



Auto ♦ Homeowners ♦ Umbrella

VOLUME 1 ISSUE 1

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Insurance Mistakes That Will Cause You to Lose Money

Fear is an important motivator when it comes to buying insurance. We worry about what will happen to assets like cars or homes if they are involved in a disaster, so we buy insurance to help us maintain their financial integrity if something should happen.

But in spite of the fact that insurance is designed for this purpose, sometimes it can't give us the outcome we expect. That's not because of something inherently wrong with the policy, but rather it is the result of human failure. When you bought your policy, you failed to take into consideration the level of coverage you really needed, and what you have isn't sufficient to restore your assets to pre-disaster condition.

That's just one of the most common insurance mistakes that could end up costing you.

Here are some others:

- **Thinking you're saving money because you bought the cheapest policy you could find**—Initially those low premiums will seem like a savings; but if the cost of an accident ends up being more than your policy coverage limits, the rest of the expense will be out-of-pocket. In addition, the other parties involved could sue you, and if you don't have any coverage, you could end up losing a large part of your assets.
- **Failing to pay your premiums on time, or not at all**—There could be a legitimate instance in which you don't pay on time. However, when you don't pay, your insurance company isn't required to cover you. To avoid a disruption in coverage, set up automatic payments through your bank or insurer.
- **Making assumptions about what is covered**—There are limitations to the coverage a homeowner's or auto policy will provide for high-ticket items. You should never assume that all of your possessions are covered. What you can do



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WELCOME TO THE CHITTENDEN Group Newsletter!

It is with great satisfaction that we bring this newsletter to you. In this issue and in coming months, we will discuss pertinent risk management topics which may affect your organization. We sincerely hope that you will find this newsletter informative and please do not hesitate to contact us should you have any questions or needs.

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.

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.

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is add extra coverage to your policy with an endorsement, which gives you higher limits on these types of items.

- **Overlooking the importance of umbrella liability policies**—These policies got their name because they protect you from a financial downpour. They can be purchased separately or you can obtain one from the same company that insures your car or home. Buying from the insurer you already have usually entitles you to a premium discount on the liability coverage. Umbrella policies are usually sold in increments of a million dollars. Generally you would pay between \$100 to \$300 a year for the first million dollars worth of coverage and another \$50 to \$100 for each additional million. Keep in mind that when de-

termining your premium, your insurer may take into consideration such factors as the number of traffic tickets you've received over the past few years, and your credit report.

- **Failing to inform your insurance agent about changes that could affect your coverage needs**—If you've added on to your home, or purchased an expensive sound system, you need to contact your agent to see if the policy you have still meets your needs. Your agent can also find ways to help you save money on premiums that won't affect the quality of your coverage such as enrolling in a driver safety class, installing a home security system, increasing your deductible, or taking advantage of multi-policy or good student discounts.



Why You Need an Umbrella Policy

Do you have enough liability insurance? If there were a vehicle accident for which you were at fault, and a child were permanently disabled, would your auto liability policy offer enough coverage to pay for the skilled care the child would need for years to come? If a young parent were killed in a freak fall on your property, would your insurance cover the support he would have provided his children as they grow up? We'd all like to believe that such catastrophic losses would happen only to other people. But there is nothing we can do to totally eliminate the risk of this type of event in our own lives.

Consider what would happen if there were a settlement (or judgment, if it goes to court) of \$800,000 as a result of an auto accident for which you were liable. Let's say you have insurance with a limit of \$300,000 per accident. What would happen? The auto insurer would pay its \$300,000. Then virtually everything you own would be fair game for seizure to pay off the additional \$500,000, except for assets that may be protected in some states, such as your home. Furthermore, your earnings could be garnished for years to come. With stakes this high, and considering the relatively modest cost of additional liability coverage, it just makes sense for many people to purchase the added protection of an umbrella policy.

An umbrella policy is insurance that provides additional coverage once the liability limits on your homeowner's or auto insurance policy are exhausted. Umbrella policies are typically sold with limits of \$1 million to \$10 million. In the example above, if you had a \$1 million umbrella policy, once you satisfied the deductible, the auto insurer would pay the auto policy limit of \$300,000, and your umbrella insurance would pay the other \$500,000 of the \$800,000 settlement or verdict. Your assets would not be at risk.

One myth about an umbrella policy is that it's only needed by the wealthy. These days the cumulative value of homes, vacation homes, rental property, cars, boats, savings, investments, and so on, owned by many people, who don't consider themselves wealthy, make them vulnerable to liability beyond their auto or homeowner's insurance limits. A good question to ask yourself is whether you have assets that you don't want to put at risk in the event of a catastrophic liability.

Lifestyle also plays a role in determining liability risk. Do you have a swimming pool, trampoline, swing set, or other recreational equipment that can lead to accidents? Are there

frequent guests on your property? Do you engage in sports that could injure others? Do you live in a wealthy town where you might be more of a target for a liability lawsuit?

How Much Do You Need?

People often reason that the amount of umbrella coverage they need should be the value of their assets, but this might not be adequate. If, for example, you have assets of \$1 million and buy \$1 million of coverage, what happens if you're found liable for a \$2 million judgment? Insurance would pay the first \$1 million, plus the limit of the underlying homeowner's or auto policy, but you could lose a significant amount of your assets for the second million. If you were found liable for \$3 million, you could lose not only a significant portion of your assets, but you'd still owe \$1 million. Both your future income and any inheritance you might receive would be jeopardized. Just how much coverage you need depends on all your risk factors, your own financial planning, and your tolerance for risk.

There is usually a substantial premium discount if you buy your auto, homeowner's, and umbrella policy all from the same company. Additionally, if you have a claim, you eliminate the potential problems of dealing with different insurance companies where each might be trying to shift payment responsibility to the other, leaving you caught in the middle.

The cost of an umbrella policy depends on such criteria as the amount of coverage, the insurance company issuing the policy, and your own 'personal risk factors' (such as the number

of traffic tickets you've gotten in the past few years, and possibly your credit report). A million dollar policy often costs less than a dollar a day.

For some people another attractive feature of an umbrella policy is that it provides coverages not found in their homeowner's or auto policies. You are covered if you cause bodily injury, property damage, or personal injury. Generally, the types of personal injury covered include false arrest, false imprisonment, malicious prosecution, defamation, invasion of privacy, wrongful entry, or eviction. Some umbrella policies also provide coverage if you face liability arising from your service on the board of a civic, charitable, or religious organization.

Your insurance agent can help you decide whether an umbrella policy makes sense for your life style and financial needs.



Immediate Steps to Take After an Auto Accident



A car accident is always traumatic for any driver. Even if the damages are relatively minor, and both parties are uninjured, you may find yourself panicking over what to do next. There are important steps to take following any crash, no matter how severe.

Since car accidents involve insurance companies, both drivers need to collect the necessary information. They can do this by following six basic steps. This article will outline these steps and make their priorities clear.

- 1) The most important thing is to stay calm at all times. Letting the emotions get out of control will only make the situation worse, and make it harder to take care of the things that need to be done.
- 2) After remaining in control, the driver must make sure that they and their passenger(s) are okay and unharmed. While it is important to move as far off the road as possible, it is also important if not more so to remain at the scene of the accident. If the driver or one of the passengers can do so, wave oncoming traffic into the other lane or warn traffic with hazard lights and flares, if available.
- 3) Alert the appropriate authorities by calling 911 right away. If a cell phone isn't readily available, flag down

a passing car and ask them to call.

- 4) The driver must contact their insurance company regardless of whether they were at fault. The sooner the insurance company knows, the sooner they can start working to resolve the claim. Both drivers should call their respective companies and report the accident, even if one of them was at fault.
- 5) For legal reasons, the driver must not admit fault to anyone. All those involved with the accident should only talk about it with the police and their insurance companies.
- 6) Finally, collect the information from all parties, which means that each driver must collect information from any witnesses. Most importantly, each driver should get the name of the other's insurance company and their policy number.



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