



## What's Your Home Worth?

### How it relates to insurance

Not a week goes by that we don't get the question about how we value a home for insurance. With the economy down and real estate prices an integral part of this downturn, homeowners have questions about the disparity that sometimes exists between the market value and replacement value of their home.

When it comes to insurance, the market value of a house is only a starting place when determining the amount of coverage that the insurer will require. As a condition of insuring your house, the insurer will require that you insure for at least 80 percent of the cost to replace the structure. Under some programs, 100 percent may be required.



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Total losses happen infrequently. Most claims range from a few thousand dollars to tens of thousands. If the homeowner decided to roll the dice and insure for what he feels is the most probable amount of loss, instead of at least 80 percent of the building's

replacement cost, the insurer would not generate enough revenue to pay everybody's claims. This is so fundamental to the success of any property insurance program that there is a condition in the property policy that states, "If

at the time of loss the amount of insurance in this policy on the damaged building is 80 percent or more of the full replacement cost of the building immediately before the loss, we will pay the cost to repair or replace, after application of any deductible and without deduction for depreciation..."

If at the time of loss the amount of insurance on the damaged building is less than 80 percent of the full replacement cost of the building immediately prior to the loss, the insurer, after applying any deductible, will pay that proportion of the cost to repair or replace the damaged property directly proportional to the amount of insurance on the building compared to the 80 percent requirement. For example, if 80 percent of the replacement value of your house was \$100,000 and you insured for only \$50,000, then you would be insuring for only 50 percent of the amount required. Therefore, your claim payment would be reduced proportionally.

Fluctuations in market value of a building can be influenced by different causes, such as a declining neighborhood, tightening mortgage loan market or a major employer leaving an area. Those market value forces simply do not have the same impact on the cost of rebuilding your home. We try to make sure when we insure a structure that we meet these valuation conditions. It is up to you to keep us updated of any changes you make to the structure that might change the rebuilding cost. No one knows more about a house than the owner, and we will work closely with you to assure proper coverage limits.

#### Inside:

- Life Insurance Buyer's Guide
- Social Host's Liability - Liquor Liability
- Data Shows New Motorcyclists Are At Greatest Risk
- How Much Liability Coverage?
- Smishing - The New Cell Phone Threat



## Life Insurance Buyer's Guide

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*We will start a series of short articles that will address the basics of what you should know about life insurance, including different kinds of policies and how much life insurance you need. The goal is to make it easier for you to make a more informed decision about your life insurance needs.*

How much life insurance do you need? How much of your family income do you provide? If you die early, how much money would your survivors need for daily living? What about others who might depend on you financially or personally? Do you need to consider childcare expenses? Looking forward, how much will it cost for your child's education? Will you need money for final expenses, such as funerals, unpaid medical expenses and other debts? And finally, how will inflation affect future needs?

Consider how much, and the type of life insurance you have now. Total your savings and investments. Don't overlook social security benefits. Now, add this all up and you have a pretty good idea about the amount of life insurance you need. Don't let the number scare you – it will probably look higher than you expected, but we work with this all the time, and we know where to find the best solutions.

In the next issue, we will discuss at least one of the types of life insurance policies that may be appropriate for you and your dependents.

## Social Host's Liability - Liquor Liability

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Most of us have social functions in our home, many in which we serve alcoholic beverages. This is not unusual and is a widely-accepted social practice. It is important for the host to remember their responsibility doesn't end with having enough ice and chips. As a social host, it is your responsibility to maintain vigilance of your guests when you serve alcoholic beverages. It is important for you to intervene if you feel someone has had too much to drink. It is usually a good idea to cut off the alcohol an hour before the expected end of a gathering.



In a 2011 decision, a Massachusetts court and the Court of Appeals upheld the exclusion in the homeowner policy for claims arising out of the use of a vehicle. In this case, which involves alcohol being served (which could have contributed to a claim involving the use of a motor vehicle), there was no coverage under the homeowner policy.

According to the Insurance Information Institute, 37 states have adopted some form of "social host" law. The Massachusetts decision leaves a host without coverage if found liable as a result of a guest being involved in an automobile accident, causing injuries to himself or someone else, as a result of alcohol consumption at your home.

Whether your state interprets the homeowner policy to provide coverage in these situations or not, most of these cases result in very high judgments that may exceed your homeowner limit. The best approach is to purchase a personal umbrella policy that provides coverage in increments of \$1 million, and provides host liquor liability. With this coverage, you will not only be sure of having protection under these circumstances, but will also have a higher limit of liability.

### **If you serve your guests alcohol:**

- Encourage guests to pick a designated driver who will refrain from drinking alcohol.
- Limit your alcohol intake so that you can better judge your guests' sobriety.
- Make nonalcoholic beverages available and always serve food. Food helps counter the effects of alcohol.
- Never continue to serve guests who are visibly intoxicated.
- Stop serving liquor toward the end of the evening. Switch to coffee, tea and soft drinks.
- If your guests drink too much or appear too tired to drive, call them a taxi, arrange a ride with a sober guest or allow them to sleep at your home.

# Data Shows New Motorcyclists Are At Greatest Risk



Motorcycling has inherent risks simply because a motorcycle is less visible and less stable to operate than an automobile. When you experience a motorcycle crash, there is no automobile body surrounding you or airbags automatically inflating. The federal government reports that for every mile traveled in 2009, motorcycle deaths were 25 times that of automobile deaths.

Statistics show that the most dangerous time for riders is their first year, especially the first month. A Highway Loss Data Institute study reports that more than 20 percent of nearly 57,000 collision claims in the four-year period occurred in the first 30 days of a new motorcycle insurance policy.

Riders are often drawn to the sleekness and glitz of motorcycles with names like Ninja, Nitro and Intruder, often buying far more motorcycle than they are capable of handling. These bikes, many times exceeding 1,000 CCs, are a prescription for disaster in the hands of an inexperienced rider. In fact, these supersport bikes, frequently referred to as crotch rockets, are four times more likely to be involved in a fatal crash than other motorcycles. The supersport bikes account for only 10 percent of motorcycles, yet are involved in 25 percent of rider deaths, with speed being cited in nearly 60 percent of those cases.

The nonprofit Motorcycle Safety Foundation offers a basic rider course, available in 48 states. The foundation believes that improved knowledge and skill sets are the key to improving collision statistics for motorcycle usage, and has trained more than 6 million riders. The average course costs between \$200 and \$300.

## How Much Liability Coverage?

A prospective client comes into an insurance office. She explains that she has been driving for 15 years and has never had a speeding ticket. About six months ago, she was blinded by the sun at an intersection and plowed into the side of a vehicle driven by a father with three children as passengers. The injuries are serious, and the medical bills are already more than \$200,000. She explained she still had the same low liability limits she had while in college.

Unfortunately, there is nothing that can be done to help her with this particular accident. But, with a bit of counsel from an insurance agent, she could be more protected in the future.

There are millions of drivers on the road that have either chosen an inadequate amount of liability insurance, or have failed to keep up with changing times and life circumstances. While this prospective client's liability limits were too low to begin with, an intervening problem

is she failed to update her coverages as her life situation changed. With a mortgage, good job and upcoming marriage, she is now looking at a catastrophic loss that could take all of her personal wealth, and perhaps future earnings.

For the cost of a lunch out each month, she could have easily carried more substantial liability limits. While we can help you tailor your individual needs to appropriate coverage, we cannot possibly know what the future holds. We can advise, and give you options that are available. We do believe that everybody should take advantage of a personal umbrella that affords an additional \$1 million of liability at a modest cost.

For real peace of mind, we suggest you review your insurance limits every year at renewal and get together with us every so often to go over your coverages and discuss what has changed in your life that might require some adjustment in your coverage.



# Smishing - The New Cell Phone Threat

There are trillions of text messages sent and received around the world every day. We have all seen spam hit our email account. Now it is starting to proliferate in the form of rogue text messages sent to cell phones. In some ways, smishing is a more promising tool for cyber criminals than phishing (phishing involves fraudulent computer email) because at the moment, mobile users have fewer defensive technology tools.

Webroot Threat Research suggests that users can protect themselves from smishing by adopting similar security practices they use for email phishing attacks. "Never click on links in, respond to, or install an app from an unsolicited message." You might also consider adding security software for your mobile device. Smartphones are just small computers loaded with tons of sensitive information that cyber thieves want. Use the same tools and common sense with your mobile phone that you use to avoid malware and phishing attacks on your PC.

Check with your mobile service provider to see what they are doing to protect your use of text messaging. Two of the leading computer security software companies, Symantec and Webroot, offer mobile products much like the security products they offer for your computer.



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