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Your Resource for Risk  
and Insurance Solutions™

# PERSONAL RISK MANAGEMENT TIPS YOU CAN USE

**International Risk Management Institute, Inc.  
Dallas, Texas**

## Table of Contents

<b>Tip Title</b>	<b>Page No.</b>
<a href="#"><u>Instructions</u></a>	3
<a href="#"><u>Take Steps to Prevent Dog Bites</u></a>	5
<a href="#"><u>Safe Driving on the Freeway</u></a>	5
<a href="#"><u>Insurance Purchasing Ideas for Homeowners</u></a>	7
<a href="#"><u>Are the Limits of Insurance for your Home Accurate?</u></a>	8
<a href="#"><u>Pursue Those Auto Insurance Discounts</u></a>	9
<a href="#"><u>Maintain That Home!</u></a>	10
<a href="#"><u>Protect Yourself from Identity Theft</u></a>	11
<a href="#"><u>Top 10 Contractor Hiring Tips for Homeowners</u></a>	12
<a href="#"><u>Reducing Auto Insurance Fraud</u></a>	13
<a href="#"><u>Why Purchasing a Personal Umbrella Policy is a Wise Decision</u></a>	14
<a href="#"><u>Steps to Take to Reduce Exposure to Water Damage Losses</u></a>	15
<a href="#"><u>Proper Coverage for Your Jewelry</u></a>	16
<a href="#"><u>Purchase Proper Watercraft Coverage for Your New Boat</u></a>	17
<a href="#"><u>Pitfalls of Purchasing Travel Insurance Online</u></a>	18
<a href="#"><u>Personal Catastrophe Planning</u></a>	19
<a href="#"><u>Potential Coverage Gap from Domestic Employees' Owned Autos</u></a>	20
<a href="#"><u>Why You Need Uninsured Motorists Coverage</u></a>	21
<a href="#"><u>Protection Against Auto Theft</u></a>	22
<a href="#"><u>Do You Really Need Flood Insurance?</u></a>	22
<a href="#"><u>Questions To Consider For Insurance Checkup</u></a>	23
<a href="#"><u>Is Pet Insurance Really Necessary?</u></a>	24
<a href="#"><u>Maintain That Clothes Dryer</u></a>	25
<a href="#"><u>Avoid Water-Logged Cars</u></a>	25
<a href="#"><u>Credit Rating and Insurance Underwriting</u></a>	26
<a href="#"><u>Helping Teenage Drivers</u></a>	27

## How To Build Client Confidence and Loyalty with Personal Risk Management Tips

One of the best ways for agents and brokers to impress and build credibility with their clients is to provide advice and suggestions that help them reduce their risk of loss and their insurance expenditures. While helping your clients reduce the amount they spend with you may seem counterproductive on the surface, it will increase their confidence in you and go far toward your goal of making them “customers for life.” Further, if you can help them reduce their cost in one area, say auto insurance, you can always help them understand the benefits of applying the savings to improve their protection in another, such as by buying a personal umbrella policy or scheduling their jewelry or art on an inland marine floater policy.

And, if you are like many insurance professionals, you are continuously seeking ways to contact your customers in unobtrusive ways to remind them that you are there for them. Providing cost saving risk management advice is certainly one way to do this.

The research analysts at International Risk Management Institute, Inc., (IRMI) have prepared the 25 personal risk management tips included in this file to help you achieve these goals. You can easily copy each article and paste it onto your Web site, agency or company newsletter, or e-mail.

While you are free to use them any way you wish, subject to the license terms included below, we recommend that you consider posting a new tip on your Web site each month, rather than putting them all on at one time. This gives you fresh content every month to attract the search engines and assist your customers. Another use for these tips is to include them in a newsletter or even a personal letter or e-mail to your clients. Again we suggest that these communications contain only one or two tips at a time rather than an overwhelming number of them.

Regardless of how you decide to use them, we sincerely hope they help you build client confidence and loyalty. Be sure to subscribe to [Personal Lines Pilot](#), a free monthly e-mail newsletter to obtain additional tips to use in your newsletter or on your Web site in the future.

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International Risk Management Institute, Inc. (IRMI) is a research, training, education, and publishing organization focused on property and casualty insurance and risk management. Our mission is to be the premier authority in providing expert advice and practical strategies for risk management, insurance, and legal professionals. We pursue this mission through the publication of reference manuals, books, and newsletters, offering online continuing education courses, sponsoring seminars and conferences, as well as providing free resources on [IRMI.com](#) and [free e-mail newsletters](#). Our goal is to continuously earn your trust and confidence by providing the most reliable and accurate information, maintaining the highest levels of integrity in all that we do, and quickly responding to your needs.

## **Other Free Content for Your Web Site**

The *Glossary of Insurance and Risk Management Terms*, which may be accessed at no cost on IRMI.com, is perhaps the most comprehensive and up-to-date [insurance glossary](#) available. The index of all the defined terms may easily be added to your Web site. This will give your customers access to the glossary definitions on our Web site and add valuable key words to your Web site, which should help your search engine rankings. Learn more about [how to link to our insurance glossary](#) on IRMI.com.

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# Personal Risk Management Tips You Can Use

## Take Steps to Prevent Dog Bites

Did you know that dog bites cause nearly 800,000 injuries requiring immediate medical care in the United States each year? This statistic is based on a study conducted by the National Center for Injury Prevention and Control. If your dog bites someone, you can be held legally liable. (Fortunately, this loss is normally covered by your homeowners policy.) However, there are steps you can take to reduce or prevent dog bites, including the following.

1. Carefully consider dog breeds prior to selecting a pet. Some breeds have worse reputations than others, and a veterinarian can help you decide which breeds might best fit your lifestyle. Note that some insurers will not insure you for homeowners insurance if you have a breed that is viewed as more dangerous than others, such as a Pit Bull.
2. Spay or neuter the animal as this often decreases the aggressive tendencies of dogs.
3. Seek a veterinarian's advice quickly if your dog becomes aggressive.
4. Socialize your dog from an early age to encourage appropriate behavior.
5. Never leave dogs alone with small children.
6. Avoid aggressive games with puppies and dogs, such as tug-of-war.
7. Do not place your dog in situations where he or she can be teased or feel threatened.
8. Train your dog to obey commands.

There is one other loss exposure concerning dogs you should consider. You may face liability claims if your dog gets out into the road and causes or contributes to an auto accident. Homeowners can be sued for violation of leash ordinances by allowing their dog to "run at large." Use a well-maintained and sturdy fence or other safeguards to reduce this exposure.

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## Safe Driving on the Freeway

As you are aware, automobile accidents are a major cause of death in the United States. They are the single most common cause of death among children and young adults, according to the U.S. Department of Transportation's National Highway Traffic Safety Administration (NHTSA). The

NHTSA reports that over 6 million police-reported automobile accidents occur annually, which constitutes 1 every 5 seconds. On average, a person is injured in 1 of these crashes every 10 seconds and a person is killed every 12 minutes.

A high percentage of these automobile accident deaths occur on our nation's freeways and highways due to the high rates of speed encountered. There are, however, steps you should consider to reduce your chances of becoming a victim on the freeway, including the following.

1. When you merge onto the freeway, you should be at average traffic speed.
2. When in the right lane of a freeway, move over one lane to the left when you see drivers coming into traffic from the entrance ramp. If this is not possible, slow down to give the entering driver more room.
3. Allow plenty of room between you and other vehicles. Many driving experts advocate the two-second rule. Under this rule, you should start counting when you see the vehicle in front of you pass a fixed object. Count "one thousand one, one thousand two." If you reach the fixed object before "two," you are following too closely.
4. Try to maintain average traffic speed. Vehicles going much slower or faster than other traffic are a recipe for an accident. However, common sense regarding speeding laws must also be considered.
5. You should use extra caution when driving at night or in bad weather. Remember that many drivers do not adjust their driving habits for the weather or bad road conditions.
6. Avoid any sudden moves, since this does not give other drivers time to react.
7. Continuously scan the roadway ahead of you for signs of trouble, including construction and traffic slowdowns.
8. Be aware of the positions of other drivers around you, particularly those beside you or slightly to the rear. Make sure your rearview mirrors are properly adjusted before you drive your car.
9. Remember that your reaction time and overall driving skills decline as you get tired. Breaks every few hours are important.
10. When exiting the freeway, be sure to signal well in advance. Do not slow down significantly until you start to turn off the freeway.

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## Insurance Purchasing Ideas for Homeowners

In some parts of the country, consumers have faced substantial increases in their homeowners insurance premiums, particularly in coastal areas subject to hurricanes and windstorms. Other consumers have experienced reduced coverage, moving from all risks coverage for their dwelling to named perils coverage. Still others have received nonrenewal notices due to minor losses, such as water damage claims. The following are some insurance purchasing tips that may help you save premium dollars and reduce losses on your homeowners policy.

1. Try to increase your deductible to the highest one you can afford, even if the premium savings do not appear to justify it. This will decrease your premium and increase the likelihood that your loss history will be excellent, since minor losses will be paid by you and not your insurance company. A loss-free record over time saves premium dollars. For example, if you currently have a \$250 deductible on your homeowners policy, consider increasing it to \$500 or \$1,000.
2. Consider purchasing a monitored burglar alarm. Alarms have proven successful in reducing burglary rates. In addition, most insurers provide premium discounts to consumers with these alarms, some as high as 20 percent.
3. Maintain your home in optimum condition. If a repair is needed, perform it as soon as possible. For example, loose or missing roof shingles should be repaired or replaced immediately. A home in excellent condition is much less likely to experience a loss.
4. If you plan to buy a home, be aware that many insurance companies offer new home discounts. Some insurers offer the highest discounts, such as 20 percent, on brand-new homes and gradually lower discounts for several years as the home ages. Some insurance companies are now offering discounts for homeowners who are age 50 or older.
5. Request a copy of a Comprehensive Loss Underwriting Exchange (CLUE) report on the home you are considering buying. This report provides a list of prior losses for a particular home. It is generated from a database of insurance losses compiled by a high percentage of insurance companies. You can normally contact your current homeowners agent to get this information on a prospective home. Be wary of purchasing a home with prior foundation, water, or mold losses.
6. Install and maintain smoke alarms throughout the house. It is best if the alarms are interconnected, so that if one goes off, they all go off. Test the smoke alarms once a month. These detectors should be approved by Underwriters' Laboratories (UL) or other recognized testing laboratories. Most insurance companies provide discounts for homes with operating smoke alarms.

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## Are the Limits of Insurance for your Home Accurate?

Is the amount of property insurance on your home correct? What is the appropriate amount of coverage for your home? To begin with, it should be insured for at least 80 percent of its replacement cost when covered under a standard homeowners policy. Replacement cost refers to the amount necessary to repair or replace damaged building parts with items of like kind and quality. Some insurance companies even require 90 percent or higher figures when the guaranteed replacement cost option is offered. With this option, the policy pays the full cost of replacing your home, without any depreciation and often without a maximum reconstruction payment. (This gives you added protection if there is a sudden jump in construction costs due to a major shortage of certain building materials. Construction costs often “surge” following large catastrophes, such as hurricanes.) Note that guaranteed replacement cost coverage approaches can vary by state and is not even available in every state.

Many homes are either underinsured or overinsured. For example, some homes insured for long periods of time with one insurance company may have inadequate limits of insurance due to increased building costs. In many cases, homes have been remodeled and improved, and this information has not been conveyed to the insurance agent or company, resulting in severe underinsured home values. If your home is underinsured, you not only have inadequate protection for total losses, but you may also lack full protection for smaller losses.

Sometimes homes are mistakenly insured for their market value. However, market value is normally not indicative of the home’s replacement cost. For example, market value also reflects the cost of the foundation and the nondestructible land value, both of which normally survive intact if the house burns to the ground and has to be rebuilt.

In addition, some homes may be insured improperly to meet mortgage company requirements. Some mortgage companies require the amount of insurance be at least equal to the mortgage balance on the house. The mortgage balance is also not reflective of the home’s replacement cost, which is often considerably more but can also be less. Insurance companies and agents often struggle in properly educating mortgage companies about these distinctions, but there is nothing to prevent you from insuring to actual replacement cost if that is indeed greater than the mortgage balance. The problem occurs when the mortgage balance is greater than the replacement cost, which will result in the purchase of a higher limit than needed.

The bottom line is that you should work with your insurance agent to determine the correct replacement cost and resulting insurance limit for your home. Most agents use sophisticated replacement cost estimating packages that can fairly accurately determine the replacement cost value of your home. Factors that these programs use to determine this figure include the following.

- Square footage of the home, including its configuration
- Construction costs for your community
- Exterior wall construction type, including frame, stucco, brick, or brick veneer

- Style of home
- Number of bathrooms and bedrooms
- Roof type
- Attached garages, fireplaces, built-in cabinets, and other special features, such as hard-wood floors

The more advanced replacement cost estimating programs require detailed information to improve the valuation estimate. For example, a rectangular-shaped home with 1,800 square feet will have a much lower replacement cost than a similar-sized home with an “L” shape. In other words, the better cost estimating programs require information about the number of corners in the home. The more detailed information your agent asks about your home, the more confidence you can place in his or her recommended limit of insurance.

As a final note, you should request an annual review of your homeowners policy to keep up with increasing building supply and labor costs. Also ask your agent about the advisability of adding an “inflation guard” endorsement to your policy or about the availability of guaranteed replacement cost coverage to help assure that your home is properly protected.

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## **Pursue Those Auto Insurance Discounts**

One way to avoid paying too much for your personal automobile insurance is to assure you are getting all the discounts you deserve. The following are discounts you should inquire about. Some may not be available in all states and from all insurers, but it doesn’t hurt to ask. These discounts may significantly affect your insurance premium.

- “Defensive Driving Discount.” This discount can save you 10 percent on most of the major coverages under your auto policy, such as liability, medical payments, and collision coverage. Defensive driving courses can cost as little as \$20 and last as few as 5 or 6 hours. However, the discount normally applies for 3 years. For example, if your auto insurance premium is \$100 per month, the premium is \$3,600 for 3 years. If liability, collision, and medical payments or personal injury protection coverage constitute 85 percent of this \$3,600 premium, the resulting premium subject to this discount is \$3,060. In this scenario, the actual premium savings would be \$306 (10 percent of \$3,060) for that 3-year period. To get the true savings, you must deduct the cost of the defensive driving class. If the cost is \$26, the savings in this example would be reduced to \$280. If you spend 6 hours taking the class, you are earning \$47 per hour in savings—not an unproductive way to spend a Saturday!

- “Good Student Discount.” Statistics show that good students tend to be more reliable and mature than students with marginal grades, leading to better driving decisions. Therefore, many states allow a 5 to 10 percent discount if your student driver makes good grades, usually an overall “A” or “B” average in high school or college. If your child has to pay his or her own automobile insurance, this will be another motivator for him or her to make good grades.
- “Home/Car Discount.” Many insurers offer discounts of 10 percent or more if they provide both your homeowners and personal automobile insurance. This can lower your costs on both policies.
- “Auto Safety Features.” Most insurers recognize that owners with cars containing safety features may have fewer accidents and reduced injuries. Many insurers encourage drivers to purchase cars with antilock brakes by giving small discounts for these safety features. Other insurers give discounts for vehicles with airbags and daytime running lights.
- “Auto Club and Professional Organizations.” Some insurance companies offer auto insurance discounts if you are a member of AAA or similar organizations.
- “Multicar.” Many insurance companies provide generous discounts up to 15 percent if you have multiple cars on your policy. This reduces the insurance company’s administrative costs, on a per-vehicle basis, in issuing the policy.
- “Long-Term Customer.” More insurance companies are offering discounts of 5 to 10 percent if you stay with them at least 5 years.
- “Claims-Free Customer.” If you have been insured with the same insurance company for at least 3 years and have not experienced any losses, inquire about a claims-free customer discount. These discounts help insurers retain customers with excellent driving records.

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## **Maintain That Home!**

Many consumers have faced rapidly escalating insurance premiums on their homeowners insurance during the last few years. In some cases, consumers have experienced difficulty in procuring insurance, particularly people with several claims. However, there are numerous measures that consumers can take to lessen the possibility of future losses, resulting in more readily available insurance down the road and more affordable premiums.

The following tips offer ways of saving premium dollars and reducing losses on your homeowners policy.

1. Replace washing machine hoses when they show signs of deterioration. Consider replacing them with stainless steel hoses, for which your insurer may provide you a discount. The hoses should also not rub against the wall. In addition, turn off the washing machine water faucet when the appliance is not in use to prevent leaks.
2. Maintain your roof in optimal condition. A quality roof inspection on a periodic basis can identify sections that need repair and thus prevent water losses. Roofing materials containing high wind resistance features should be considered in windstorm-prone areas.
3. If you experience a water leak, make sure it is properly repaired and promptly remediated, which can include the removal and replacement of building materials such as sheetrock. For larger water leaks, a professional who specializes in remediation should be called in. These measures will reduce the possibility of hazardous and expensive mold losses down the road.

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## **Protect Yourself from Identity Theft**

Identity theft occurs when someone appropriates another person's personal information without his or her knowledge in order to commit fraud or theft. These identity thieves may open charge accounts in the victim's name and thus borrow money and even perpetrate felonies.

The Federal Trade Commission found that complaints of identity theft have increased rapidly during the last several years. The U.S. Secret Service estimates that consumers nationwide lose hundreds of millions of dollars to identity theft each year. According to the Identity Theft Resource Center, the normal victim spends approximately 550 to 700 hours clearing his or her credit record. What can you do to reduce your chances of becoming a victim?

- Your credit record should be checked each year to verify all the information is accurate. In addition, you should contact your creditors if your bill does not arrive in time. A missing credit card bill could mean an identity thief has taken over the credit card account and changed the billing address to cover his or her tracks.
- All old financial documents, including bank statements and credit card bills, should be shredded to reduce the exposure to what is called "dumpster diving."
- You should not carry your Social Security card with you; rather, it should be secured in your safety deposit box.

- You should avoid using an unlocked mailbox, such as at your residence, to drop off outgoing mail, since mail can be easily stolen.
- You should not print your Social Security number or driver's license number on your personal checks.
- Ask your insurance agent about an identity theft endorsement providing protection if your identity is stolen.

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## Top 10 Contractor Hiring Tips for Homeowners

Your home is probably your most valuable asset. Properly maintaining your home is a key factor in the retention and growth of its value. This factor is one reason why it is important to hire highly qualified contractors when making major repairs or renovations to your home. The following 10 key rules should be followed when selecting a contractor to work on your home.

1. Be wary of contractors who solicit business door-to-door or via cold calls. In addition, avoid contractors who quote you a price that will automatically go up the next day or week if you don't accept it immediately.
2. Obtain recommendations from friends, family members, and neighbors about experienced and reputable contractors who have performed excellent work for them.
3. Ask for a written estimate from the contractor that includes any oral agreements the contractor makes in this process. The estimate should contain a line-by-line breakdown of costs, including materials and labor. In addition, ask if there is a charge for an estimate. If there is, avoid dealing with this contractor.
4. Obtain at least three estimates along with the names and phone numbers of two former customers of the contractor. Contact these customers and ask about the work performed.
5. Do not automatically select the lowest bidder. Their work may be lacking in quality.
6. Verify that the contractor is licensed, bonded, and properly insured. Ask for certificates of insurance for workers compensation and general liability policies.
7. Contact the Better Business Bureau to see if complaints have been filed against the contractor. This can be performed via the Bureau's Web site at [www.bbb.org](http://www.bbb.org).

8. Avoid dealing with a contractor who asks you to pay for the entire job before the work begins. The standard practice is to pay 33 percent of the job up front.
9. Get a copy of the proposed contract. Ideally, it should include a hold harmless clause in your favor, particularly for major work such as when heavy equipment will be used in constructing a swimming pool. A hold harmless clause specifies that the contractor will indemnify you with respect to your liability to members of the public who are injured or whose property is damaged during the course of the contractor's operations. The contract should also explicitly specify the work to be performed, the start and end dates, payment agreements, and warranty information.
10. Ask a knowledgeable friend, relative, or attorney to review the home repair contract before you sign.

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## Reducing Auto Insurance Fraud

The insurance industry calculates that property and casualty insurance fraud costs our society over \$30 billion annually. According to some estimates, this insurance fraud adds about \$200 to \$300 annually to total insurance premiums for the average household. Auto insurance fraud accounts for a large segment of these losses, which are ultimately passed on to you, the auto insurance consumer, in the form of higher automobile insurance premiums.

Auto insurance fraud can occur in a variety of ways. For example, unethical groups of doctors and lawyers can team together to overtreat patients and thus exaggerate claims. Staged accidents are also a common problem, in which a conspirator's car pulls in front of an innocent driver's automobile and stops suddenly. This causes the innocent driver to rear-end the conspirator's vehicle. Thus, the innocent driver often believes he or she is negligent. Typical victims are usually driving alone in new and expensive vehicles. In many cases, the criminal driver uses a large, older sedan with several passengers inside.

There are several ways by which you can avoid becoming a victim of these "staged accidents," including the following.

- Avoid tailgating at all times and focus on driving defensively.
- Obtain the names and driver's license numbers of all occupants in the other car.
- Attain the names and key information of witnesses.
- Report your suspicions to your insurance agent immediately.

In addition, auto insurance companies emphasize several key steps drivers can take to fight auto insurance fraud in general, including the following.

- Be aware of all the various ways in which auto insurance fraud can occur. Your agent is a good source for this information.
- If you believe you are a victim of auto insurance fraud, report your concerns to your agent.
- Communicate with your legislative representative about this issue and request new laws to assist the fight against automobile insurance fraud.

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## Why Purchasing a Personal Umbrella Policy is a Wise Decision

One of the most important insurance policies you can buy is the personal umbrella policy, but many people are unaware they need one. This policy provides high limits of liability to protect you against a catastrophic liability loss. It pays after your homeowners or personal auto policies' limits have been exhausted. For example, a major car accident in which you severely injure several persons can result in damages easily exceeding your personal auto policy's liability limits. Losses that result in injuries to numerous people, head injuries, and death are often covered by a personal umbrella policy. In addition to providing higher limits, this policy normally pays for some losses not covered by the underlying policy, such as legitimate allegations concerning libel or slander.

Personal umbrella policies are growing in popularity. In the past, only wealthy individuals and families purchased this coverage. Today, middle-income families also may procure this policy for protection in our society's increasingly litigious climate. As the tendency to sue for damages rises and awards granted by the courts grow, the personal umbrella policy is increasingly seen as an insurance necessity, rather than a luxury. It is especially attractive because of its relatively low cost.

In particular, you should consider purchasing a personal umbrella policy if you have certain characteristics or engage in certain activities, including the following.

- Your total assets are greater than your underlying liability limits.
- You are financially responsible for the actions of a young, inexperienced driver.
- You live in an exclusive and affluent neighborhood.

- You have a high profile career or high income.
- You frequently host guests on your property.
- Your residence includes a swimming pool.
- You own waterfront property, a farm, or a ranch.
- You own watercraft or aircraft.
- You own numerous rental properties.
- You engage in extensive international travel for pleasure.

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## Steps to Take to Reduce Exposure to Water Damage Losses

Water damage losses can create severe financial difficulties, particularly since not all water losses are covered by the homeowners policy. There are numerous ways by which you can safeguard your home from water damage losses, including the following.

- Your home's drainage system should be checked to verify that proper water drainage occurs. For example, gutter downspouts should extend the proper distance from the foundation.
- Your yard should be properly graded to slope away from the home to allow surface water to adequately drain.
- A sump pump system should be considered in your basement to keep unwanted water out of this vulnerable part of your home.
- Your washing machine hoses should be periodically checked since these hose failures cause millions of dollars of water losses each year. Hoses should be replaced at the first sign of wear. Many adjusters recommend that insureds upgrade to the heavy-duty wire mesh hoses or stainless steel hoses during this replacement.

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## Proper Coverage for Your Jewelry

Many people overlook the need to properly insure their expensive jewelry, believing that it is automatically covered by their homeowners policy. While homeowners policies do cover jewelry, this insurance usually is subject to a much lower limit than the overall contents coverage. This is called a “sublimit,” and a typical sublimit is \$1,500 for loss by theft of jewelry, watches, and precious and semiprecious stones. If your jewelry is worth more than the sublimit in your homeowners policy, you should consider purchasing specific insurance to cover it. The following is a good process to follow.

- Arrange an appointment with your agent to review your jewelry coverage. Bring as much information about your jewelry portfolio as possible, including any appraisals.
- If you have not had your high-valued jewelry appraised within the last 3 years, consider obtaining an appraisal from a reputable jeweler. Insurance companies often require an appraisal from a graduate of the Gemological Institute of America (GIA) on more expensive jewelry. The Institute’s G.G., G.J., or A.J.P. designations at the end of an individual’s name indicate that the jeweler has achieved a high level of professionalism with an education backed by a respected nonprofit organization.
- Make sure the appraisal has a description of the diamond’s four C’s—(a) carat, (b) cut, (c) clarity, and (d) color. The “carat” refers to the weight of the diamond. The quality of the “cut” of the diamond results from the way light enters the stone and is reflected back. “Cut” is also used to refer to the diamond’s shape, such as round or pear-shaped. The “clarity” refers to the prevalence of minor spots, lines, bubbles, or other natural imperfections within the diamond. The “color” denotes the tint a diamond may possess. Remember that the better the appraisal, the fewer problems you will encounter with the insurer if you ever have to make a claim.
- Purchase inland marine coverage that can be added via an endorsement onto your homeowners policy. This endorsement (also available as a separate policy) provides much broader coverage than the limited protection found on the unendorsed homeowners policy.
- Consider keeping any valuable jewelry you rarely wear in a safety deposit box at your bank.
- Review your jewelry protection with your agent at least every 2 years or whenever you sell or purchase high-value jewelry.

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## Purchase Proper Watercraft Coverage for Your New Boat

This is the time of year when many people start to consider purchasing a sailboat or powerboat. Many people, however, are unaware of the significant loss exposure this creates, and some people mistakenly believe that there is coverage available under their personal auto policy. The auto policy, however, does not provide any liability or physical damage coverage for boats. Other people may look to their homeowners policy for coverage. Most homeowners policies, however, only cover certain low-valued or low-powered boats. Thus, you should contact your agent before buying a boat to discuss the proper insurance protection for it. The following tips will assist you in this process.

- If you purchase a boat valued over \$1,500, you probably lack proper coverage under your homeowners policy for physical damage losses to the boat itself. A separate watercraft or boatowners policy is necessary to cover boats over this value.
- If you are considering the purchase of a sailboat, inquire about its length. If the length is 26 feet or more, there is no liability coverage under your homeowners policy. For motorboats, there are severe horsepower restrictions for liability coverage. For example, only boats with outboard motors of 25 horsepower or less have liability coverage under most homeowners policies. Yet normally any type of powerboat will have a motor with horsepower way beyond this amount. This liability restriction also necessitates the purchase of separate watercraft insurance.
- Ask your agent about the types of boats you are considering. For example, some insurance companies decline to insure personal watercraft such as jet skis and wave runners, since some of these crafts can reach speeds of 60 mph. The United States Coast Guard reports that these crafts account for a disproportionately high number of accidents. Many insurance companies also refuse to cover houseboats, homemade or kit boats, competition bass boats, and speedboats. You may have to pay a steep premium through a specialty insurance company to insure these types of craft.
- Be wary of purchasing older watercraft. Many insurance companies reject boats over 15 or 20 years of age because they normally account for more losses than newer boats. You may have trouble finding insurance coverage for older boats or end up paying an extremely high premium.
- If you do purchase an older boat, consider ordering a marine survey or inspection of it prior to the sale. This survey will point out deficiencies in the boat that may cause you to reconsider the purchase or renegotiate its price.
- Ask your agent about procuring a personal umbrella policy in addition to a watercraft policy, particularly if you purchase a speedboat, a boat designed for water skiing, or some other craft with a higher potential to cause damage or loss of life. The personal umbrella policy provides excess liability limits above those offered by a watercraft policy. In addition, the watercraft liability limits should meet the underlying limits requirements of any applicable personal umbrella policy. It is usually best to use the same insurance company

that writes your homeowners and personal auto policies for your personal umbrella policy.

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## Pitfalls of Purchasing Travel Insurance Online

More and more people have disposable income to spend on personal travel—both domestic and international travel. One loss exposure numerous people fail to consider, however, concerns vacation-related losses. Travel insurance can be purchased to cover this potentially large exposure. It is designed to protect an insured from a wide variety of travel-related losses, including trip cancellation or interruption, emergency medical events, emergency evacuation, lost or delayed baggage, personal effects, lost or stolen passports and visas, and legal expenses. This coverage is increasingly purchased through the Internet.

The following are some helpful tips to review when considering the purchase of travel insurance online.

- When you purchase travel insurance online, determine if you will immediately receive a policy number along with a printable copy of your policy documentation. Some Web sites are not fully automated and cannot complete your purchase. However, they make it look like they can. If you do not receive an immediate policy number, then you have ordered from a Web site that simply holds your data until an operator manually types your order onto the insurer's Web site. If this happens to you, cancel the policy. An agent is required by law to give you a full refund (minus a small administration fee of around \$5) within 10 days of your purchase. The practice of manually typing orders is less than ideal because there are many potential problems with security, typing errors, and privacy.
- Is the agent affiliated with the insurance company? Call the insurance company to check if the agent you are using is, in fact, one of their representatives. Some Web sites sell policies for insurers even though they are not agents.
- Does the Web site list each plan (with slight distinctions) several times? Some Web sites list each plan multiple times because they lack the technology to allow options to be selected by the user. Unfortunately, this makes comparing policies very confusing because you are presented with a single plan several times, each with only minor differences.
- Avoid Web sites you access via spam because these are often disreputable. A better way of finding established and reputable Web sites is to utilize search engines that link you to the travel insurance Web site or to ask friends or family if they have had excellent experiences with any online travel insurance services.

- One of the best ways to compare travel insurance plans is to visit a comparison Web site. Consider visiting these Web sites, which can serve as an additional tool in making your purchasing decision. You can type “travel insurance comparison” into a search engine to find some of these Web sites.

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## Personal Catastrophe Planning

The prevalence of major catastrophes such as tornados, floods, and hurricanes drive home the point that personal catastrophe planning is an essential part of any personal risk management program. Catastrophes, whether natural or man-made, can strike individuals and families at any time without warning. You should develop a comprehensive disaster plan that addresses the following nine items.

1. Identify hazards in your home, such as frayed wires or large amounts of gasoline stored in the garage. Hazards should be reduced as much as possible.
2. Learn first aid and CPR skills, which can lessen injuries after they occur.
3. Make certain your children learn your full name, address, and phone number at the earliest possible age.
4. Develop an emergency evacuation plan. For example, you should work with family members to establish escape routes and rehearse these periodically.
5. Establish a disaster meeting place and an outside family contact. For a sudden emergency, a location right outside the home should be arranged. Consider designating a friend or relative in another city as a common contact through whom the family can communicate if separated by a disaster.
6. Keep an adequate water storage supply to use in the event you become stuck in your home. Several days' worth of bottled water should be stored in a cool, dark location.
7. Prepare a food supply, including canned meats, fruits, and vegetables. You should include a manual can opener and disposable utensils and plates along with the food.
8. Store emergency supplies, such as a first aid kit, flashlights, batteries, prescriptions, and a lantern.

9. Prepare a portable pet disaster supply kit for pets, including dry food, potable water, and proof of vaccination. Proper identification on the pets is essential.
10. Practice, modify, and maintain the plan every 6 months.

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## Potential Coverage Gap from Domestic Employees' Owned Autos

If you have a domestic employee, such as a gardener, housekeeper, or nanny, who drives his or her own auto while working for you, there is a potential for you to incur liability arising from their driving that would not be adequately insured. If your employee negligently causes an accident, you as the employer can be drawn into the lawsuit and held liable. Your employee's own insurance, if any, will protect you up to its policy limits, but you are on your own after that. And your personal auto policy may not respond to cover the difference. The courts have ruled in different ways on these types of loss situations.

For example, assume your housekeeper negligently injures someone in a serious accident in her own vehicle while out buying groceries for your household. Further assume she has low liability limits or even no auto liability insurance. If she is sued, the injured party may uncover information about you, her employer, and how her driving in this incident was related to her employment with you. As a result, your "deep pockets" may just get you named in the lawsuit.

If you engage domestic employees or contract workers who may drive their vehicles in their work for you, the following tips may prove helpful.

- Ask any employees or prospective employees to provide you a current copy of their driving record. The employee can order this online through <http://www.dmv.org/driving-record.php>. If they do not have a good driving history, do not allow them to run errands for you.
- If the domestic employee has a good driving record and you ask her to occasionally use her own car to run errands, ask for a copy of her current auto policy and verify that it has at least moderate liability limits.
- Ask your insurance agent to confirm with your auto insurance company underwriter that your PAP policy will provide a defense and cover judgments in excess of your employee's limits if you are ever named in one of these suits. If possible, get a copy of a letter from the underwriter.

- If the domestic employee has an excellent driving record and a sterling employment history with you, consider having her use your auto to run errands to avoid any question that your PAP will protect you if she negligently causes an accident while working for you.
- Periodically review your employee's driving record and auto insurance policy.
- Consider procuring a personal umbrella policy that will normally provide coverage on top of your PAP. However, if the loss is not covered under your auto policy but is covered under the umbrella form, you would only be responsible for the retained limit or deductible amount, which ranges from \$250 to \$1,000.

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## Why You Need Uninsured Motorists Coverage

Uninsured motorists (UM) coverage provides insurance protection for bodily injury, and in some states property damage, caused by a motorist who is not insured. This coverage allows you to collect from your own insurance company as if it provided liability coverage for the negligent and uninsured driver. In contrast, underinsured motorists (UIM) coverage provides insurance protection for bodily injury, and in some states property damage, sustained by you when a motorist who is not sufficiently insured negligently causes an accident. The following list provides reasons why you should buy UM/UIM coverage.

1. The chance of a negligent uninsured motorist hitting you is greater than you might think. In some states, up to 32 percent of all drivers lack automobile insurance. The country-wide average is 14 percent.
2. UM and UIM coverage is broad, since it provides benefits for you and your family members' injuries sustained (a) in your own covered auto, (b) in autos you do not own, and (c) as pedestrians.
3. The cost for this coverage is very reasonable, compared to liability coverage and physical damage coverage for your own car. The increased costs for higher UM/UIM limits are quite affordable for most people.
4. If your car is damaged by an uninsured driver, the deductible for UM property damage, if available in your state, is normally only \$250. This amount is often considerably less than your collision coverage deductible.

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## Protection Against Auto Theft

Every 26 seconds, a motor vehicle is stolen in the United States. According to the FBI, there are over 1.2 million motor vehicles stolen every year. The odds of a vehicle being stolen are 1 in 190, odds that are especially higher in urban areas. The following tips may prove helpful in reducing the chances that your vehicle or property in it may be stolen.

- When temporarily leaving your vehicle, never leave it running or with the keys in the ignition.
- Always lock your car and roll up the windows, even if it is in your driveway. If you have a garage, park your car in it and close and lock the garage door.
- Park in busy, well-lit areas.
- When purchasing auto stereo equipment, choose items that can be removed and locked in the trunk.
- When using valet parking or taking your car in for repairs, leave only the ignition key with the attendant.
- Turn your wheels sharply toward the curb when parking since this makes it extra difficult for thieves to tow the vehicle. Always use your emergency brake and leave the transmission in park or in gear.
- Look into various anti-theft devices for your auto. Ask about auto insurance discounts for anti-theft devices such as alarms, window etchings, and anti-hot-wiring products.

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## Do You Really Need Flood Insurance?

According to the Federal Emergency Management Agency (FEMA), flooding can cause several billion dollars of property damage in the United States each year. If you are like many homeowners, however, you may be unaware that the standard homeowners insurance policy you buy does not cover flood losses. You may believe that you have a low risk to this peril but FEMA reports that approximately 25 percent of all flood claims occur in communities in which flooding is deemed to be a low to moderate risk. So do you really need a separate flood policy? The following tips and ideas may prove helpful in answering this question.

- Contact your insurance agent to see if you live in a community that participates in the National Flood Insurance Program (NFIP), a prerequisite in order to qualify for flood insurance. Participating communities must agree to adopt and enforce certain floodplain management regulations, including building construction and zoning laws that minimize the risks of flood damage.
- Ask your insurance agent to see if you are in a floodplain. Or, if you prefer, go to [www.floodsmart.gov](http://www.floodsmart.gov) and select “What’s Your Flood Risk?” which will ask you to enter your home address. This Web site will then specify whether you are in a low, moderate, or high risk area.
- Consider purchasing flood insurance even if you are in a low-to moderate-risk community. In these areas, you may be eligible for the Preferred Risk Policy, with premiums as low as \$112 per year including coverage for your personal property.
- Note that a flood policy does not take effect until 30 days after you purchase the coverage. Thus, if the local meteorologist announces a flood alert for your community and you try to purchase coverage, it is already too late.
- The maximum limit of insurance in the NFIP for your home itself is \$250,000. If your residence’s value exceeds this amount, ask your insurance agent about excess insurance for losses above the federal policy’s maximum limits.
- Don’t assume that the government will bail you out if you suffer a flood loss and don’t have a flood insurance policy. That decision is a gamble you may not win. Remember that federal disaster assistance, if available, is usually a loan that must be paid back with interest.
- Discuss all the pros and cons of flood insurance with your agent before making your final decision.

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## Questions To Consider For Insurance Checkup

One recent insurance survey suggests that over 30 million U.S. households own insurance policies that are seriously out-of-date. As a result, the following questions should be asked. If the answer to one or more of these questions is yes, then you should contact your insurance agent as soon as possible so your insurance policies can be appropriately updated.

- Has your house undergone major renovations or improvements? If so, your home may be underinsured.



- Has your marital status changed? If you have married, for example, you may now qualify for a multi-car discount on your auto insurance.
- Have you purchased new valuables or collectibles? If so, you may be seriously underinsured for these items. Specialty policies or endorsements can properly cover them.
- Are you now participating in a carpool? If so, your exposure to injuring passengers has grown and your liability limits may need to be increased.
- Are you now retired? If so, your auto insurance premium will likely drop since your annual mileage should decrease.
- Have you added a burglar alarm with central station reporting for your home? If so, you could qualify for a homeowners premium discount.

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## Is Pet Insurance Really Necessary?

Veterinary bills are increasing much faster than the overall rate of inflation. Part of this reason lies in the advancements of medical techniques and the increasing number of veterinarian specialists. These trends, however, come at a price. Performing a magnetic resonance imaging (MRI) exam on the spine of a cat can cost \$1,300. Removing a tumor on a dog can cost \$3,700 and implanting a pacemaker can cost \$5,500. Even dealing with a dislocated ankle can cost upwards of \$5,000. As a result, pet insurance sales are increasing rapidly. Is this a wise purchase? If the answer to any of the questions below is yes, you should seriously consider purchasing this coverage.

- Are you willing to go into debt to provide health care for your pet?
- Do you consider your pet an integral member of the family?
- Are you on a fixed or limited income?
- Would you be willing to spend over \$4,000 to save your pet in a life-threatening situation?

If you decide to purchase this protection, you should carefully compare the rates and policy provisions of at least three well-established pet insurers.

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## Maintain That Clothes Dryer

According to the U.S. Consumer Product Safety Commission report, there are approximately 10,000 annual residential fire losses in which the source of the fire is in the clothes dryer or vent. Dryers are the third most common type of equipment involved in fires, ranking behind stoves and fixed area heaters. Clothes dryers can catch fire due to excessive lint build-up in the exhaust pipe or inside the dryer; this lint build-up is often out-of-sight. As a result, you should take the following steps to reduce the chance of your dryer starting a fire.

- Follow the manufacturer's instructions when installing the vent pipe.
- Keep the dryer vent clean and unplugged. Check for a plugged vent if the dryer does not dry clothes efficiently.
- Remove and clean the lint screen before each use.
- Keep all combustibles away from the clothes dryer.
- Hire a qualified technician to periodically inspect gas clothes dryers.

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## Avoid Water-Logged Cars

Flooding and hurricanes are a fact of life in the United States, leaving thousands of ruined cars in their wake. Unethical individuals will often try to capitalize on this situation. Unwary consumers may inadvertently purchase a seemingly fine used car, but with hidden water damage lurking beneath its surface. Flooded automobiles are notoriously unreliable vehicles and proactive steps should be taken to avoid purchasing one. Here are some tips for you to consider that will help you avoid unknowingly purchasing a flooded vehicle.

- Perform a careful examination of the used vehicle. For example, look for a well-defined line or watermark on the inside and outside of the car. Inspect the vehicle in difficult-to-

clean areas, like the gaps between panels in the truck or SUV and under the hood, where water-borne materials and debris may still cling.

- Be wary of used cars with new or mismatched upholstery.
- Avoid purchasing cars through auctions because flooded vehicles are often cleaned and then sold at these events.
- Be wary of individuals who buy and sell cars as a sideline business. It is better to buy from a reputable dealer or an individual that has owned and actually driven the vehicle for an extended period of time.
- Review the auto title closely. Some jurisdictions require that totaled or flooded vehicles be designated as “flood damaged” on the title.
- Consider ordering an online vehicle history report (e.g., CARFAX), which provides unlimited vehicle history reports for \$25.
- Before you buy the vehicle, be sure to have a trusted mechanic inspect it. Trained professionals know what to look for when it comes to previous flood damage on autos. They can also spot vehicles that were previously involved in major collisions.

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## Credit Rating and Insurance Underwriting

A big factor in determining the premium of a personal auto policy has nothing to do with a person’s driving record—it’s his or her credit record. According to Conning and Company, more than 90 percent of insurers use an applicant’s credit history—his or her insurance risk score—to slot him or her into a certain program.

When a person applies for auto insurance, the insurance company asks for permission to pull his or her credit information. The insurer then secures a credit report from one or more of the credit bureaus—TransUnion; Experian; or Equifax. For more information on credit reports or to secure a copy of your own report, go to <http://www.credit.com>.

Credit scores range from 300 to 850. If your score is below 650, you may have trouble getting insurance or you may have to pay a higher premium. In order to improve your credit score, keep in mind the following factors that influence the score.

- Payment history—The largest factor is credit and loan account payment history. A steady record of on-time payments going back several years shows responsibility.

- Debts owed—The number of accounts you currently have, including type and balance. Try to have just a few active accounts with low balances.
- Length of credit history—The longer your credit history, the better.
- New accounts—Every time you apply for a new account, a record of that application appears on your credit report and drops your score. Limit the number of applications you submit.
- Balance of accounts—It is best to have between two and six open credit cards and one or two loans.
- Negative records—Collections, judgments, and bankruptcy filings will drop your score.

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## Helping Teenage Drivers

There are several things parents can do to help keep their teenagers safe behind the wheel. Here are a few tips.

- Coach your Son or Daughter. You should “coach” your teenage driver. Talk openly and frankly with him or her in order to determine his or her attitude about being behind the wheel. Work with your teen to set ground rules, such as the number of people allowed in the car, where the car may be taken, and curfew.
- Utilize Emergency Road Service. If you do not belong to a motor club, you should consider joining one that provides 24-hour emergency road service. That way, your teenager may call for help at any time if they need gas, need a jump-start, are locked out, or need a tire changed. You can also arrange with the motor club to provide service for your teen if they are in a friend’s car.
- Have an Open Discussion about Driving under the Influence. While no one wants to think about the possibility of their teenager drinking and driving—or being in a car with an impaired friend at the wheel—we need to be realistic. History has shown that teenagers will experiment with alcohol. You should make it clear to your teen that driving after drinking is not acceptable. However, if they ever do drink, or are in a car with someone else who is impaired, make it clear to your teen that he or she can call you at any time of the day or night and that you will come to get them—no questions asked.

Two other effective, though more costly, things that can be done are:

- Install a “Governor.” Many vehicles—school buses and certain types of delivery vehicles are good examples—have a “governor” installed in them that restricts the amount of fuel that can be injected, thus preventing the vehicle from being driven over a certain speed. A governor in your teen’s car may help keep him or her within the speed limits.
- Install a Global Positioning System (GPS) in your car. You can program it to let you know where your teenager is driving at any time. With the GPS, you can set a radius of operation and the GPS will notify you if your teen has taken the car outside of that radius. It can even alert you when the speed limit is being exceeded. Finally, a GPS can notify you if the car is being kept out past an agreed upon curfew. We realize that this may seem like a rather extreme measure. Use of a GPS may best serve those parents who have a reason to mistrust their teenager.

When your son or daughter gets a drivers license, work with your insurance agent to review various options for both of you. It is important for you—and your son or daughter—to remember that, yes, your auto insurance rates will go up, but they will come down after a couple years of driving experience. However, the rates will really go up if your teenager has tickets or gets into accidents.

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