

The Insurance Advocate Newsletter

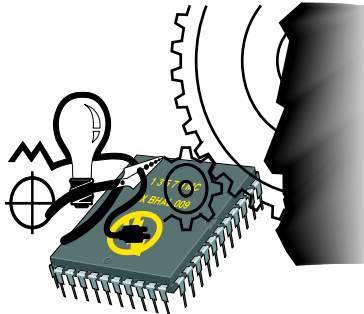
A Free Service For Our Clients

Photo - A Spring Thaw, Southern Indiana

Issue 1 - 2010

High-Tech Safety Trickles Into Midrange Vehicles

Recent federal safety regulations have ushered in an era where small and mid-range vehicles are being equipped with



more high-tech safety accessories. Typically these advanced safety devices are first found on expensive models. As automakers refine manufacturing to make these high-tech gadgets more affordable, they find their way into more modestly priced models. For instance, Ford's forward collision warning system was first found in the Lincoln line of vehicles. In 2010, Taurus will have a forward collision warning system – a feature that alerts drivers to a potential crash and initiates a high-tech braking systems that engages an electronic brake assist to stop the car more quickly.

The collision warning system uses a radar sensor that detects moving vehicles and provides a visual heads-up display across the base of the windshield, as well as an audible warning system. As an added feature of this collision warning system, the automobile has an adaptive cruise control system. Utilizing the collision warning system radar, the automobile will automatically slow when too close to the vehicle directly in front.

Ford is also introducing blind spot detection, which is a cross-traffic alert for when a driver is backing from a parking space.

Ford is not the only manufacturer introducing these high-tech safety features. Toyota announced it is offering advanced safety features on its 2010 Prius. These include radar cruise control and lane departure warning. The Prius' pre-collision warning system tightens the seat

continued on page 2

Old Man Winter Isn't Finished



Aside from the most avid winter lovers, we are all eagerly anticipating spring. Unfortunately, we still have several months of the ravages of winter storms and temperatures. Typically, February is one of our worst winter months with cold temperatures and snowfall extending well into March.

There are things that we need to do to protect against winter losses, regardless of the severity of the season.

Suggestions:

Vehicle tune-up - monitor antifreeze and wiper fluid levels, and make sure the battery is fully charged.

Tires - worn tires won't help you much on snowy roads. They also present the possibility of a blowout; you do not want to be changing a tire in the snow and ice.



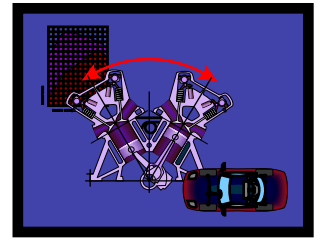
Emergency Gear -

You should create a winter weather kit with sand, a flashlight, jumper cables, ice scraper, snow shovel, and extra warm clothes. Keep warning devices available, such as flares and a piece of cloth to tie to your car antenna to signal

your need for help. Keep some non-perishable food and spare batteries on hand.

When heading out in bad weather let someone know where you are going and when to expect you to return. Drive slowly and keep an eye open for changing weather conditions. In a slide, remove your foot from the accelerator and brake pedals, unless your vehicle has an antilock braking system (ABS). With ABS you want to depress the brake pedal firmly while steering the wheel in the direction you want the front wheels to go.

By simply slowing down your driving you will have more time to react. Drive carefully and use common sense.



belts and applies the brakes when the system senses an imminent crash.

GM's 2010 Cadillac SRX will have an adaptive forward lighting system that swivels the headlamps when the steering wheel is turned. The Buick LaCrosse is debuting its side blind zone alert to notify the driver when a vehicle is traveling in the driver's blind spot.

Daimler AG has announced that its new E-class sedans will feature a standard system to detect drowsiness, with audible and visual warnings, along with lane-departure and radar-assisted braking.

The Insurance Institute for Highway Safety stated that these announcements show how important safety has become to the buying public. While the effectiveness of many of these systems is not yet totally proven, automakers are stepping up in an attempt to bring many new safety innovations to market.

Shock at the Gas Pump...and we're not talking about price

Static electricity is an electric charge caused by an imbalance of electrons on the surface of a material. It is most commonly caused by the contact and separation of materials. The area of contact, the speed of the separation, relative humidity and other factors determine the amount of charge created. One example of this is a person walking across a carpeted floor. Static electricity is generated as the shoe soles contact and separate from the carpet.

This situation is particularly volatile in the cold dry winter months, but has been reported occurring under other dry weather conditions. In most cases, when people pull into a gas station to refuel a vehicle, they open the car door, slide out of the seat, open the fuel reservoir cover, lift the nozzle from the gas pump, and insert the nozzle into the vehicle's fill pipe. They might also touch the pump to use a credit card. Any static charge that was picked up in the car is dissipated several times.



A new static charge can be generated if you get back into the car after the refueling has started. The synthetic material of the car seats and clothing add to the possibility of picking up a static charge. If you don't touch metal before returning to the nozzle and fuel pipe, the static charge can be transferred when you touch the nozzle, thus creating the potential for a flash fire. Once vapors ignite, the fire will continue until the fuel supply is shut off. In most cases, damage and injuries are minor, but serious personal injury and major property damage may occur when the fuel supply from the dispenser is not stopped.

There are three major categories for causes of static electricity fires at gas pumps:

- 50 percent are caused when a person returns to a vehicle during refueling and doesn't shut the door or touch other metal when leaving the car to remove the gas pump nozzle from the car's fuel pipe.
- 29 percent are caused when a person unscrews the gas cap.
- 21 percent occur for other reasons.

One theory for the increase in these fires is that there has been an almost universal switch to self-service stations in which customers are not as aware of fuel filling hazards. The combination of a host of new electronics, CD players, GPS systems, hands-free cell phones, to name a few, combined with nylon seat covers are the elements that create more static electricity.

Another theory regarding static electricity fires at gas pumps is that cold weather-fuel formulations are more volatile than warm weather blends. Tires that are made from greater amounts of silica hold a greater static charge than tires with a higher carbon blend, also contribute to static buildup. Most newer cars have a fuel cover release on the inside of the vehicle making it less likely that the driver is going to touch the outside of the auto, an important step in discharging the driver's body of any static charge before fueling the car.

Experts, like Dr. Jesse LarPrade of the Alabama Cooperative Extension System, advises that if people will follow the following safety guidelines when refueling, they will reduce the chance for sparking a fire.

- Always turn off your vehicle engine while refueling.
- Stay near the vehicle fueling point during the process.
- Never smoke, light matches or use lighters while refueling.
- Don't get back into the vehicle while refueling--even when using the nozzle's automatic hold-open latch. If you must re-enter the vehicle, discharge static electricity build up when you get out by touching the outside metal portion of the vehicle, away from the filling point, before attempting to remove the nozzle.
- Don't overfill or top off your tank. The fuel dispenser will shut off automatically when the tank is full.

Independent Research Debunks Financial Myths

The independent Center for Risk Management and Insurance Research at Georgia State University recently reviewed profitability in the insurance industry, specifically charges that the industry was making excessive profits and price gouging. The report produced the following conclusions:

Excessive Profits - "We find quite the opposite. Based on the empirical evidence, it is clear that property-casualty insurers' profits are not excessive. In fact, in our opinion, the industry's profitability over the long term is below a level which we would consider to be commensurate with its cost of capital. This is apparent when one compares the industry's long-run rate of return on equity with reasonable benchmarks as well as with profits earned in other financial industries that are less risky."

Over the years from 1985 through 2007, the industry earned an average rate of return of 8.6 percent. The property and casualty industry's rate of return is considerably lower than the 16.3 percent return earned by diversified financial firms, and the 14.7 percent return earned by commercial banks over this same period.

Price Gouging - Analyses of insurance markets, including personal auto and homeowners insurance, indicate that they are highly competitive. Competition will prevent insurers from charging excessive prices and earning excessive profits. If an insurer attempts to charge excessive prices, other insurers will take its business by offering customers lower prices. This will force prices and profits to a "competitive level," a level at which insurers can cover their costs but not more. Competition will also compel insurers to operate efficiently.



Understanding Additional Living Expense (ALE)

Upon experiencing a covered loss to your home that renders it uninhabitable, your homeowner policy provides for the temporary increase in living expenses.

ALE pays for reasonable costs for temporary living facilities, moving, furniture and appliance rentals, and meals out as needed. It pays almost any living expense that is truly additional. ALE pays for any expense that you wouldn't have had if your home hadn't been damaged.

Any amounts paid under this coverage are offset against living expenses that are lower, such as heating and cooling in your vacant house which is substantially cheaper during the period of absence.

Is It Covered?



This is a continuation of articles in which we will explore different claim scenarios, and discuss if, and how, coverage might exist to pay the claim. We will explore homeowner, auto, and personal umbrella claims.

You are awakened by the drip, drip, drip of what seems like a chinese water torture. It turns out to be a pooling of water between the ceiling and the floor above, allowing a carefully timed drop of water to hit your forehead as you lay in your easy chair. What could have happened, and is this covered by your homeowner policy?

Upon inspection your repairman discovers that a water pipe suspended between floor joists has cracked due to being placed under stress over many years from the second floor settling. Basically, under this stress the pipe just wore out.

Your next thought is "should I call my agent?" How is this an insurance claim - where is the accident? This is going to take a plumber, and you know how expensive that can be.

Upon contacting our office and reporting what you believe could be a claim, we explain that the broken pipe is not covered. You were right when you questioned how something just wearing out could be an insurance claim.

We go on to give you some reassurance. The most commonly used "special form" homeowner policy is very broad in scope of coverage. We explain, that even though the pipe repair itself is not covered, tearing out the ceiling to get to the broken pipe and repair of the ceiling is covered as the result of an accident that was hidden from your inspection until it was too late.

Whenever you have a questions about something that may or may not be covered just give us a call.

Spring Thaw Increases Flooding Potential

Tropical storms, heavy rains, and spring thaw all contribute to the possibility of you being affected by flooding. Do you know the steps necessary to take to reduce your possible loss? Do you know the appropriate precautions you need to take to protect yourself and loved ones from danger.

Visit www.floodsmart.gov for all the information you are looking for pertaining to floods.

Business Auto Liability –The Insuring Agreement

The insuring agreement is the heart of the insurance contract between the insurer and the policyholder. There are three parts to the liability insuring agreement. The first part is the insurers commitment to pay “*all sums an insured legally must pay as damages because of ‘bodily injury’ or ‘property damage’ to which this insurance applies*, caused by an ‘accident’ and *resulting from the ownership, maintenance or use of a covered auto.*”

The insuring agreement states that the insurer will pay damages because of bodily injury or property damage “to which this insurance applies.” Essentially, this statement tells you that you have coverage but it is not open-ended. There may be instances where there would be no coverage. You need to make yourself aware of policy exclusions.

A policyholder should also refer to the definitions section in the policy to more fully understand coverage. For example, you see in the first paragraph of this article that certain words are closed with quote marks. When you find this or words in bold print in the insurance policy it means that those particular words enclosed in quotation marks are found in the definition section. The word “*accident*” as defined in the business auto policy “includes continuous or repeated exposure to the same conditions resulting in bodily injury or property damage.” There is also a requirement that the accident be unexpected and unplanned.

The second part of the insuring agreement declares that the insurer will pay all sums that an insured must legally pay as a covered pollution cost or expense. We will cover this section in more detail in a later issue, but basically there is limited coverage should pollutants escape as the result of bodily injury or property damage.

The third part of the insuring agreement deals with the insurers responsibility to defend the insured against a suit seeking damages. The insurer has the right to investigate and settle any claim or lawsuit, as it considers appropriate. The duty to defend ends when the limit of insurance has been exhausted by payment of judgments or settlements.

The business auto policy is a complex legal document. Please give us a call if you have any questions.



Employers Mull Pension Plan Cuts

A recent survey by Hewitt Associates Inc., Lincolnshire, Ill., said that compared to last year nearly three times the number of large U.S. employers with pension plans are considering closing their plans. This same sampling of 153 companies, when compared to the previous year, revealed that those considering freezing their pension plans to existing participants is up from 17% in 2008 to 50% in 2009.

These moves are in response to turbulent economic conditions. Almost half of these companies have moved to cut their equity exposure in hopes of reducing volatility. Over 60% of respondents have taken steps to reduce downside risk, and over 80% are expected to make additional contributions to maintain their plans.

Hewitt also found plan sponsors are 5 times more likely this year to consider delegating their entire pension plan management to independent professional advisors.

Commercial Umbrella Protection

Commercial umbrella liability insurance, sometimes referred to as excess liability insurance, is an important source of protection that supplements the limits of your underlying policies such as general liability, automobile liability, and employers liability. Umbrellas also protect you from some exclusions and gaps that exist in the underlying liability insurance. An umbrella policy’s coverage is triggered when the limits of the underlying insurance have been exhausted.



Covered causes of loss that are not normally included in primary policies are subject to a self-insured retention (SIR), which is the responsibility of the insured to pay. SIR’s in the amounts of \$10,000 or \$25,000 are common. When this situation does occur, the umbrella may respond, but only after the loss amount exceeds the self-insured retention.

A typical commercial umbrella liability policy offers features such as worldwide coverage, personal injury coverage, blanket contractual liability protection (for both written and oral agreements), care custody and control coverage, non-owned aircraft liability, watercraft liability, advertisers liability, and liquor law liability.