focus on steps that can protect the home itself.

**Flying embers—fueled by high winds—can travel over a mile, threatening homes that are still relatively safe from an active wildfire.**

**Roof:** The roof is the most vulnerable point of entry. Use Class-A fire resistive roofing materials, such as slate, concrete tiles, clay tiles, or metal. Use nonflammable under-layers. Avoid wood shake roofs. Do routine maintenance, removing debris from the roof and gutters. Birds and rodents build nests in gaps between the roof coverage and roof deck, usually at the edge of roofs. Regularly inspect and maintain these areas, which can become ignition sites for embers.

**Gutters:** Noncombustible gutters and gutter guards are best. You can also install screens or enclosures to prevent debris accumulation.

**Vents:** Your best protection is installation of specially designed vents that prevent flame and ember intrusion into your attic and roof area. California recently enacted regulations for "Chapter 7A Vents" for wildfire-area homes. As of 2019, three companies meet the new standard: Brandguard Vents, Embers Out LLC, and Vulcan Technologies. Cost for retrofitting is based on the type and number of vents required; most homes can be retrofitted for under $1,500.  The alternative is 1/8" mesh screen vent covers.  While this may deter some ember intrusion, recent California wildfires have shown that mesh screens are often the vulnerability that results in loss of homes.

**Exterior walls:** Use fire resistive material, such as fiber-cement, stucco, or fire retardant treated wood. Use fire retardant additives for water-based latex paints, stains, polyurethane and acrylic-type coats.

**Glass:** Strengthen by using dual-paned or tempered glass for windows and skylights. Consider installing fire shutters on large glass windows and doors. Reason: radiant heat can break windows, allowing embers to enter the home.

**Decks, balconies, and porches:** These attachments can be the originating site for home fires, so use fire resistive construction materials or heavy timber. Wood-plastic composites, high density tropical hardwoods, and fire-retardant decking products are less vulnerable to embers. Avoid redwood and western red cedar. Keep deck board gaps cleared of debris, which can be a start-point for embers. Do not store combustibles under the structure. Enclose undersides so that flammable debris will not accumulate underneath and replace any vegetation with gravel or rock. If the attachment is on stilts, use fire resistive materials or timber encased in stucco or plaster.

**Garage:** Install weather stripping around and under the door to prevent entry of blowing embers.

**Chimney:** Cover chimney and stovepipe outlets with metal screens. Mesh openings should be between 3/8″ and ½″ to protect against embers.

**Fences:** Use metal and other noncombustible materials whenever possible. Never connect a wood fence directly to your home structure. Keep vegetative debris cleared from around fences.

**Exterior sprinklers:** Consider if sprinklers are an option for your home. These can be mounted on the roof, under the roof eaves, or directed toward the house from multiple locations on the property. They can be operated manually or by an automated device with heat or flame sensors. Sprinkler systems have several potential issues, which make them less attractive for some homeowners. They require an adequate water supply, up to 8 hours; if the home is on a municipal water system, you will need to check with the fire department before installing. Sprinkler systems may not be effective when close-by homes are burning. And finally, high winds (which are a factor in wildfires) can adversely affect the distribution of water.

## WILDFIRE DEFENSE SERVICES

In addition to insuring your home against fire, many of the insurance companies that we represent offer wildfire defense services as a complimentary, value-added service for homes located in wildfire areas. These services may include:

- Loss prevention consultation—the insurer visits your home and provides specific suggestions for protecting it in the event of a wildfire.
- Wildfire monitoring—the insurer monitors wildfire activity and notifies you of potential wildfire in your area.
- Wildfire assistance—the insurer's private, professional firefighting team assists with preparing your home in the event of an approaching wildfire. This may include moving combustibles away from the home, extinguishing spot fires, and—in a worst case scenario—spraying your home and surrounding vegetation with fire resistant gel.

Please keep in mind that wildfire assistance cannot be guaranteed. Fire location, size, geography, and life safety concerns may make it impossible for assistance to reach your home during a wildfire.

While most carriers automatically provide this service to eligible insureds, some carriers require that you sign up for wildfire defense services. Your Account Advisor can answer any questions and help you register, if needed.

## OTHER RESOURCES

**FEMA:** Provides comprehensive information on wildfire preparedness through www.ready.gov. Their online booklet, "How to Prepare for a Wildfire," includes a wealth of information on home protection, creating a defensive zone through landscaping, life safety, and evacuation planning.

**Your state's Department of Natural Resources**: Most provide helpful online information and some offer complimentary loss prevention consultation. For example, the Washington Dept. of Natural Resources offers no-cost, onsite assessments to homeowners in Eastern Washington's wildfire-prone areas: www.DNR.wa.gov.

**The National Fire Protection Association**: Offers Firewise, a program for both individuals and communities to prepare for and recover from wildfires: www.nfpa.org/Public-Education/Fire-causes-and-risks/Wildfire/Firewise-USA.

Some information included in this document is aggregated from other sources: FEMA (www.ready.gov), Washington Dept. of Natural Resources (www.DNR.wa.gov), the National Fire Protection Association for Firewise (www.nfpa.org), Chubb Insurance, and Cincinnati Insurance. We appreciate the opportunity to share these important resources with you.

# WILDFIRES-PREPARING FOR EVACUATION

Everyone who lives in a wildfire area needs to prepare ahead so that they can respond quickly in the event of a fire. While protection of your home is important, keeping you and your family from harm is the most important goal. In a worst case scenario, material possessions—including a home—can be replaced. Your lives cannot.

## LIFE SAFETY

- Evacuate immediately when authorities advise you to do so. If circumstances are escalating rapidly, don't wait for instructions to leave. Waiting to evacuate may create difficult problems for you and others: closed off escape routes, traffic jams, and delays for firefighters trying to enter the area.
- Sign up for wildfire alerts. There are multiple agencies that offer alerts, including the National Weather Service (www.weather.gov/fire) and FEMA (www.ready.gov/prepare), Local communities also have alert services; locate yours by googling your town or county and the word "alerts."
- Plan your evacuation route, but include alternatives in case the route is impassable. Keep your gas tank full during wildfire season.
- Make a communication plan in case family members are separated at the time of evacuation. Text messages may work even when phone lines don't. Designate an out-of-area relative or friend who can act as your communications center.
- Download apps that you may need to access quickly. The Red Cross has a shelter finder app: www.redcross.org.mobile-apps/shelter-finder-app. You can also text SHELTER + your zip code to 43362 (FEMA) to find the nearest shelter.
- Keep a copy of this document on your phone for reference during an evacuation emergency.

## EVACUATION KIT

- Prepare a kit in advance. Use crates, wheeled bins, or bags that you can easily carry and load into the car. Many people keep a basic kit in the car, which saves packing time when a fire is approaching.

- Personal needs:
  - Water—3 gallons per person for 3 days
  - Food—3 day supply of non-perishables, such as nuts, protein bars, dried fruits
  - Change of clothes
  - Wool or cotton blankets
  - First aid kit
  - Masks or bandanas to cover your nose and mouth
  - Flashlight
  - Battery operated radio and extra batteries
  - Cash
  - Phones and chargers
  - Medications
  - Sanitation supplies
  - Infant and child supplies (diapers, formulas, etc.)
- Pet carrier, food, and supplies.
- Important documents (consider electronic copies saved on external drives or in the cloud)

If you have time, add mementos, sentimental items, pictures, and other personal valuables.

## PREPARING YOUR HOME FOR EVACUATION

Make sure your address is clearly visible from the roadway.

Back your car into the driveway for easy loading of evacuation kits and a quick exit.

Set an order of priority (1-12) for the following and complete as many as you can in the time that you can safely do so:

_____ If your property is gated, prop the gate open so that firefighters can gain entry.

_____ Turn on inside and outside lights so your home is more visible in heavy smoke.

_____ Move flammable furniture into the center of the home away from windows and glass doors.

_____ Move deck/patio furniture, cushions, and door mats inside to prevent ember ignition.

_____ Gather up flammable items, such as children's toys and garbage cans, and move them inside or place them in your pool.

_____ Remove flammable curtains and window treatments.

_____ Close windows, vents, doors, and fireplaces.

_____ Shut off gas supply at the meter and turn off any propane tanks.

- _____ Check on neighbors.
- _____ Disconnect automatic garage door openers so that doors can be opened by hand in a power outage.
- _____ Connect garden hoses. Fill garbage cans and tubs with water, and place around your home. This will be helpful to firefighters.
- _____ Place a ladder against the house for the firefighters.

## SURVIVING A WILDFIRE

**When driving away from the fire**, limit smoke by rolling up windows and closing air vents. Smoke can cause severe eye irritation and respiratory problems that could inhibit your progress. Drive with your headlights on. Watch for panicked, fleeing animals and other evacuating autos.

**If you become trapped in your auto, call 911.** Consider the risks and make the best choice you can—to abandon the car and seek cover, or stay inside. Base your decision on your circumstances: distance from the fire, direction of the fire, the amount of fire fuel (brush and trees) near your car, and the potential for rescue. If you remain in the car, lie on the floor and cover yourselves with wool or cotton blankets and jackets.

**If you are trapped in your home, call 911.** Turn on all the lights so that your home is visible in heavy smoke, and fill sinks and tubs with cold water. Keep doors and windows closed but unlocked. Stay inside and keep the family together, away from outside walls and windows, and wait for emergency responders.

## OTHER RESOURCES

**FEMA:** Provides comprehensive information on wildfire preparedness through www.ready.gov. Their online booklet, "How to Prepare for a Wildfire," includes a wealth of information on home protection, creating a defensive zone through landscaping, life safety, and evacuation planning.

**Your state's Department of Natural Resources**: Most provide helpful online information and some offer complimentary loss prevention consultation. For example, the Washington Dept. of Natural Resources offers no-cost, onsite assessments to homeowners in Eastern Washington's wildfire-prone areas: www.DNR.wa.gov.

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# WILDFIRES-CREATING A DEFENSIBLE ZONE AROUND YOUR HOME

Wildfires require fuel. In order to protect your home, you can create a defensible zone by eliminating or reducing fuel sources. This means moving combustible items away from the home and landscaping the surrounding area to reduce the possibility of fire spread via trees, shrubbery, and plants. Most experts divide the defensible space into two zones: Zone 1 is 30′ and Zone 2 is 100′ from the home. Some experts recommend extending Zone 2 as far as 200′ from the home.

## ZONE 1

- Remove all dead plants, grass and weeds.
- Remove dry leaves and pine needles from your yard, roof, and gutters.
- Remove vines from the exterior of the home.
- Trim trees. Branches should have a distance of at least 10′ between them.
- Remove branches that hang over your roof.
- Move wood piles to an area in Zone 2.
- Remove combustibles—stored items and vegetation—from around and under decks.
- Store outdoor furniture cushions and other flammable items when not in use.
- Clear a 10′ area around your barbeque area.
- Move all portable propane or oil tanks to Zone 2 and maintain a 10′ clearing around them.

## ZONE 2

- Remove all dead plants, grass and weeds.
- Keep grass mown to a maximum of 4″.
- Clear a 10′ space around wood piles.
- Trim trees so that there is a minimum 10′ clearance between the ground and lowest branches.
- Allow extra clearance between the ground and lowest branches if shrubbery is located beside a tree. This is to avoid vertical fire spread from the ground up to tree tops. Recommended clearance is 3 times the height of the shrubbery.

- Make sure that you have adequate spacing between shrubs and trees. Distance between shrubs should be at least 2 times the width of the shrubs. Trees should be at least 10′ apart. However, fires spread more easily and rapidly on slopes, so trees will need at least 20′ distance on mild/moderate slopes and 30′ distance on steep slopes.
- Clear driveways of flammable vegetation, leaving at least 10′ on both sides. Overhanging obstructions should be at least 15′ from the ground. This is needed so that firefighters and their equipment can access your home during a fire.

## DEFENSIBLE LANDSCAPING

Your primary goal is to limit the amount of flammable vegetation and increase the moisture content of remaining vegetation around your home. In addition to tree and shrubbery placement and spacing (per Zone 1 and Zone 2), these landscaping steps are essential for protecting your home.

- Replace beauty bark and mulch with hardscaping, including rock, gravel, or stone.
- Create "fuel breaks" using driveways, gravel walkways, and stone walls.
- Remove highly flammable trees and plants—pine, eucalyptus, juniper, and fir. Italian Cypress trees are especially flammable and are often the source of flying embers. Remove all cypress trees within 6′ of your home; consider removing all cypress trees from your landscaping area.
- Plant trees, shrubs, and plants that have low sap and resin content.
  - For trees, consider hardwood, maple, poplar and cherry.
  - Choice shrubs include hedging roses, bush honeysuckle, currant, cotoneaster, sumac, and shrub apples.
  - Fire-retardant plants include succulents, rockrose, ice plant, and aloe.
- Choose shrubs and plants that grow low to the ground.
- Your local nursery and landscape contractor are good sources for advice for your locale.
- Overall, keep the volume of vegetation to a minimum.
- Always keep areas with vegetation well hydrated.

## WILDFIRE DEFENSE SERVICES

In addition to insuring your home against fire, many of our carriers offer wildfire defense services as a complimentary, value-added service for homes located in wildfire areas. These services may include:

- Loss prevention consultation—the insurer visits your home and provides specific suggestions for protecting it in the event of a wildfire.

- Wildfire monitoring—the insurer monitors wildfire activity and notifies you of potential wildfire in your area.
- Wildfire assistance—the insurer's private, professional firefighting team assists with preparing your home in the event of an approaching wildfire. This may include moving combustibles away from the home, extinguishing spot fires, and—in a worst case scenario—spraying your home and surrounding vegetation with fire resistant gel.

Please keep in mind that wildfire assistance cannot be guaranteed. Fire location, size, geography, and life safety concerns may make it impossible for assistance to reach your home during a wildfire.

While most carriers automatically provide this service to eligible insureds, some carriers require that you sign up for wildfire defense services. Your Account Advisor can answer any questions and help you register, if needed.

## OTHER RESOURCES

**FEMA:** Provides comprehensive information on wildfire preparedness through www.ready.gov. Their online booklet, "How to Prepare for a Wildfire," includes a wealth of information on home protection, creating a defensible zone through landscaping, life safety, and evacuation planning.

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# DRONE COVERAGE

Homeowner policies exclude coverage for aircraft, but most of our insurers make an exception for model, hobby craft, and unmanned devices, including drones. In that case, property coverage is provided under contents coverage, subject to your homeowner deductible. Personal liability coverage includes bodily injury and property damage to others when caused by your negligence while operating your drone.

Since not all of our insurers make the exception, you will need to ask your Account Advisor if your insurer extends coverage for drones. If your homeowner insurer excludes drone coverage, there are alternative markets.

Membership in the **Academy of Model Aeronautics** includes limited coverage on the drone itself—$1,000 limit for fire, theft, and vandalism. It also includes $2,500,000 liability coverage and $25,000 medical payments. Membership is $75 per year and more information can be found at www.modelaircraft.org.

**Verifly** provides liability coverage on a "per use" basis through a mobile app. Premium is based on the flight area, number of hours, and chosen liability limit. Prices start at $10 per hour and limits are available up to $10,000,000. The coverage is excess over any other coverage, which means that your homeowner and excess liability policies would respond first if those policies include drone coverage. Verifly can be an option if your homeowner insurer excludes drone coverage. More information is available at www.verifly/com.

These alternative markets work directly with the policyholder. We are happy to share information about these options, but we cannot handle the coverage on your behalf.

Please contact your Account Advisor if you have any questions or need to verify that your homeowner insurer includes drone coverage.

# CAR EMERGENCY KITS: BE PREPARED

While we can't anticipate every type of roadside emergency, we can manage the most common ones with a well-stocked car kit. A kit can help drivers solve immediate problems, reach out for assistance, and keep everyone safe. When preparing kits, consider where each of your autos will be driven. Winter and mountain pass driving require additional supplies.

**A basic car emergency kit should include these ten items:**

- A spare tire, wrench, and jack. (Aerosol sealant works for small tread punctures, but not large ones or sidewall damage. Sealant is also less effective in cold weather. A spare tire is your best bet.)
- Jumper cables.
- Flashlight and extra batteries.
- Reflective triangles and flares. (These will make your disabled auto more visible.)
- Reflective vest. (This will make you more visible when you are out of the car or walking for assistance.)
- First aid kit with bandages, ointment, pain relievers, scissors, tweezers, gloves, and a blanket.
- High energy food—nuts, protein bars, dried fruits, and hard candies. (Replace and replenish periodically.)
- Bottled water.
- Phone charger.
- Emergency phone numbers, including your insurance broker or carrier, stored in your phone.

**Extras that you may want to include:**

- Blanket and warm clothing.
- Small tool kit.

- Compass.
- Rain poncho, tarp, and gloves.
- Paper towels or pre-moistened wipes.
- Duct tape.
- Tow rope to pull your car out of a ditch. (Read your owner's manual instructions for attaching the tow rope.)
- Fire extinguisher. (Use only for small fires. If there is any chance of an explosion, vacate your car immediately instead of trying to control the fire.)

**For autos that will be driven in winter weather, also include:**

- A sturdy ice scraper with snow brush.
- Traction aid, such as sand or non-clumping cat litter.
- An emergency shovel for digging out your car or clearing space around your tailpipe. (If you choose a collapsible one, be sure it is study enough to handle hard packed snow.)
- Tire chains.
- Windshield and lock de-icer.
- Boots, coat, hat, and gloves.

**It's important to have someone to call on when you need help. Many insurers provide roadside assistance. If your insurer does not, consider AAA membership.**

**And finally, it's important to be sure that your auto is prepared for winter weather:**

- Tires should have good traction and proper inflation for winter driving conditions.
- Maintain windshield washer fluid level and be sure wipers are in good working order.
- Confirm that the heater and defroster are working properly.
- Antifreeze should test to -15 degrees F.
- Check headlights, tail lights, turn signals, and hazard lights.
- Maintain gas tank level. (Full is always best in the event of an emergency and below ¼ tank can result in a frozen gas line.)

You can assemble your own kits or purchase pre-assembled ones, which you can customize as needed. This *Consumer Reports* article may be helpful if you are interested in a pre-assembled kit: https://www.consumerreports.org/emergency-preparedness/winter-car-emergency-kit-be-prepared/.

We spend a lot of time in our autos, so it's a good investment to make sure that we are prepared for the unexpected when we are on the road. With proper preparation, we can often turn a potential emergency into a simple inconvenience.

# PERSONAL AUTO USE FOR BUSINESS

Many people use their personal autos for business purposes. It may range from running errands during lunch to conducting business on a daily basis. Employers often reimburse employees for auto expenses, but expect the employee to maintain personal auto insurance. While every insurer's policy is different, following is a summary of how most personal auto insurers address business use. Be sure to consult your policy for details of your own coverage.

Personal auto policies include a definition of business (an occupation, trade, or profession that earns money or other profit, for instance) and specific language regarding the inclusion or exclusion of business use. Although policies generally exclude business use, exceptions are made for private passenger autos that are listed on the policy. Some insurers will include a premium surcharge for regular business use, such as realtors or sales reps who drive their autos for work.

All personal auto policies have specific exclusions for some types of business use because the exposure is greater than expected for personal autos. Typical exclusions are:

- Autos used for public hire or transportation. The exclusion applies to ride-sharing programs such as Uber and Lyft. Carpooling to share expenses is not excluded. (Be sure to advise your broker if you are considering driving for a ride sharing company; you will need to obtain coverage for your personal use that coordinates with the ride-sharing coverage.)
- While pickup trucks are considered personal autos, ones used for business purposes are usually excluded. Specific types of trucks—such as flat beds, stake trucks, dump trucks, and snowplows—may also be specifically excluded. Truck exclusions are designed to exclude coverage for contractors who use their personally owned trucks in their business. More appropriate coverage is available through a business auto policy.
- Autos that are used in an auto-related business, including selling, repairing, servicing, storing, parking, testing, or delivering autos. More appropriate coverage is available through a business policy for auto dealers or servicers. An exception to this exclusion is for the personal autos of people involved in auto

businesses; their personal autos are covered as long as they are scheduled on their personal auto policy.

- Autos and trucks used for delivery or transportation. This often includes autos used for pizza and food delivery. Contact your broker if you have this exposure to see if your personal auto policy excludes coverage for food delivery.

In addition to your personal auto policy, you want to confirm that your excess liability (umbrella) policy extends coverage to business use of your auto. These policies usually have a business exclusion, but make exceptions for personal autos used for business that are covered on the personal auto policy. Other excess liability exclusions—including public hire, ride sharing, commercial size/type trucks, and auto dealership/service business use—follow the personal auto policy exclusions.

Since policy language and exclusions vary by carrier, your best protection is to check with your broker to confirm that you have adequate protection for business use on both your auto and excess liability policies. Our Account Advisors are happy to answer any questions you may have.

# COMPANY CAR

If your employer provides a company car, they may have told you that "you're covered" under the company's auto policy. However, it's important to dig a little deeper to make sure that you have coverage that adequately protects you and your family for personal use of the auto.

## Insuring Personal Use of a Company Car

First, ask your employer:

- Does the company policy cover my personal use of the auto?
- Does the company policy include coverage for my spouse? My children?

Most business auto policies will include coverage for personal use of the company car for yourself and your spouse, but it's best to make certain. If you have children who drive, don't assume that they are covered. Most company policies do not extend coverage to family members other than the spouse.

Once you have confirmed that the company's policy covers personal use, schedule the company car on your personal excess (umbrella) policy. There are two reasons to do this. The employer's policy is primary coverage, but in a worst case scenario—a severe accident while driving for personal use—both you and your employer could be named in a lawsuit. Your personal excess policy could protect your assets if you are found legally liable. Secondly, your personal excess policy can provide excess uninsured motorist liability, which is not available on the employer's policy.

The cost to add a company car to your excess liability is reasonable and your Account Advisor will be happy to provide a quotation. We will need:

- Year, make, model and VIN of your company car
- Information about your employer's auto policy: insurer, liability limit, and policy term

### If Your Company Car is Your Only Car

Most people who have a company car also own personal autos. In that case, your personal auto policy covers you and your family members for use of owned autos. The policy also extends coverage for your liability while driving non-owned autos—borrowed, loaned, and rented autos.

If you don't own autos and the company car is your only auto, ask your employer if their policy includes a Drive Other Car (DOC) endorsement that covers you and your spouse. That endorsement extends coverage for you personally when you drive autos other than the company car. Without DOC coverage, you have no liability coverage when you drive borrowed, loaned, or rented autos. In that case, we recommend that you purchase a non-owned auto policy to fill the coverage gap. The policy is designed to cover:

- Your liability if you cause bodily injury or property damage while operating a borrowed or loaned auto. (The owner's policy would be primary, but your coverage would apply once the owner's limit is exhausted.)
- Your liability while operating a rented auto. With a non-owned auto policy, you will not need to purchase the rental company's liability coverage. This can save money over the long term, especially if you rent autos several times a year.
- Non-owned auto coverage may also cover your medical expenses if you are injured as a pedestrian or passenger and the at-fault driver has inadequate liability coverage.

We recommend non-owned auto coverage for clients who 1) only have a company car and no DOC coverage or 2) are licensed but do not own an auto. The premium is based on your risk as a driver, including violations, prior accidents, age, and frequency of use of non-owned autos. The cost is usually less than the liability premium you would pay if you owned an auto.

It's important to note that non-owned auto coverage is a liability coverage and does not extend to physical damage to the non-owned auto. You will still need to purchase the collision damage waiver offered by a rental company, unless your credit card provides the coverage, and you may be (or feel) obligated to pay for damage to an auto that has been loaned to you.

Please contact your Account Advisor if you have any questions about your specific situation or would like to discuss your coverages. We are happy to answer questions and provide quotations for your consideration.

# PERSONAL AUTO USE FOR RIDE SHARING SERVICES

If you have an enterprising driver in your household, driving for a ride share company may be an attractive option. While you want to encourage ambition, auto insurance does need to be a part of the decision-making process.

Most insurers consider livery—conveying passengers for a fee—a business exposure and beyond the intended scope of a personal auto policy. In fact, personal policies specifically exclude coverage for autos used for livery. Most personal excess liability policies also exclude coverage for livery. If you experience a loss while using your auto for a ride share service, your insurer may deny the claim. They may also cancel or non-renew your coverage when they learn of the vehicle usage.

Uber and Lyft provide some coverage, but it's important to understand the how the coverage applies and the substantial coverage gaps that you may have. Auto coverage for ride-sharing vehicles is divided into three periods:

1) **While the ride share app is turned off and auto use is personal**: Personal auto insurance applies, but keep in mind that many carriers do not want to insure autos that are ever used for ride sharing and may cancel coverage if they become aware of the auto use.
2) **While the app is turned on and driver is awaiting a ride request:** Uber and Lyft's policies provide liability limits of $50,000 per person/$100,000 per accident bodily injury and $50,000 property damage liability. Your personal insurance may be void since the driver is "on the clock" for livery use.
3) **From the time that the driver accepts a ride request until the passengers depart the auto:** Uber and Lyft's policies apply. Both companies provide $1 million liability and uninsured motorist coverage for this ride-share period.

The important takeaway is to know that the coverage provided by Uber and Lyft is not a total solution for your liability risk. At this time, there are a limited number of personal auto insurers that offer ride-sharing coverage specifically designed to coordinate with Uber and Lyft policies to fill the gaps in coverage and limits. Keep in mind that personal excess liability coverage is also affected by ride sharing auto exposures, which can leave you with a serious gap in liability coverage.

If you have an operator in your household who is driving for a ride share company, or considering it, contact your Account Advisor immediately. We are available to answer your questions, help you determine if you want to assume ride-sharing risks, and, if so, help you obtain appropriate and adequate coverage.

# DISTRACTED DRIVING

Many people believe they are talented multitaskers and routinely drive while doing other things. That can be deadly for the driver and all the people—passengers, other drivers, bicyclists, and pedestrians—around them.

A large-scale study by the National Academy of Sciences quantifies the increased risk of accidents as a result of distracted driving:

- Operating the car's radio increases the risk factor by 2.0.
- Using touch screen menus increases the risk factor by 4.6.
- Texting increases the risk factor by 6.1.
- Reaching for an object or reading/writing increases the risk factor by 9.0.
- Dialing a cell phone increases the risk factor by 12.2.

Phones and navigations systems have added to our distractions and, unfortunately, hands-free technology is an imperfect solution. "Talking to your car" is more mentally distracting than talking to a passenger. Also, a manufacturer's voice-activation system makes a difference. AAA's Foundation for Traffic Safety found that completing the very same task ranged from risk factors of 2.4 to 4.6, depending upon a car's make and model.

**On average, a texter's eyes are off the road and on the phone for five seconds, the same time it takes to drive down a football field at 55 mph. In real life, the texter's "football field" is a highway packed with fast-moving cars, buses, and semi-trucks.**

Auto makers are improving safety for today's drivers by offering features that compensate for increased distractions. These include automatic emergency braking, front-facing radar, blind-spot monitors, and lane-departure warning systems. However, manufacturers can only do so much to mitigate the risks and the driver is still the cause of the vast majority of auto accidents.

## OUR LAWS

Laws vary by state and legislatures have adopted ones to keep up with technology. While laws may continue to change in the foreseeable future, following is a recap of current distracted driving laws in the Western states as of 2019:

**WASHINGON**

- Handheld phone/device use not allowed.
- Texting (reading or sending) not allowed.
- Setting navigation system not allowed.
- Hands-free device use allowed.
- Drivers under 18: neither handheld nor hands-free device use allowed.
- 1st offense: $136 fine; 2nd offense: $235 fine.
- Primary offense—can be stopped solely for distracted driving/device use.
- Citation included on driving record; may affect insurance premiums.

**OREGON**

- Handheld phone/device use not allowed.
- Texting (reading or sending) not allowed.
- Setting navigation system only allowed with permanently installed system.
- Hands-free device use allowed.
- Drivers under 18: neither handheld nor hands-free device use allowed.
- 1st offense: $260 fine; 2nd offense: $435 fine; additional offenses: up to $2500 fine and up to six months in prison.
- All fines may increase if distracted driving results in accident with injuries or death.
- Citation included on driving record; may affect insurance premiums.

**ALASKA**

- Handheld phone use is allowed.

- Texting (reading or sending) not allowed, although voice activated is allowed.
- Setting navigation system allowed.
- Hands-free device use is allowed.
- Drivers under 18: no special restrictions.
- While Alaska laws are laxer, penalties can be severe. Use of a handheld phone is legal, but an accident that causes injury or death while using one is considered a felony, subject to both fines and prison time. Texting is not allowed and penalties are:
    - While driving—up to $10,000 fine and up to one year in prison.
    - Texting while driving, which results in an accident—up to $50,000 fine and up to five years in prison.
    - Texting while driving that results in an accident with injuries or death—higher fines and prison time may be imposed.

**CALIFORNIA**

**"Please don't text while you're driving because it's dangerous for both of us."**

- Handheld phone/device use not allowed.
- Texting (reading or sending) not allowed.
- Hands-free device use is allowed.
- Drivers under 18: neither handheld nor hands-free device use allowed.
- First and second offense: $20 to $50 fine; subsequent violations result in higher fines.
- Citation included on driving record; may affect insurance premiums.

## OUR SOCIAL NORMS

It takes time and a concerted effort to change our social norms. At some point, through a combination of laws and changing social perceptions, distracted driving will become more unacceptable. It is tolerated now, much like public smoking was in the past.

We can take an important lesson from the anti-smoking campaign for changing attitudes about distracted driving. One of the most effective tactics that reduced smoking was education. Children, taught the dangers of smoking, asked their parents to quit. Once second hand smoke became an issue, children's requests often changed to "Please don't smoke because it's dangerous for me." We need to speak up when our family and friends choose distracted driving. It may be uncomfortable to say "Please don't text while you're driving because it's dangerous for both of us," but it's an effective way to begin to change awareness about distracted driving.

Now is a good time to self-assess driving habits and commit to being fully attentive drivers at all times. We can make common sense choices that involve minor inconveniences, but may save lives. It's easy to make a habit of setting the navigation system before we hit the road, put away our phones while we are driving, and pull over if we have to use the phone or set the GPS. We also need to talk with our young drivers and set clear expectations for their driving behavior, including distracted driving. More importantly, we must show that we take distracted driving seriously by being a role model.

# VALUABLES INSURANCE

The homeowner policy includes limited coverage for valuables such as jewelry and fine art. A valuables (or collections) policy will provide broader, more appropriate coverage for valuables.

Contents coverage under the homeowner policy is intended to cover everyday possessions—from furnishings to clothing—that are easily replaced. Contents coverage is not designed to fully insure your high value, often "one-of-a-kind" valuables.

While the replacement cost of everyday possessions is easily determined at the time of loss, the value of special collections is often market driven. For example, the market value of an artist's work may increase upon his/her death, or the value of gold and precious stones can fluctuate from year to year.

## TYPES OF VALUABLES

Valuables coverage can be written for nearly all types of collections:

- Jewelry, including watches
- Fine arts, including paintings, sketches, art quality photography, sculptures, and custom or antique furniture
- Furs
- Wine and spirits
- Silverware, gold ware, and pewter
- Musical instruments
- Sporting equipment, including high-value bicycles
- Stamp and coin collections
- Guns
- Collectibles, such as china and glassware, model trains, dolls, toys, and trading cards
- Antiques
- Rugs, tapestries, and textiles
- Rare books, maps, first editions, and manuscripts

Today, couture collections—especially handbags and shoes—are an investment worth protecting. Some high net-worth insurers offer coverage for garments, designer handbags and shoes, collector pieces (such as vintage movie costume pieces), and accessories.

## VALUABLES AND HOMEOWNER COVERAGE COMPARISON

It is important to know the coverage differences between valuables and homeowner coverage, so that you can make an informed decision about how to protect your investments. Following is a brief comparison:

| VALUABLES COVERAGE | HOMEOWNER COVERAGE |
|---|---|
| Agreed value limit per item, based on original cost or subsequent appraisal, applies; items can be insured for full value. | Sublimits apply to valuables. For example, jewelry is limited to $5,000 for items that are lost, misplaced, or stolen. |
| Loss payment based on agreed value. However, most insurers include market value coverage, up to 50% over the agreed value, in the event an item's market value has increased at the time of loss. | Loss payment based on replacement cost. |
| No deductible. | Homeowner deductible applies. |
| Coverage includes lost, misplaced, stolen and mysterious disappearance. | Limited coverage for items that are lost, misplaced or stolen. No coverage for mysterious disappearance. |

There are several additional advantages to the valuables policy. Many insurers include earthquake coverage, as well as breakage of glass or fragile items. A valuables policy provides worldwide coverage and, with advance notice and additional underwriting information, insurers may be able to provide coverage while your collection is on loan to exhibits. And finally, credits are available for recent appraisals, and items kept in home safes or bank vaults.

**Items with recent appraisals (last 2-3 years) may receive a credit. Higher-valued items may require a recent appraisal.**

## CLAIMS SCENARIOS

Another way to fully appreciate valuables coverage is to compare claims payment under valuables vs. homeowner policy.

**Scenario 1:** The diamond to your wedding set fell out and you don't know where or when it happened. The value was $25,000 when it was purchased 3 years ago.

- Under your homeowner coverage, a sublimit of $5,000 for jewelry applies. However, the homeowner policy excludes coverage for mysterious disappearance and coverage is denied. (If the ring had been stolen—a covered peril—coverage would apply, but the claim payment for the $25,000 loss would be limited to $5,000.)
- The diamond is scheduled on your valuables policy for the original cost of $25,000. At the time of loss, it is determined that the value of diamond has not changed since purchase. Your valuables policy has no deductible and includes mysterious disappearance. Claim payment would be $25,000 to replace the lost diamond.

**Scenario 2:** Twenty years ago, you purchased a glass sculpture by an up-and-coming artist for $50,000. Since then, the artist's career has taken off and the market value of the sculpture has increased dramatically. You obtained an appraisal 3 years ago and the piece was valued at $150,000. The sculpture is destroyed when it is accidentally broken while on display in your home.

- Under your homeowner coverage, a sublimit of $2,500 applies. However, the policy excludes coverage for glass breakage and the claim is denied. (If the sculpture had been stolen—a covered peril—coverage would apply, but the claim payment for the $150,000 loss would be limited to $2,500.)
- The sculpture is scheduled on your valuables policy for the appraised value of $150,000. At the time of loss, it is determined that the market value of the item has increased by another 20%, to $180,000. The policy includes breakage coverage and there is no deductible. The claim payment would be $180,000, based on the market value at time of loss.

## SCHEDULED AND BLANKET VALUABLES COVERAGE

Valuables coverage offers the flexibility of insuring items on a scheduled or blanket basis. **Scheduled coverage** lists each insured item and its agreed value. In the event of a total loss, the agreed value will be paid by the insurer. The schedule must be updated each time an item is added or deleted. **Blanket coverage** provides a total limit for each category of valuables (i.e. jewelry or fine art), subject to a maximum limit for any one item. The advantage of blanket coverage is that you do not have to add coverage for new items, as long as they are within the parameters of the blanket limits. Blanket rates are usually slightly higher than scheduled rates.
Many people schedule their higher valued items and insure the remainder of their valuables on a blanket basis. That method helps ensure that the most valuable items are adequately insured while also providing the convenience of blanket coverage.

**A picture is worth a thousand words, especially if you are insuring unusual items without documentation of origin or value. (Examples: antique maps, older artwork—untitled and/or unsigned—or toy collections.). Photos or a video of your collection may be helpful for a fair and equitable loss payment.**

## OUR RECOMMENDATIONS

We recommend that clients consider valuables coverage, whether for a single wedding set or a large collection that includes jewelry, fine arts, and other collections. Your valuables will be insured for their full value and you will have the broadest, most appropriate coverage available without deductibles.

We especially encourage clients to consider insuring jewelry items, including watches, on a valuables policy because they are high risk for theft, mysterious disappearance, and lost/misplaced—all perils included on a valuables policy.

Please contact your Account Advisor if you would like more information or a quotation.

# HIGH VALUE ART COLLECTIONS: PROTECTING YOUR INVESTMENT

Maintaining meticulous records is the best way to protect your investment in high value artwork. A piece's provenance, the history of its ownership, is central to its value and establishes title if legal challenges should ever arise.

Keep all documents related to the authenticity and ownership history of the artwork in a safe, accessible place. These may include original invoices, appraisals that describe the item and state its value, fact sheets that describe the artist and/or the artist's process, conservation treatment reports, certificates of authenticity, and contact information for the individuals or companies that have provided the documentation. Documents will be needed if you have an insurance claim, as well as when you sell or bequeath the artwork.

It's also important to update appraisals periodically. Values may change quickly due to a variety of reasons, from popularity of a movement to an artist's rise in reputation or death. If you have inherited artwork, keep in mind that estate appraisals are based on fair market value. Insurance appraisals use replacement value, which is typically a higher value.

Qualified appraisers can be located through three professional organizations: Appraisers Association of America, American Society of Appraisers, and the International Society of Appraisers.

Your insurer may also have a referral service of qualified appraisers, who often offer discounts to the insurer's clients. Your Account Advisor can assist you if you have questions about your insurer's referral services.

# WINE INSURANCE: PROTECTING YOUR COLLECTION

Some people become wine collectors simply because they purchase more wine than they consume. Others are connoisseurs who collect as a passion and investment. The value of a collection can be as low as several hundred dollars for those who build up a consumable reserve or as high as millions of dollars for serious wine investors.

Wine is a fragile commodity that is subject to special types of losses and requires insurance specifically designed to provide broad and appropriate coverage. Anyone with a wine collection should consider protecting their investment by purchasing appropriate insurance.

## What can happen to wine?

**Accidents**—a bottle slips out of hand and shatters.

**Mechanical breakdown of a climate control (temperature/humidity) system**—high temperatures spoil wine, dried corks allow air into bottles, and temperature changes erode wine quality.

**Power outage**—climate control systems cannot operate.

**Excessive vibration**—vibrations affect wine sediment, resulting in changes to wine quality.

**Water damage**—wine cellars and basement storage areas are more susceptible to flooding.

**Theft**—wine is easy to fence and its provenance is hard to prove, which makes it attractive to thieves. Domestic employees and guests may also be tempted to help themselves.

**Disappearance**—maybe it was stolen, but it definitely is missing.

**Shipping damage**—from inadequate packing by a vineyard to a trucking accident.

**Label damage** (due to water damage, a fire or natural disaster)—rare, vintage wine values decrease if the label is damaged.

**Earthquake**—a major concern in the Pacific coast states and Alaska.

## What should insurance cover?

Coverage for wine should include property coverages such as fire, windstorm, hurricane, earthquake, and flood. It should include these wine-specific coverages, too:

- Damage caused by mechanical breakdown or malfunction of a climate control system (whether a wine cooler in the kitchen, a home wine cellar, or commercial wine storage facility).
- Accidental breakage.
- Damage while in transit.
- Worldwide coverage (including coverage at wine storage facilities).
- No deductible should apply.

Most policies include automatic coverage on newly acquired wine (subject to policy reporting requirements within a specified number of days).

Typical exclusions are production defects, gradual deterioration, fraud or counterfeit activities, and consumption.

**Wine collections should be appraised at least every five years, to make certain that insurance limits remain adequate.**

## How is coverage structured?

Wine collections are insured on a valuables (or collections) policy, similar to ones for jewelry and fine arts. Insurers provide coverage either as an endorsement to the homeowner policy or as a separate valuables policy.

You have the option of insuring wine on a blanket or scheduled basis.

**Blanket:** the policy limit is equal to the total value of your wine collection, with a maximum limit per bottle. For example, you may have a $100,000 blanket limit, subject to a maximum limit of $2,500 for any one bottle. Blanket coverage is convenient for people who purchase and consume wine on a regular basis because they don't have to report each acquisition or disposal, as long as new purchases are within the "per bottle" maximum limit.

**Scheduled:** each bottle of wine is listed on the policy with a full description and value for each item. The policy limit is the total of all scheduled items and each bottle is insured for its value stated on the policy. Scheduled coverage is appropriate for collectors who have high value wine that they intend to keep long term. Each acquisition or disposal must be reported to the insurer.

**A combination of blanket and scheduled:** the majority of the collection is insured on a blanket basis, but scheduled coverage is purchased for bottles that exceed the blanket's maximum limit per bottle. This method provides both the convenience of a blanket and the agreed value coverage for high-value items.

## What is the cost of wine insurance?

Wine rates are based on geographic location, storage method and conditions, security measures, blanket vs. scheduled coverage, and collection value or size. Most insurers include credits for central station alarms, water detection systems, back-up generators, and locked collections. Total account credits may also be applied if the insurer provides your homeowner and/or auto coverage, too. A ballpark rate estimate for an average risk is 50¢ per $100 of coverage. (So, a ballpark estimate for a $50,000 collection is $250 annual premium.)

## What are the additional benefits to insuring a wine collection?

Many high net-worth insurers offer their clients access to expert wine resources. They may provide a complimentary assessment of your wine cellar and provide practical recommendations to help protect your collection. They may also offer professional advice if you are building or renovating a wine cellar, recommend software or pre-vetted vendors for compiling inventories, connect you with professional wine appraisers, or provide recommendations for third-party vendors who specialize in wine shipping, storage, security systems, or temperature control systems. Their risk management team may help you develop an evacuation plan in case of impending natural disasters, too.

## What can you do to protect your wine?

There are two considerations—1) avoiding or mitigating a loss and 2) taking steps that will help ensure a fair and equitable claim resolution if you do have a loss.

**Steps you can take to avoid or mitigate a loss:**

- Store wine away from chemicals, paint, and odor-producing materials that could permeate through the cork.
- Do not locate your wine cellar or cooler close to vibrations that may disrupt wine sediments. This includes home theatres, laundry rooms, and dishwashers.
- Keep your collection under lock and key.
- Install a wine cellar alarm that warns against theft, and temperature or humidity changes.

- Consider installing a back-up generator for power outages.
- Consult with your insurer if you need guidance or recommendations about safely shipping wine or choosing an off-site storage facility.
- Plan ahead for a natural disaster. It's a good idea to establish a relationship with a transport company that you can call on to quickly move your collection to safety if a wildfire, flood, or other natural disaster approaches.

**Steps you can take to help ensure a fair and equitable claim resolution:**

- Complete an inventory and update it periodically. A current inventory will help avoid undervaluation of your collection.
- Retain sales receipts and keep them in a secure place.
- Obtain appraisals from wine professionals for rare, vintage and high valued wine. Update appraisals at least every five years and store them in a place that will be easily accessible in the event of a loss.
- If coverage is written on a scheduled basis, be sure to update your coverage each time you acquire or dispose of a bottle. This will help you avoid uninsured losses on new wine and avoid overpayment of premium for wine that you no longer own.
- Insure your collection with an insurance company that has expertise in wine coverage. High net-worth insurers employ knowledgeable claims adjusters with experience in wine valuations.

## FAQ

### Doesn't my homeowner policy cover wine?

Homeowner policies offer little or no coverage for consumables. Additionally, wine losses often occur as a result of perils that are typically excluded under a standard homeowner policy—earthquake, flood, breakage, and breakdown of climate control systems.

### What are the most common types of claims for wine?

Shipping damage, climate control malfunctions, and theft from unsecured wine cellars. Incidentally, wine coverage applies from the point of sale, so coverage includes purchases while being shipped or transported to your home or storage facility.

### Does coverage include opened bottles of wine?

No, opened bottles are specifically excluded.

### If I store my wine in an offsite facility, do I need to purchase wine insurance?

Some facilities offer insurance to their customers, but it's prudent to maintain your own coverage. Your coverage is worldwide, including storage facilities. As a service included with your coverage, your insurance company may inspect the facility for security and climate control features to be sure that your wine is adequately protected.

**How do insurers determine the value of wine when there is a claim?**

If coverage is written on scheduled basis, each bottle of wine is insured for the stated limit on the policy. Many insurers include a market value provision; if a bottle's value has increased beyond the stated limit, the insurer may pay the current market value (usually limited to 150% of the bottle's limit.)

If coverage is written on a blanket basis, insurers will refer to your inventory, sales receipts, appraisals, and third party experts, such as auction houses, industry experts, and wine makers. Clients are often well-versed in wine values and their opinions may be considered along with other experts.

**What if I collect high-valued and rare whiskey?**

Many of our insurers will consider insuring other valuable alcoholic consumables, too.

Whether your collection is modest or substantial, it is an investment that warrants protection, especially given wine's fragility and susceptibility to wine-specific types of losses. We partner with high net-worth insurers who specialize in wine coverage and your Account Advisor will be happy to answer questions or obtain a quotation for your consideration.

# WATERCRAFT AND YACHT INSURANCE

When you own watercraft—from jet skis to custom yachts—you will want to be sure that you are properly insured. Watercraft policies provide liability coverage for bodily injury or property damage to others and physical damage coverage for your own watercraft. In many ways, a watercraft policy is coverage for your "auto on the water." Coverages and underwriting criteria are similar, but with additional considerations specific to watercraft.

## COVERAGES

**Liability:** Bodily injury and property damage to others for which you are held legally liable. Yacht liability is referred to as Protection and Indemnity. We recommend that clients carry $500,000 liability limits.

**Medical Payments:** This coverage pays for medical care for yourself and passengers if you are injured and need medical attention. It usually includes coverage for water skiers. This is a "goodwill" coverage that does not require determination of liability.

**The United States Coast Guard offers complimentary safety checks for personal watercraft:**

www.cgaux.org/vsc/

**Uninsured/Underinsured Boater:** This coverage pays for your loss if it is caused by another boater who doesn't have liability coverage or their limit is too low to pay your full claim. Some insurers provide only bodily injury coverage while others include property damage liability as well. We recommend that our clients carry $500,000 limits.

**Longshore and Harbor Worker's Compensation and/or Jones Act:** Provides federally mandated worker's compensation type coverage for captain and crew members on a yacht.

**Physical Damage:** Provides coverage for damage to your watercraft, including the hull, engine(s), permanently attached equipment, and tender. Coverage is usually written on an agreed amount basis, subject to a deductible. The deductible may be a dollar amount or a percentage of the hull value.

**Optional Physical Damage Coverages:** Many carriers offer coverages designed for watercraft, such as unattached equipment (deck furniture, safety and sports equipment), personal effects, and fishing gear. Coverage is also available for trailers. Optional coverages are subject a stated limit and deductible.

**Emergency Assistance:** Includes towing, gas delivery, and assistance when you are disabled in the water. The coverage is subject to a limit, but no deductible.

**Additional Interests:** If you have a loan on your watercraft, the lender can be added as a loss payee to protect their financial interest. Marinas where you moor your watercraft may require evidence of your insurance coverage and ask that they be added as an additional insured to your policy.

## UNDERWRITING CRITERIA

Underwriters consider the following when determining acceptability of the risk and premium:

- Type, size, construction material, condition, and age of watercraft.
- Maximum speed and horsepower of watercraft.
- Usage—pleasure, business, or charter.
- Mooring location.
- Navigational area.
- Operator(s) age, driving record, and experience operating similar size and type of watercraft.
- Claims history.

**Most insurers provide a premium credit for operators who have completed a boating course through the US Coast Guard, US Power Squadron, or a state boating agency.**

## ADDITIONAL CONSIDERATIONS

- People often co-own a watercraft with family members or friends. In that case, all owners should be included as Named Insureds on the watercraft policy. Operator information should include all owners who operate the watercraft.
- Older watercraft may require a marine survey to determine acceptability prior to binding coverage.
- Watercraft should be scheduled on your personal excess liability policy. Be sure to notify our office if you add or delete watercraft on a policy that is not handled by our office.

Please contact your Account Advisor if you have questions regarding your watercraft coverage. We are well versed in marine coverages and have access to many insurers, both high net-worth and specialty carriers.

# PREPARING YOUR BOAT FOR OPENING DAY

If your boat has been laid up over the winter months, it's important to conduct a thorough de-winterization so that it is in top-notch condition for the upcoming boating season. Along with the following tips, be sure to refer to your owner's manual for maintenance details, including when and how to properly replace fluids and parts.

**HULL**—Inspect for blisters, chips and cracks, and chalky residue. Repair blisters, chips, and cracks. A chalky hull may indicate oxidation that needs to be addressed. Clean the hull with a marine cleaner and apply a fresh coat of wax according to your gelcoat maintenance plan.

**ENGINE AND OIL**—If you didn't change the oil and oil filter last fall, do so now. Change the oil in the transmission or the outboard's lower unit, too. Check the power steering fluid levels.

**COOLING SYSTEM**—Flush the cooling system, rinse the strainer, and check the hoses for cracks. Replace the antifreeze with a 50/50 ratio of water to coolant.

**BATTERY**—Reattach the cables and clean the terminals if they have corroded. Top off the battery with distilled water. Use a battery tester to check the volts and amps, and replace the battery if necessary. The typical life for marine batteries is 4-5 years.

**FUEL SYSTEM**—Change the fuel filter, confirm the fuel line is attached, and check for cracks.

**WATER PUMP AND THERMOSTAT**—Each should be replaced once it reaches 200 hours of use.

**DISTRIBUTOR**—Clean the cap, which may have corroded over the winter. Make sure all connections are restored.

**BELTS**—Test by pushing down on belts; they should only have a slight give. Consider replacing belts that are loose or do not fit snugly in their pulley grooves. A worn belt will show black soot around the pulley.

**ELECTRONICS**—Test the radio, GPS, depth finder, running lights, and any other marine electronics to be sure they are working properly. Test all the switches and knobs, and flip the switches on the helm and cabin (since all electrical systems are connected). Confirm that the automatic bilge pump float switch works.

**SAFETY GEAR**—Check expiration dates on fire extinguishers; check signaling equipment, such as horns, flares, and whistles; test all the lights in the cabin and on deck; confirm you have an adequate number of floatation devices and that they are in good condition. If you removed items for storage over the winter, be certain to return them to the boat. This may include your first aid kit, life vests, flares, and extinguishers.

**METAL AND TEAK**—Use a metal polisher (such as Never Dull) to protect the metal. If teak needs a facelift, sand and then apply stain and varnish.

**CANVAS AND VINYL**—Check the bimini top, seats, covers and other items for tears, mildew, and dirt. Repair tears and clean with canvas or vinyl cleaners.

**MISCELLANEOUS CHECKS AND SERVICE**—Change the spark plugs; lubricate the engine with WD-40; replace the drain plug; check rudder and shafts; inspect the propeller; and make sure the anchor is on board.

**CERTIFICATION**—Keep a copy of your current government approved boating certificate on board so that you are in compliance with the law.

**TRAILER—**Confirm the lights are operational before going on the road with your boat.

Please let your Account Advisor know if you have questions or would like a more detailed, technical reference guide to de-winterizing your watercraft. One of our insurers that specializes in watercraft and yachts has produced an excellent brochure, “Coming Out of Lay-Up,” and we are happy to share with you.

# PERSONAL EXCESS LIABILITY

The purpose of the personal excess liability policy is to protect your assets against large, severe liability claims. When your primary liability limit is exhausted, you are still legally liable for the remaining portion of the judgment. Courts will liquidate assets—including vacation homes, rental properties, and valuable collections—and they may garnish income. A large judgment can force a radical change in financial security and lifestyle. While large liability claims are uncommon, it's important to have adequate coverage to protect your financial security.

## PERSONAL EXCESS LIABILITY LIMIT

Your objective is to protect your assets and lifestyle. Also consider risk factors that increase the chances of a severe liability loss: swimming pools, trampolines, young drivers, toys (ATVs, motorcycles, snowmobiles), watercraft, large-scale entertaining, and pets. If you are high profile or perceived as a "deep pocket," claimants are more likely to sue for a large amount.

Generally, you want a limit that is equal to your net worth and possibly your future income. Our high net-worth insurers offer limit of $50,000,000 and higher. It's also important to review your limit periodically as you build wealth.

## ADDITIONAL COVERAGES

The excess liability policy can be endorsed to include several important coverages:

- **Excess Uninsured/Underinsured Motorist (UM/UIM)**—We recommend at least $1 million excess UM/UIM coverage because an accident that results in a severe injury (or significant injuries to yourself and/or multiple passengers) can quickly exhaust the primary UM/UIM auto limits.
- **Excess Uninsured/Underinsured Liability (UIL)**—Many carriers offer excess liability coverage for non-auto losses, too. For example: you are severely

injured at a neighbor's pool party and your neighbor's liability coverage is inadequate to cover your medical and rehabilitation costs.

- **Non-Profit Directors and Officers Liability (D&O)**—Boards can be sued for poor management practices, discrimination, wrongful termination, harassment, and libel and slander. Once the organization's limit is exhausted, board members can be held personally liable for the remainder of the claim. Coverage is available for members of non-profit boards, including homeowner associations.
- **Employment Practices Liability (EPL)**—EPL protects against allegations of wrongful employment practices (discrimination, sexual harassment, and wrongful termination) by a domestic employee. Defense costs are provided in addition to the coverage limit.

## PERSONAL EXCESS LIABILITY PREMIUM

Premium is based on the limit and exposures (number of homes, autos, watercraft, toys, drivers, etc.) and is typically several hundred dollars per $1,000,000 of coverage. However, the higher the limit, the less expensive each $1 million increment becomes.

Many of our clients decide to reallocate their insurance dollar, increasing the homeowner policy deductible and using the premium savings to purchase higher excess liability limits.

If you would like additional information or have questions, please contact your Account Advisor.

# PERSONAL EXCESS LIABILITY—EVALUATING YOUR RISK EXPOSURES

The conventional wisdom is that your excess liability limit should be equal to your net worth. The reason is that personal excess liability coverage is designed to protect your assets and financial security in the event of a rare but severe, large liability claim. However, your net worth is only one-half of the equation. You should also consider your liability exposures that increase the possibility that you may be held liable for a large loss.

Your risk exposures will change over time as you grow your wealth, acquire assets, participate in your community, and raise a family. The following checklist is a quick reference guide to help you determine your risk exposures. The more "yes" answers, the higher your risk exposures.

_____ Own more than one home for residential purposes.
_____ Own rental home(s) as an investment.
_____ Swimming pools, hot tubs, ponds, or trampolines on your property.
_____ Own vacant land.
_____ Own land with public access, such as beachfront property.
_____ Lease out land for farming purposes.
_____ Allow hunting on your land.
_____ Own one or more dogs.
_____ Have a home business that brings clients onto your premises.
_____ Conduct a day care in your home.
_____ Have a nanny or other domestic staff that is employed more than 15 hours per week.
_____ Home undergoing major renovations.
_____ Entertain often or host events for large groups (25+) in your home.
_____ Own multiple autos.
_____ Own high performance sport cars.

_____ Own autos valued over $100,000.
_____ Youthful drivers (16-24 years old) in the household.
_____ Nanny or any other domestic employee drives your autos.
_____ Drivers over age 80 in the household.
_____ Own watercraft over 40′ in length.
_____ Own other watercraft under 40′ in length.
_____ Own "toys"—motorcycles, ATVs, jet skis.
_____ Any family members participate in online social media.
_____ Any family members serve on non-profit boards.
_____ Could you be considered a prominent public person (local, regional, national, or international)?

When considering your public profile, keep in mind that people perceived as "deep pockets" are often targeted for larger liability lawsuits. Consider the "google test": if someone googles you, how much info will pop up and what will it reveal (correctly or incorrectly) about your financial status?

It's important to review your risk exposures, as well as your net worth, periodically to confirm that your personal excess liability limit keeps pace.

Your Account Advisor can help with your review and request a limit increase when one is needed. Keep in mind that premium is based on the limit and exposures (number of homes, autos, watercraft, toys, drivers) and is typically several hundred dollars per $1,000,000 of coverage. However, the higher the limit, the less expensive each $1 million increment becomes.

# PERSONAL EXCESS LIABILITY—IS YOUR LIMIT SUFFICIENT?

The purpose of the personal excess liability policy is to protect you against large, severe liability claims. When your primary liability limit is exhausted, you are still legally liable for the remaining portion of the judgment. A large judgment can force a radical change in financial security and lifestyle. While large liability claims are uncommon, it's important to have adequate coverage—through your excess liability policy—to protect your financial security.

The incidents below are recent examples of actual liability claims in excess of a policyholder's primary liability limit. The examples represent only a sampling of the types of claims that may happen.

1. While taking out his trash, a man was attacked by his neighbor's three dogs, who had escaped through an open gate on the neighbor's property. The man sustained multiple lacerations to both legs and a lower back injury. Judgment: $7.7 million.

2. After completing his work in the attic of a customer, a heating and cooling service technician fell through the floor of the attic, falling nearly 20 feet. He sustained injuries to his back, hand, foot, ribs, shoulder and wrist. Judgment: $8.9 million.

3. While traversing a crosswalk, a woman was struck by an oncoming vehicle. The impact resulted in a traumatic brain injury and damage to one leg that ultimately necessitated an above-the-knee amputation. Judgment: $26.2 million.

4. While riding his motorcycle, a man was struck by a vehicle traveling the wrong way. He sustained multiple fractures, including his arms, collarbone, pelvis, and jaw. The injuries also resulted in infertility, pain and suffering, mental anguish, and lost wages. The vehicle occupants, all minors, were intoxicated at the time

and had left a party at the defendant's home, where alcohol was served. Judgment: $47.5 million.

5. While riding his motorcycle through an intersection, a man was struck by a vehicle that ran a red light. The man was thrown from his motorcycle and passed away at the scene. The family of the victim sought wrongful death, compensatory, and punitive damages from the driver for motor vehicle negligence. Judgment: $50 million.

6. A woman posted defamatory statements about a consultant on the internet, calling him a crook and fraud. The consultant brought an internet defamation lawsuit against the woman. Judgement: $11.3 million.

7. A man was snorkeling when he was struck by a jet ski. He suffered multiple vertebra fractures, a herniated disk, and quality of life loss. Judgment: $3.2 million.

8. A teenaged boy struck a fence and was decapitated while riding an ATV on a neighbor's property. The neighbor had invited him to ride without providing proper safety equipment or adult supervision. Judgment: $20 million.

9. A young woman at a party suffered a foot fracture and Reflex Sympathetic Dystrophy Syndrome after the man hosting the party fell on her. The host was intoxicated at the time and his negligent behavior was determined to be the cause of the woman's injuries. Judgment: $5 million.

10. While a guest at the defendant's home, a man was shot in the neck when the host's gun accidentally discharged. The injury resulted in paraplegia. The host was found guilty of failing to maintain proper control of his firearm. Judgment: $4.9 million.

Adequate excess liability limits can help protect you when the unforeseen results in a liability judgment against you. As you grow your wealth, it is important to periodically review your excess liability policy limit and determine if it is still adequate to protect your assets, financial security, and lifestyle. Please contact your Account Advisor if you have questions or would like a quotation for optional excess liability limits.

Examples are drawn from publications by Chubb Insurance and ACE Private Risk Services. We appreciate their permission to share this information with our clients.

# DIRECTORS AND OFFICERS LIABILITY

Many people serve on boards of non-profit organizations as a way to give back to their community. If you do, it's important to know the personal liability risks that you are assuming and consider purchasing directors and officers liability (D&O) to protect your assets.

**What does D&O cover?** Non-profit board members can be sued for many reasons, including poor management practices, discrimination, wrongful termination, harassment, and libel and slander.

**Why do I need coverage if the organization has insurance?** If a lawsuit is brought against the non-profit, the organization's coverage is primary. However, many non-profits operate on a slim budget and purchase low limits for their D&O policy. Once the organization's limit is exhausted, the board members are held personally liable for the remaining portion of the claim. Your D&O coverage would respond as excess coverage over the organization's policy.

**Doesn't my homeowner policy include liability coverage for this?** No, your homeowner policy provides liability coverage for bodily injury and property damage, and specifically excludes exposures related to serving on non-profit boards.

**What do I need to do?** First, confirm with your organization that they have D&O coverage, including the limit. If you are comfortable that the limit is adequate, you may decide not to purchase coverage. You should also confirm that the organization's policy extends coverage to your spouse if s/he is named in the lawsuit.

**How do I obtain D&O coverage?** Coverage is usually endorsed onto your excess liability (umbrella) policy. Carriers will require that the organization's policy limit be at least $1,000,000. Your excess D&O limit is typically $1,000,000, although higher limits may be available.

**How much does D&O insurance cost?** Premiums are based on the limit and number of boards on which you serve. Carriers typically charge a flat premium if you serve on a small number (5 or less) of boards, with an annual premium range of $500-$800. Your Account Advisor can provide a firm quotation based on your specific activities.

**How do I know if my organization is a non-profit?** Check your organization's status at www.charitywatch.org or www.charitynavigator.org. Most homeowner and condo associations have non-profit status.

Contact your Account Advisor if you have further questions or would a quote for this coverage.

# EMPLOYMENT PRACTICES LIABILITY

If you employ domestic staff—a nanny, personal assistant, housekeeper, driver, or caretaker, for example—you may be vulnerable to lawsuits for wrongful employments acts. Wrongful acts include discrimination, sexual harassment, and wrongful termination.

**What does employment practices liability (EPL) cover?** EPL addresses three important areas of protection. 1) If you are found liable in a lawsuit, the policy will pay the compensatory damages. 2) It will pay for your defense costs outside of the policy limit, so that your coverage is not depleted by legal fees. Defense costs coverage applies even if you are falsely accused and the employee's suit fails. 3) Reputation protection is often included in EPL. This pays for the services of a public relations firm to protect your reputation if your employee goes public with his or her allegations.

**Why do I need EPL?** Personal liability (included in the homeowner policy) and excess liability coverages specifically exclude employment practices, leaving you uninsured for claims and defense costs arising out of employment practices allegations.

**What limits are available?** Limits vary by insurer, but typical options are $250,000 or $500,000 per occurrence, with $25,000 allowed for reputation protection. Higher limits may be available.

**What is the cost?** Premium is based on the total number of employees and can be as low as $600 to $1,000 for five or fewer employees. Your Account Advisor will be happy to provide a quotation.

**How do I obtain coverage?** For most clients, coverage can be added to the excess liability policy by endorsement. If you have a large staff, a separate EPL policy may be needed. In that case, underwriters will require an application, and information regarding your hiring and employment practices.

**How can we help?** Your Account Advisor can answer any questions, obtain quotations, and add coverage to your insurance program. In addition, many of our high net worth insurers offer value-added services, including background check services and best practices advice—from interview tips to crafting employment agreements, employee manuals, and confidentiality agreements.

# WORKER'S COMPENSATION FOR DOMESTIC EMPLOYEES

If you have employees, it's important to determine if you are legally responsible for providing worker's compensation coverage. Each state has its own laws and requirements.

**What If I Use an Employment Agency?** If the employment agreement is between the agency and your domestic employee (you pay the agency for services and the employee is on the agency's payroll), the agency is responsible for providing worker's compensation. If the agency matched you with an employee and the employment agreement is between you and the employee, you are responsible for providing worker's compensation, if required by your state. If you are uncertain about the terms of employment, ask your agency for clarification.

**Washington:** If you have two or more domestic workers who regularly work 40 or more hours each week, all employees must be insured. Coverage is obtained through the Department of Labor and Industries.

**Oregon:** Domestic and casual workers are exempt. Domestic workers include cleaners, home health care (except for personal support workers), gardeners, and maintenance. Casual worker status applies regardless of duties if the total payroll is less than $500 within any 30-day period. You may voluntarily provide coverage for your employees if you wish.

**California:** Worker's compensation is required for all employees. The law requires all homeowner policies to include coverage for "occasional" employees. However, if the employee meets your insurer's definition of "full-time" in your homeowner policy, worker's compensation coverage must be added by endorsement for an additional premium. "Full-time" definitions vary by insurer and can be very broad, so check your coverage. "Full-time" can apply to employees who work as little as 10 or 20 hours per week.

**Alaska:** Employers must provide worker's compensation, with limited exceptions for domestic employees: part-time baby sitters, cleaners, and harvest help or similar part-time/transient help.

**Arizona:** Worker's compensation is optional for domestic employees. You may voluntarily provide coverage for your employees if you wish.

**What You Can Do:** Many clients hire professional services that specialize in management of all financial aspects of domestic employment, including compliance with federal and state employment laws, payroll taxes, social security withholding, and annual IRS reports. The good news is that most vendors can also manage your worker's compensation responsibilities as a part of their comprehensive service.

**How We Can Help:** If you have any questions about worker's compensation coverage, please contact your Account Advisor. If you decide to handle worker's compensation yourself, we can help you determine your exposures and obtain coverage. If you are located in Washington, you will be required to work directly with the Department of Labor & Industries.

This information is a summary only and is not to be construed as legal advice. We consider it an important aspect of our role as your insurance broker and risk advisor, but we are not practicing attorneys.