

# The Insurance Advocate Newsletter



## inside

Renting a Car	_____	pg 2
Vacant Home Problem	_____	pg 3
A Home Inventory	_____	pg 3
Business Insurance	_____	pg 4

May 2012

## Prepare to Have a Safe Boating Season

Small boats and personal watercraft are practical because of their affordability and ease of use. Smaller watercraft are sure to become even more popular as gasoline prices continue to be high. Many owners have a false sense of security due to the small size of these boats, and believe that there is little chance for trouble. However, the U.S. Coast Guard reports that approximately 40% of drowning incidents involved boats smaller than 16 feet in length.

Each year, hundreds of lives are lost and thousands are injured in preventable recreational boating accidents in the United States. Approximately 70% of boating accidents can be blamed on operator error with alcohol playing a significant role in many of these accidents. In fact, alcohol is involved in over one-third of all recreational boat fatalities.

Alcohol dulls judgment, vision, and coordination increasing the likelihood of accidents. The effects of alcohol can be more hazardous on the water as the sun, motion, vibration, engine noise, and weather aid in intensifying impairment. In boating deaths involving alcohol use, over half of the victims either fell overboard or capsized their boat.

Penalties for violating BUI (boating under the influence) laws can include large fines, suspension of boat operator privileges, and jail terms. The Coast Guard, or other law enforcement agency, may conduct a field sobriety test. If you are deemed to be intoxicated, your boat will be taken to a safe mooring, and you may be arrested.

The Coast Guard will also do a safety inspection when on your vessel. Make sure that you have all the recommended Coast Guard safety items on board before leaving the dock. (See [http://www.uscgboating.org/regulations/federal\\_requirements\\_brochure.aspx](http://www.uscgboating.org/regulations/federal_requirements_brochure.aspx) for a list of these required items.) Also ensure that there is a properly sized life jacket for each passenger on your boat. While most adults only wear life jackets in inclement weather, the Coast Guard recommends that all boaters wear life jackets at all times. Furthermore, it is mandatory that children wear a life jacket at all times while on board.



## U.S. Probes Side Air Bag Problems

An ineffective mixture of gas that inflates the side curtain air bags in a crash has resulted in the recall of more than 2,700 Toyota, Honda, Subaru, and Nissan vehicles. This ineffective mixture may result in the air bags on one or both sides of the car to not inflate in the event of a crash, increasing the risk of injury.

To date, no one has been injured from these faulty air bags. The National Highway Traffic Safety Administration advises that the number of vehicles being recalled could grow if they determine that more auto makers used similar defective parts. Visit [www.nhtsa.gov](http://www.nhtsa.gov) for more information.

## Rental Reimbursement For Listed Driver

Junior, who is away at college, is involved in an accident driving a vehicle titled to Mom and Dad and insured on their policy. Junior must have a rental car to get to and from class while his vehicle is in the shop. Their auto policy has rental reimbursement coverage included. Can Junior be the one to rent the vehicle and be reimbursed for the rental?

A typical auto insurance policy states that "we will pay ... expenses not exceeding \$20 a day incurred by you in the event of a loss to your covered auto." The policy defines you as the named insured shown in the declarations, and the spouse if a resident of the same household. It is obvious that this coverage extension applies only to the named insured and spouse and not just a listed driver.

Since the policyowner, the named insured, does have coverage to rent a replacement car, the named insured or the spouse would need to rent the vehicle. An additional consideration is that many rental companies are not willing to rent directly to a driver under the age of 25 years.

## 4 Risky Places to Swipe Your Card

Every minute of every day someone falls prey to a credit thief. Fraudulent charges to credit and debit cards can amount to thousands of dollars within hours of obtaining your information. Often, significant damage has already been done by the time that you notice that you're a victim.

Experts tell us that there are four places where you should be very careful when using these cards.

1. Outdoor ATMs are susceptible to several forms of theft. Aside from the obvious physical risk of being robbed at the ATM, there are other means of stealing from you without you even being aware. Skimming is the practice of capturing a customer's card information by placing a card reader over the real card slots at ATMs. Thieves can also position portable wireless cameras to capture your pin codes.
2. Gas stations offer a prize feeding ground for the credit/debit card thief. The large number of skimming devices that are available combined with minimal supervision at gas stations allow thieves to easily place skimming devices on the pump. By just sitting across the street with a laptop computer and an antenna, the thief is able to collect your important account information.
3. At restaurants we willingly relinquish our cards to our server who then takes it out of our site. This offers the server the privacy to easily copy our card information or to swipe it in a portable device.
4. Perhaps the greatest danger to our personal credit and debit card information is Internet use. There are many different possible points of theft: the user's computer could be infected with malware, the thief could be watching over your transaction via a wireless network or merchant databases can be hacked resulting in stolen credit and debit card information (note: debit cards should never be used to make online purchases). Each year merchants computer systems are hacked, resulting in hundreds of thousands of stolen ID's.

Frank Abignale, whose criminal life was portrayed in the movie *Catch Me If You Can*, is now a top security expert. He says that the use of debit cards could place the user in a far more untenable position than using a credit card. While both cards look the same there is one key difference: the thief's direct access to your checking account. Credit card users who spot fraudulent charges on their bill can simply decline the charges and not pay the bill. On the other hand, debit cards draw money directly from your bank account rather than from an intermediary such as a credit card company.

Even clear-cut cases of fraud in which victims are protected from liability by consumer protection laws can cause significant hardship, says Abignale. Once the money is stolen, it may take months to recover. As evidence, Abignale points to the 2007 case of a security breach at T.J. Maxx resulting in thousands of customer's data being stolen and a total of \$150 million in fraud losses. Much of the money was taken directly from customer's bank accounts.

In many cases it is possible to endorse your homeowner policy to help provide you the help you desperately need if you find yourself a victim of identity theft. There are federal limits on the amount for which a person can be held liable in the event of fraudulent charges being placed on a credit card.

Consider the information that a thief might be able to gather about your identity in these fraud cases. We can help you by adding an endorsement to your homeowner policy that would help you recover from such a loss. Give us a call with any questions you might have.





## Vacant Home Presents a Real Problem

As the U.S. housing market struggles to rebound, many homeowners find themselves in a dilemma of having to relocate for a new job or life opportunity only to reach the difficult truth that their property isn't going to sell anytime soon. This may require the homeowner to leave the property empty. Vacant or

unoccupied homes can leave the homeowner exposed to loss and liability that may not be covered by their insurance policy.

West Virginia Insurance Commissioner Jane L. Cline advises, "having an unoccupied home can create several insurance implications that typically are not covered under a standard homeowners policy." Because vacant and unoccupied homes pose a higher risk for damage than occupied homes, insurance companies insure these properties differently and, usually, at a higher price if at all. With vacancy, additional risks of loss come into play, such as vandalism, squatters, theft, and damage to, or caused by, the home's mechanicals that are unattended. Essentially, there is no one in the house to protect the property, and there is no one on the premises that can deal with circumstances that might increase the risk of injury to someone coming onto the premises.

Most homeowners policies have a "vacancy clause" that can be triggered if the home is unoccupied for an extended period of time, or the home is vacant of property. If this happens, the homeowner could violate the terms of their contract, and some or all of their coverage may not apply in the event of a loss.

Before you decide to leave a home vacant or unoccupied for an extended period, talk to our office to learn how your policy defines vacancy and unoccupancy and to determine whether coverage will apply if the property is vacant and/or unoccupied. It is important to be candid with us regarding your circumstances that might lead to your property being vacant or unoccupied. While an additional policy or endorsement may cost more, it could save you substantial money if damage to the home occurs. Vacancy policies can be purchased for different term lengths to cover a few months to a year, depending on the need.

## Being Prepared With A Home Inventory

As we write this article thousands of homeowners are cleaning up after devastating tornado outbreaks across the U.S. A February 2012 survey by the National Association of Insurance Commissioners (NAIC) found that more than half of homeowners do not have a home inventory. In this survey, the NAIC found that of the approximately 40 percent of homeowners who have made an inventory, 48 percent do not have receipts, 27 percent do not have photos of their property, and 28 percent do not keep a backup inventory away from their home. Most of those with inventories have not updated them in more than a year.



The importance of a home inventory is two-fold. First, a complete inventory gives the homeowner assurance that he or she is carrying enough coverage. The homeowner policy places specific limits on certain types of property (see coverage C - Personal Property, Special Limits in your homeowner policy). Your inventory will alert you if you exceed these limits, requiring you to arrange special coverage. Second, in the event of a catastrophic loss, the homeowner will have the documentation needed to complete and speed the claims process.

Personal safety is of utmost importance in severe weather. While creating your inventory, you might want to develop an emergency kit, identify a safe place for shelter, and create a list of important contact numbers, including your insurance agency, and carrier's 24-hour contact information.

## Spring Cleaning and Maintenance



**Inspect and test smoke detectors** - at least one on each floor with fresh batteries.

**Verify that light fixtures** have the wattage recommended by the manufacturer.

**Check electrical outlets** for fire hazards such as frayed wires, loose fittings, or overloads.

**Keep a multipurpose fire extinguisher accessible**, filled, and ready for operation.

**Have your air conditioning system inspected** by a professional.

**Check for roof damage**, and clean gutters and downspouts.

**Check water heater** for leaks and corrosion.

**Clean or replace** your furnace filter.

**Clean** the clothes dryer exhaust duct and the space under the dryer. Remove all lint, dust, and pieces of material.

**Remove** deadfall and dead trees, and trim foliage away from utility wires.

**Store oil and gas** for lawn equipment and tools in a vented, locked area.

**Repair** cracked, broken, or uneven decks, patios, driveways, and walkways.



## Additional Insured Status

Businesses commonly work with, and for, other businesses. A contractor builds a house using the work of sub-contractors who provide different services, materials, and labor to the project. How does your business insurance protect against the risk of another company, or sub-contractor, causing injury to people or damage to property?

This is where the additional insured endorsement comes in. One party will add the other party as an “additional insured” on their commercial liability business insurance policy. The status of “additional insured” is not widely understood by most business owners. By adding an entity to your policy as an additional insured, you are protecting that entity against your company's negligence. By having another entity add your business as an additional insured, that company is protecting you against their negligence.

Additional insured status must be added by certificate and endorsement. This means that there is a formal process to follow with your insurer, and you must make sure that those businesses with whom you work have actually added you if they claim to have done so. Demand to see the actual endorsement and not just “proof” of insurance. Let's say, for example, that you get a contract, and it requires you to name your customer as an “additional insured.” Usually, you will call us, we will collect the appropriate information, and we can fax you a certificate of insurance fulfilling your customer's requirements.

Being named an “additional insured” does not remove the necessity for you the certificate holder to have your own insurance. It simply means the additional insured has controlled the risk of another's negligence and can rely on their own business insurance policy to protect against their own negligence.

Additional insured status does not give the same rights under the policy terms as a “named insured” or “insured,” and these are technical distinctions that need to be reviewed with your insurance professional in the context of whatever state is applicable. If your business involves a great deal of work with other companies requiring indemnity agreements, a careful review of these contracts may need to be conducted by an attorney.

## Commercial Leases

Often in commercial leases a tenant may make alterations or improvements to the rented premises. A strip mall retail location, for example, could be used for many different types of tenants, from clothing retailers to restaurants. It is unlikely that the premises is already set up to handle any type of tenant, and changes may have to be made including building partitions, adding refrigeration, or installing a kitchen.

The commercial property policy defines improvements and betterments as “fixtures, alterations, installations, or additions, that are made a part of the building that is occupied but not owned by the named insured, and that the named insured acquires or makes at his expense but cannot legally remove.” Since Business Personal Property coverage insures the tenant's “use interest” in improvements and betterments located at the rented premises, the amounts of these improvements should be calculated into the limit you choose for your business personal property.

## Overlooking Mechanical Breakdown Coverage Can Be Expensive

One of the trends in commercial insurance over the last decade has been to provide mechanical breakdown coverage. The mechanical breakdown coverage provides coverage for damage caused by an “accident”, and also provides “service interruption coverage”. For a loss to be covered, it must be the result of an accident defined in the policy as “sudden and accidental and not expected by the policyholder.” In a mechanical breakdown claim, the company representative will first determine if the claim was accidental.

In many cases a power outage can close down a business. Several factors must be considered to determine if the power outage that caused damage is covered. First, did the damage causing the power outage occur on your premises or at your contracted utility supplier? Even damage that occurred at your utility supplier may be covered if the requirement for it being accidental is met. Second, was the cause of your claim due to a covered accident that occurred at the power station or by an accident that occurred to your machinery on premises? If there was no accidental occurrence at your utility, we would then look at your premises to determine if damage to your own equipment might have been caused by a power surge or arcing. This coverage is complex and often requires specialists in various types of equipment to settle mechanical breakdown claims.

If you also select the optional coverage “Service Interruption” loss of income and extra expenses would be covered, when operations are curtailed or shut down. But again, the loss must be accidental and unexpected.

If you are interested in this coverage, or if you are unsure if your current package includes mechanical breakdown, call us so we can discuss your policy further.

