

Risk Monitor



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Make Certain to Insure the Finer Things in Life

Do you own high value insurables such as coin collections, jewelry, furs, and collectibles? If so, it may be wise to develop a well-thought out strategy regarding the risk of loss or damage to the finer things in your home. Most homeowner's policies limit the amount of coverage for luxury items, and an additional specialized policy may be required.

These specialized policies or "floaters" are designed to cover valuable items at a pre-determined dollar amount as scheduled in the policy. If you prefer, your insurance company might be willing to cover your high value items on a blanket basis at an agreed upon value per type. For instance, if you



own quite a bit of fine jewelry, and you are comfortable with insuring all of it on an aggregate basis, you might agree upon \$100,000 as the coverage amount. If your home is decorated with antiques and you own fine china, check to see if your policy includes accidental breakage and if it needs to be scheduled. Under a typical homeowner's policy, such breakage would not be included.

One of the benefits of a floater is that it usually does not include a deductible, so you are covered from the very first dollar of loss. Furthermore, floater policies are often written on an "all-risk" basis. As such, unless the peril is specifically excluded, losses are covered for all perils regardless of whether or not they are named. Another attractive feature of floaters is "mysterious disappearance" coverage. Although many policies, especially inland marine policies, do not include mysterious disappearances of items, these floaters often will. As you may surmise, mysterious disappearance involves a loss where the cause is unknown.

The way you approach risk management will be a key element in the process of insuring your valuables. If you show a strong commitment to minimizing loss, most insurers will take your loss prevention strategies into consideration when pricing your coverage. For example, if you have a Monet hanging on your living room wall, and no alarm system, you should expect to pay a high price for coverage.

Some insurers will help you formulate your risk management plans by assisting you with the inventory process. It may be necessary to coordinate a third-party appraisal - a vital element of the risk management and insurance processes. In many cases, insureds underestimate the value of their own property, and consequently underinsure the property. A knowledgeable appraiser can offer assistance in assessing the value of your property, and can provide mandatory documentation of the value if you experience a loss.

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Welcome to The Chadler Group's Newsletter!

It is with great satisfaction that we bring our newsletter to you. In this issue and the coming quarterly newsletters, we will discuss pertinent insurance topics which affect your business and personal insurance needs. We hope you find this information both informative and useful in your overall risk management practices.

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Factors That Influence Your Car Insurance Rates

To drive legally all drivers in the United States must carry some form of car insurance. For many people, one of the most confusing aspects of car insurance is understanding how their rates are determined.

The first factor that goes into determining your car insurance rate is the level of coverage you receive. In most states, liability car insurance is the only required form of insurance. However, this insurance does not cover you fully in the event that you are hit by an uninsured motorist, if your car is stolen, or if you car is vandalized. To have these incidents covered, you will need to have collision and comprehensive coverage. To have these levels of coverage, you will pay more than someone would pay if they only had liability.

The second factor that goes into determining your rate is your driving history. For starters, records have shown that younger and inexperienced drivers are far more likely to be involved in an accident than more seasoned drivers. Because of this, drivers that are under the age of 25 will always have a higher rate than older drivers. For people of all ages, driving history also has a large impact on car insurance rates. An individual who has multiple at fault accidents, moving violations, or driving related arrests on their driving record will pay more for insurance than someone who has a clean record. Most negative marks on your driving record will clear up after about 5 years.

Another factor that goes into determining your car insurance rate is the type of car that is being driven. All insurance carriers have information that shows the rate of accident, theft, and damage for every make and model of car. Cars that are more likely to be stolen or involved in accidents will result in higher insurance rates. Furthermore, cars that are worth more money and more expensive for the insurer to repair or replace will have higher rates.

The location of your residence is another factor that goes into determining your rate. Cars that are stored in areas that have high rates of crime, accidents, or automobile theft will come with high rates. Furthermore, if you car is parked on the street or in an unsecured spot, your rate will be higher than if the car was parked in a secured garage. The location is also important because those who drive further to get to work will spend more time behind the wheel which increases their chance of having an accident.

Surprisingly, a driver's credit score and marital status are also factors that go into determining a car insurance rate. Both of these factors have been historically correlated with higher rates of insurance claims being filed. People that are married or have better credit historically are cheaper to insure than single people with bad credit.



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Below are some guidelines to ensure proper coverage:

1. Take inventory of your most valuable items. Don't forget about less obvious valuables such as the autographed Pele soccer ball sitting on your book case. It may be worth more than you think!
2. Schedule an appraisal of special items, and be prepared to enlist the services of more than one specialist. For example, you wouldn't hire the same appraiser for the Pele soccer ball as you would for a piece of antique jewelry.
3. Discuss the possibility of floaters with your insurance agent. Learn what coverage and limits are available, and

compare the coverage to your basic homeowners' policy in order to fully measure the value of the additional coverage.

4. Ask your agent what services they offer, in addition to the coverage they provide. If they can help you in the conservation and preservation of your valuables, and if they bundle these services in a cost-effective manner, it may create a win-win situation. If you take advantage of all your agent has to offer, they will also benefit from a loyal client who will hopefully be with them for many years to come.



Does Your Homeowner's Policy Cover Sewer Backups?

Most homeowners would probably be surprised to learn that, without a specific endorsement for it, their homeowner's insurance policy doesn't cover a sewer backup. Given the costly damage that can be caused by a sewer backup, the low price of this coverage represents a real bargain for most homeowners.

As a homeowner, you are responsible for the maintenance and repair of the pipeline that connects the city sanitary sewer main and your home. You own this pipeline, including any part of it that extends into the street or public right of way. Thus, you should understand how backups are caused so you can prevent them and save yourself some costly repairs.

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Three causes are the culprits behind most sewer backups:

- **Blockages in the pipeline caused by tree roots**-Trees need moisture, so they naturally are drawn to cracks in the sewer line, where there is abundant moisture. Root growth typically starts with just a few small roots penetrating a crack in the pipe. However, as the roots continue to grow, they can cause extensive damage by entering the pipe at

joints and causing blockages. Tree roots can also travel the length of the pipe, completely clogging it.

If you suspect that city trees are causing a problem, contact the city. Samples of the roots will identify the trees to determine who is responsible for cleanup. If the blockage is caused by a combination of city and private trees, cleanup costs are split between the city and the property owner.

- **Blockages in the sanitary main**-A blockage can occur in a city sanitary main, resulting in sewage backing up into your home. Usually this happens gradually, giving you time to call a licensed plumber to assess the damage. If, however, there is a rapid flow of water entering your basement, you should call the city public works office to report the problem.
- **Heavy rains**-A storm sewer or sanitary sewer can back up into your home if it can't handle the amount of rain falling. The water usually comes into your home through a sump well, or washtubs and toilets in the basement. However, this type of damage can happen anywhere in the house. Having both a sump pump for draining water and a backup generator to run the pump in case of a power loss helps to avoid this occurrence.

The damage from any of these events can be quite expensive. Water and sewage can harm or destroy anything they come in contact with. Water damage typically occurs in the basement where items like the furnace and hot water tank are located, and the cost to repair or replace them can run high. By calculating how costly the potential loss from water and sewage damage can be, it is easy to see that purchasing the additional sewer backup coverage is well worth the price.

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cause or who's at fault. Your PAP doesn't cover this contingency unless you insure at least one vehicle for both collision and other-than-collision coverage.

You could be responsible for the rental company's loss of income on the damaged car. Your policy has limited coverage for these charges. The same is true for any administrative or loss-related expenses such as towing, appraisal, claims adjustment, and storage fees you may be charged.

Your PAP is considered excess coverage if:

- Any coverage is provided by the owner of the auto.
- There is any other applicable physical damage insurance.
- There is any other source of recovery applicable to the loss, such as travel policies, credit card coverage, etc.

This can create a controversy over who pays, which can result in litigation. Keep in mind that many states have statutes that may govern this eventuality.

The PAP does not provide physical damage coverage for vehicles that are not private passenger cars, pickups, vans, or trailers. The use of covered vehicles is limited to the U.S., its territories and possessions, Puerto Rico, and Canada. If you rent a trailer, coverage is limited to \$500.

The PAP may have limitations on use of vehicles that are not excluded by the rental agreement collision damage waiver. The PAP may also exclude certain drivers or may apply only to designated individuals. The collision damage waiver will probably also only apply to certain individuals, but operators for which no PAP coverage is available may be protected under the rental agreement by adding them as designated drivers.

The PAP will typically include a deductible in the range of \$100-\$500 or more. In addition, payment for damage to a rental car may result in a significant premium increase because of surcharges or loss of credits. Having a collision damage waiver will protect you from paying increased premiums.

Purchasing a Collision Damage Waiver on Your Rental Car Makes Sense

Although the fees can be considerable, it may be a good idea to purchase a collision damage waiver the next time you rent a car. You may believe you have enough protection from your Personal Auto Policy (PAP); however, that's just not the case. Your PAP covers the lesser of the actual cash value of the car or the minimum amount to repair or replace it. Your contract with the rental car company may require you to reimburse them for the full value of the vehicle. You would have to make up the difference out-of-pocket. The PAP also does not pay for any increased value of new parts replacing old ones, or any diminution of value, meaning if the market value of the vehicle after repairs is less than that before the accident, you would have to make up the shortfall.

Another area where the waiver can be of great importance is in the settlement process. Your insurance company has the right to inspect and appraise the damaged car before repair or disposal. However, the rental company is not bound by the terms of your policy, and it may opt to complete the repairs immediately. This would result in your not being covered because you didn't comply with the terms of the policy.

The rental agreement may require immediate reimbursement for damages. Without the waiver, they could charge your



credit card. This can create a significant debt and put you over your credit limit.

Rental agreements often make the renter responsible for any loss in value beyond normal wear and tear, regardless of the

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