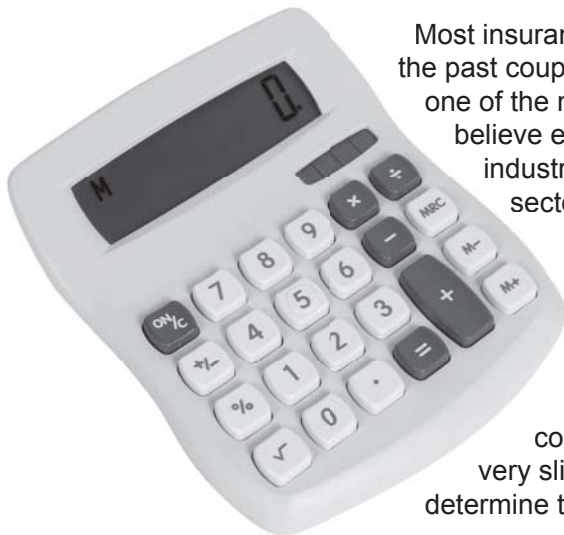




Insurance Companies Try to Keep Rate Increases Low

The Midwest continues to enjoy some of the most affordable insurance rates in the nation. There are many reasons for this, but one very important reason is what your insurance carrier is doing to avoid larger premium increases. In recent years, price increases have not only been driven by inflation but catastrophic events as well. In 2004, tornados accounted for more than 30 percent of all catastrophic losses. We are all aware of the rash of hurricanes in the Gulf in recent past. In 2007, flooding ravaged the Northeast, and in 2008, the Midwest and Plains states suffered their second 500-year flood in the last 15 years. Catastrophes are equal opportunity events.

With the large catastrophe payouts over the last few years, all insurance companies have faced higher reinsurance premiums (reinsurance companies collect a percentage of the premium taken in by your insurance company in return for guaranteeing portions of their claims. This reinsurance mechanism helps spread the effects of losses worldwide). With few places to go to pay for the increases in reinsurance costs, insurers will continue seeking modest premium increases.



Most insurance companies have been diligent about trimming overhead throughout the past couple of decades, and advances in automation have made the industry one of the most efficient in the financial sector. The unique, and what some believe excessively strict, accounting standards required of the insurance industry have worked to make insurance one of the strongest of the financial sectors.

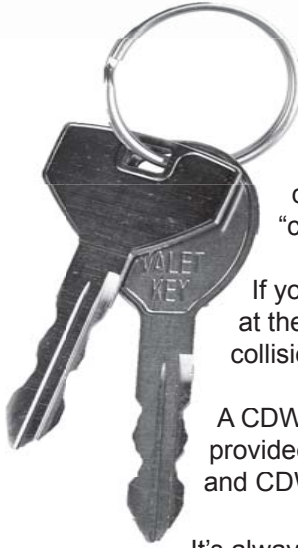
Companies continue to look for ways to trim costs without compromising quality. With all these efficiencies, our companies are still no more immune from the effects of inflation than any of us are individually. Their costs associated with auto and home repair or restoration, medical bills and other insurance-related expenses continue to climb, and the margins to absorb the increases have become very slim. As your agent, we are always ready and willing to work with you to determine the coverages and deductibles.

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- Rental Vehicle Coverage
- What is No-Fault Insurance?
- Additional Living Expense Coverage
- 10 Most Commonly Ticketed Cars
- FTC Finds Use of Credit Scores Helps Consumers



Rental Vehicle Coverage



Most personal auto policies extend whatever coverage you have on your own vehicle to a short-term rental vehicle if the rental vehicle is a private passenger car, pickup truck, van or trailer. However, with regard to damage to the rental auto, the rental car company might be able to charge fees for losses or damages to the vehicle that might not be covered by your insurance policy, such as loss of use when the auto is withdrawn from service for repair, or diminished value upon resell. Therefore, it is often a wise idea to purchase the rental company's "collision damage waiver" (CDW).

If you do not have your own insurance, many car rental liability policies cover you, but usually only at the state's required minimum, which are usually extremely low limits. Also, you should buy the collision and comprehensive coverage offered by the rental company for your own protection.

A CDW simply releases you from financial responsibility if you damage the vehicle you are renting, provided you comply with the terms of the rental contract. The terms of CDWs can vary considerably, and CDWs are not state-regulated, which means they are technically not insurance.

It's always a good idea to review your policy before renting a vehicle and, if necessary, call your agent.

What is the Cost of Truth?

Truth and accuracy are vitally important to auto insurance companies. A few examples will help you understand just how important accurate information is in the underwriting process.

- ▶ 20 to 30 percent of policies contain unreported youthful drivers, which results in an inadequate amount of premium being collected for the risk.
- ▶ 25 to 60 percent of policies contain under-reported vehicle use.
- ▶ 48 percent of household auto policies experience a change of vehicles or drivers each year for which insurers are not always made aware.

These errors, being either the result of carelessness or misrepresentation at the time of the application, amount to nearly \$15 billion in lost premium income. To each of us, that means we are paying approximately 10 percent more for our auto insurance than we should have to pay. Insurers are using sophisticated data to narrow this gap, but the very heart of the problem is collecting honest and accurate information from the policyholder.

The good news is most of us do not try to cheat the system. People are generally honest, but a few wish to take advantage of others for their own gain. If it is determined later that a policyholder knowingly misrepresented information on their application for insurance, and this information was material to the company rating, or accepting the policy, the policy can be rescinded and the insurer can refuse to pay a claim.



What Is No-Fault Insurance?

No-fault insurance is a system adopted in some states that essentially bypasses the conventional legal procedure that applies fault in many accidents. No-fault insurance replaces the concept of the other party being at fault. The argument for the no-fault insurance concept is that it does away with lawyers, court proceedings and other elements dealing with the tort legal process that may cost insurers and taxpayers millions of dollars. Currently only 12 states are true no-fault, and 10 more states have some form of no-fault insurance.

To view a complete listing of states, visit www.iii.org/media/hottopics/insurance/nofault. Five states that earlier adopted the no-fault concept have repealed their no-fault laws.

Regardless of your home state's laws, if you are driving in a no-fault state and have an accident, your auto insurance policy will automatically convert to the requirements of that state. When involved in such an accident, simply contact your insurance agent. Your own insurance policy compensates you for your damages and medical expenses. Some state plans have mandated levels of benefits. These limitations are expressed in dollar amounts and by verbal description, usually about injury. In most cases, an injured party may seek legal recourse after damages or injury have reached a dollar threshold. When a claim against a guilty party exceeds either the dollar or verbal threshold, the injured party may address his or her claim in a court of law under the regular tort system.

Protect Yourself and Your Home With Additional Living Expense Coverage

The unthinkable happens – a faulty electrical connection causes a fire in your kitchen. While the fire is isolated to the kitchen, there is smoke damage throughout the house that makes it unlivable. There is an often-overlooked coverage in your homeowners policy that can help you in this situation.

Additional Living Expense (ALE) coverage is an automatic part of your homeowners coverage. The coverage limit is usually about 20 to 30 percent of the limit you carry on the house structure. So, if your house is insured for \$100,000, you would probably have at least a \$20,000 limit for additional living expense.

The key to understanding this coverage is the term "additional." ALE coverage pays for expenses that you wouldn't have if not for your insurance claim. If your meal expenses are higher than your grocery expenses were before the loss, this coverage will pay you the difference. The goal of this coverage is to keep you in the same financial condition as before the loss. The coverage pays for temporary living expenses such as living facilities, meals, moving expenses and temporary rentals.



10 Most Commonly Ticketed Cars

A review of law enforcement records indicates that some cars are ticketed more than other cars. Here is a list of the five most, and five least, ticketed autos.

Most Ticketed

1. Hummer H2
2. Scion tC
3. Scion XB
4. Mercedes Benz CLK63 AMG
5. Toyota Solara Coupe

Least Ticketed

1. Jaguar XJ
2. Chevrolet Suburban
3. Chevrolet Tahoe
4. Chevrolet Silverado
5. Buick Park Avenue

Source: ISO Quality Planning

Federal Trade Commission Finds Use of Credit Scores Helps Consumers

A recent study by the Federal Trade Commission (FTC) determined the use of credit scores by automobile insurance companies has a strong relationship to the risk of loss of a driver. The FTC found that use of credit in the underwriting process increases the availability and affordability of insurance for most consumers. This finding is supported by similar studies conducted by the Property Casualty Insurers Association of America (PCI). "Using credit information makes underwriting and pricing more accurate, and results in many consumers paying less for their automobile and homeowners insurance policies," said June Holmes, interim CEO for PCI.

Insurers have found the use of credit scores, when combined with other underwriting tools like driving record and driver age, help insurers better predict who the most profitable policyholders will be, and apply the best rate to those drivers. The use of credit scores in auto underwriting has also made insurers more confident to take on high-risk drivers. Insurers now feel they have an objective and statistically sound way to qualify those drivers and feel sure they are collecting an adequate premium. So, while the cheapest rates cannot be offered to all drivers, those drivers that most deserve the best rates can feel confident they are paying a fair price associated with their underwriting characteristics, and drivers with less positive underwriting characteristics can be more confident in finding auto insurance available to them.

The information in this newsletter is meant as a guideline only. There is nothing in this newsletter that alters the coverage or interpretation of any specific policy. Because some statements are generalizations, and because different companies' policies contain slight differences, please refer to your specific policy. Call our office before making any judgments or decisions concerning your particular situation and coverage that may, or may not, apply.

Thanks for choosing a Professional Insurance Agent

