

Insurance FYI: Prevent and Detect Water Damage in Your Home

You have plenty to worry about with home ownership, but keeping on top of potential water problems can save you buckets of money. Even a small leak can become a major problem, so take a moment to become educated on easy ways to prevent small leaks from turning into huge headaches.

Regular home maintenance can help you uncover potential water damage problems before they start. Drips can be sneaky, but we can help you outsmart them.

[Take the Drip Discovery Tour at Safeco.com](#)

[Print out this Drip Detective checklist.](#)

Insurance FYI: Five Insurance Mistakes to Avoid

Too many Americans believe that the coverage limits of their homeowners insurance policy are linked to the market value of their home, according to the [Insurance Information Institute](#).

In the I.I.I.'s 2011 Insurance Pulse Survey, conducted by the Opinion Research Corporation, nearly half (48 percent) of survey respondents came to that mistaken conclusion.

“The real estate value of a home, that is the price you can buy or sell it for, has absolutely nothing to do with the amount of insurance needed to financially protect the homeowner in the event of a fire or other disaster,” said Jeanne M. Salvatore, senior vice president and consumer spokesperson for the I.I.I. “Reducing insurance coverage because the market value of a home has decreased can result in being dangerously underinsured.”

One out of three respondents to the Pulse Survey reported that they purchased less homeowners or auto insurance as a way to save money. A better strategy would be to take a higher deductible, which can substantially reduce insurance costs. Home and car owners can then put the savings into purchasing the right amount and type of insurance for their specific needs, pointed out Salvatore.

Another way to save money is to comparison shop, something that seven out of 10 Pulse Survey respondents said they utilized as a strategy to save on both their home and auto insurance needs.

Following are the five biggest auto, home, flood and renters insurance mistakes consumers can make, with suggestions to avert those pitfalls while still saving money:

1. Insuring a home for its real estate value rather than for the cost of rebuilding. When real estate prices go down, some homeowners may think they can reduce the amount of insurance on their home. But insurance is designed to cover the cost of rebuilding, not the sales price of the home. You should make sure that you have enough coverage to completely rebuild your home and replace your belongings.

A better way to save: Raise your deductible. An increase from \$500 to \$1,000 could save up to 25 percent on your premium payments.

2. Selecting an insurance company by price alone. It is important to choose a company with competitive prices, but also one that is financially sound and provides good customer service.

A better way to save: Check the financial health of a company with independent rating agencies and ask friends and family for recommendations. You should select an insurance company that will respond to your needs and handle claims fairly and efficiently.

3. Dropping flood insurance. Damage from flooding is not covered under standard homeowners and renters insurance policies. Coverage is available from the [National Flood Insurance Program](#) (NFIP), as well as from some private insurance companies. Many homeowners are unaware they are at risk for flooding, but in fact 25 percent of all flood losses occur in low risk areas. Furthermore with the significant snow fall this winter, spring related flooding may be particularly severe, thus increasing the importance of purchasing flood insurance.

A better way to save: Before purchasing a home, check with the NFIP to determine whether the property is situated in a flood zone; if so, consider a less risky area. If you are already living in a designated flood zone, look at mitigation efforts that can reduce your risk of flood damage and consider purchasing flood insurance. Additional information on flood insurance can be found at www.FloodSmart.gov.

4. Only purchasing the legally required amount of liability for your car. In today's litigious society, buying only the minimum amount of liability means you are likely to pay more out-of-pocket if you are sued—and those costs may be steep.

A better way to save: Consider dropping collision and/or comprehensive coverage on older cars worth less than \$1,000. The insurance industry and consumer groups generally recommend a minimum of \$100,000 of bodily injury protection per person and \$300,000 per accident.

5. Neglecting to buy renters insurance. A renters insurance policy covers your possessions and additional living expenses if you have to move out due to an insured disaster, such as a fire or hurricane. Equally important, it provides liability protection in the event someone is injured in your home and decides to sue.

A better way to save: Look into multi-policy discounts. Buying several policies with the same insurer, such as renters, auto and life will generally provide savings.

Source: Insurance Information Institute, iii.org.

Insurance FYI: Coverage for Nuclear Accidents

Nuclear power plant owners in the U.S. are required by law to have liability insurance in place that covers any individuals and businesses located in the affected area who suffer damages in the event of a nuclear accident.

A program for compensating the public for damage and injury caused by a commercial nuclear accident in the United States

exists under the Price-Anderson Act. The measure, first passed by Congress in 1957 and renewed four times, most recently in 2005, ensures that adequate funds are available to satisfy liability claims for property damage and personal injury to the public and limits the liability of companies involved in certain nuclear activities, such as power plant operators, in order to encourage the development of private nuclear power. The measure also channels liability to the nuclear facility owner or operator.

Currently, there is nearly \$13 billion in liability insurance protection available to be used in the event of a commercial nuclear accident. The level of available insurance protection serves as the liability cap.

Standard property/casualty insurance policies issued in the United States exclude coverage for property damage and personal injury caused by such accidents. All claims are channeled through the nuclear power plant operator.

Under Price-Anderson, claims can be for any nuclear-related incident including those that result from theft, sabotage, transporting or storing nuclear fuel or waste and the operation of nuclear reactors. Claims covered include bodily injury, sickness, disease resulting in death, and property damage and loss, as well as reasonable living expenses for individuals who are evacuated from an affected area.

Two Tiers of Coverage

Nuclear insurance consists of two tiers. The first tier is private liability insurance coverage made available by a pool of U.S. insurance companies, called American Nuclear Insurers. The second tier is made up of an assessment on nuclear power plant operators.

Currently, owners of nuclear power plants pay premiums for \$375 million in private liability coverage for each nuclear reactor they own. If there is an incident at a nuclear plant, and the \$375 million in coverage is not sufficient, the owner's coverage is supplemented by the second layer of protection, which is supplied by the nuclear power industry as a whole. Under the

Price-Anderson Act, all reactor owners are committed to paying their share of any damages that exceed the incident reactor owner's first tier limit of \$375 million—up to \$111.9 million per reactor. Since there are currently 104 reactors in operation, the amount that would be available in the industry pool to pay claims totals \$12.6 billion (2011).

If this second tier is depleted, the act calls on Congress to decide whether any additional disaster funds are required.

Three Mile Island

There has been only one major accident involving large scale liability payments to the public since Price-Anderson was enacted: the 1979 Three-Mile Island Nuclear Power Plant accident in Middletown, Pennsylvania.

Following the Three-Mile Island accident, insurance adjusters immediately advanced money to evacuated families to cover their living expenses, and reimbursed more than 600 individuals and families for lost wages. A class action lawsuit for economic loss was filed later in federal court on behalf of the residents who lived near the site of the power plant. Insurers paid about \$71 million in liability claims and litigation costs associated with the accident. The payments all came from the primary tier of coverage (\$140 million per reactor at the time).

In addition to the liability payments to the public under the Price-Anderson Act, \$300 million was paid by a pool of insurers to the operator of the damaged nuclear power plant under its property insurance policy.

Source: Insurance Information Institute: iii.org.

Insurance FYI: Small Business

Insurance Basics

Insurers often combine a number of insurance coverages into a package that is sold as a single contract. The most common policy for small businesses is the Businessowners Policy (BOP). The BOP combines coverage for all major property and liability insurance risks as well as many additional coverages into one package policy suitable for most small businesses. The term "BOP" specifically refers to insurance policy language developed (and revised as needed) by experts at ISO. ISO provides sample insurance policy language, research and a variety of other products to insurance companies.

The BOP includes business income insurance, sometimes called business interruption insurance. This compensates a business owner for income lost following a disaster. Disasters typically disrupt operations and may force a business to vacate its premises. Business income insurance also covers the extra expense that may be incurred if a business must operate out of a temporary location.

To cover specific risks associated with a business, a variety of additional coverages may be added to the basic BOP. For example, if a business has an outdoor sign, the BOP doesn't cover it unless coverage is specifically added for an additional premium. If a business relies on electronic commerce, the owner can add coverage for lost income and extra expenses in the event the ability of the business to conduct e-commerce is slowed down or stopped due to a computer virus or hacker.

Only small- to medium-sized businesses that meet certain criteria are eligible for a BOP. Factors insurers consider include the size of the premises, the required limits of liability, the type of business and the extent of offsite activity. Premiums for BOP policies are based on those factors plus business location, financial stability, building construction, security features and fire hazards.

Major Coverages

Most small businesses need to purchase at least the following four types of insurance.

1. Property Insurance

Property insurance compensates a business if the property used in the business is lost or damaged as the result of various types of common perils, such as fire or theft. Property insurance covers not just a building or structure but also what insurers refer to as personal property, meaning office furnishings, inventory, raw materials, machinery, computers and other items vital to a business's operations. Depending on the type of policy, property insurance may include coverage for equipment breakdown, removal of debris after a fire or other destructive event, some types of water damage and other losses. It may also provide operating funds during a period when the business is trying to get back on track after a catastrophic loss.

2. Liability Insurance

Any enterprise can be sued. Customers may claim that the business caused them harm as the result of, for example, a defective product, an error in a service or disregard for another person's property. Or a claimant may allege that the business created a hazardous environment. Liability insurance pays damages for which the business is found liable, up to the policy limits, as well as attorneys' fees and other legal defense expenses. It also pays the medical bills of any people injured by, or on the premises of, the business.

3. Business Auto Insurance

A business auto policy provides coverage for autos owned by a business. The insurance pays any costs to third parties resulting from bodily injury or property damage for which the business is legally liable, up to the policy limits.

4. Workers Compensation Insurance

In all states but Texas an employer must have workers compensation insurance when there are more than a certain number of employees, varying from three to five, depending on the state. Workers comp insurance, as this coverage is generally called, pays for medical care and replaces a portion of lost wages for an employee who is injured in the course of employment, regardless of who was at fault for the injury. When a worker dies as a result of injuries sustained while working, the insurance provides compensation to the employee's family. An extremely small business, such as one operated by one or two people out of a home, may not need workers compensation insurance. But it often needs more property and liability insurance than is provided in a typical homeowners policy.

Other Types of Business Coverages

1. Errors and Omissions Insurance/Professional Liability

Some businesses involve services such as giving advice, making recommendations, designing things, providing physical care or representing the needs of others, which can lead to being sued by customers, clients or patients claiming that the business's failure to perform a job properly has injured them. Errors and omissions or professional liability insurance covers these

situations. The policy will pay any judgment for which the insured is legally liable, up to the policy limit. It also provides legal defense costs, even when there has been no wrongdoing.

2. Employment Practices Liability Insurance

Employment practices liability insurance covers (up to the policy limits) damages for which an employer is legally liable such as violating an employee's civil or other legal rights. In addition to paying a judgment for which the insured is liable, it also provides legal defense costs, which can be substantial even when there has been no wrongdoing.

3. Directors and Officers Liability Insurance

Directors and officers liability insurance protects directors and officers of corporations or not-for-profit organizations if there is a lawsuit claiming they managed the business or organization without proper regard for the rights of others. The policy will pay any judgment for which the insured is legally liable, up to the policy limit. It also provides for legal defense costs, even where there has been no wrongdoing.

4. Key Employee Insurance

Life or disability income insurance can compensate a business when certain key employees die or become disabled. These coverages cushion some of the adverse financial impact that results from losing a key employee's participation.

5. Umbrella Policies

As the name implies, an umbrella liability policy provides coverage over and above a business's other liability coverages. It is designed to protect against unusually high losses. It provides protection when the policy limits of one of the underlying policies have been used up. For a typical business, the umbrella policy would provide protection beyond the general liability and auto liability policies. If a company has employment practices liability insurance, directors and officers liability, or other types of liability insurance, the umbrella could provide protection beyond those policy limits as well.

Source: Insurance Information Institute, iii.org.

Insurance FYI: Potholes

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Damage to cars due to potholes is covered under the optional collision portion of an auto insurance policy. Coverage for potholes may vary from company to company—for instance, there may be limited coverage for damage to tires if the car itself was not affected by the pothole.

This coverage also pays for a collision with another car, object or as a result of flipping over. Collision coverage is generally sold with a deductible of \$250 to \$1,000—the higher the deductible, the lower the premium.

If you need more information or have any questions about whether or when you are covered, always ask your insurance agent. This information comes from the Insurance Information Institute,

What's An Ice Dam?

Avoid the costly collision of hot and cold and reduce the risk that ice dams will form and create a soggy mess. When heat from the interior of a building with a sloped roof escapes into the attic space, it warms the underside of the roof. Meanwhile, the roof eave outside the heated space remains at a colder temperature.

As snow accumulates on the rooftop, it melts over the warmer portion of the attic and runs down the roof. When it encounters the cold edge of the roof it refreezes. The refrozen water along the roof edge creates an "ice damming" condition, and consequently, the melted snow running down the roof begins to back up underneath the roof covering.

This water will soak the roof sheathing and leak into the attic unless there is a barrier above the sheathing. An appropriately installed secondary moisture barrier will help prevent the water from entering your property and damaging your structure and its contents.

You can prevent ice dams by ventilating and insulating your attic. But now you need to deal with the problem that exists. Here are some steps you can take to reduce the damage from an ice dam:

- Remove ice and snow from the roof to allow proper drainage. Be careful when performing this task as you can fall, be struck by

falling objects or contact electrical lines. Use a snow rake to remove the snow from the ground, if possible.

- If there is an existing ice dam, melt a channel through the ice to the roof surface to create a drain path to relieve water build up.
- An easy way to do this is to fill the leg of panty hose with calcium chloride ice melter and place that on the roof. The long tube can melt a patch through the ice to allow drainage. You can refill or replace the ice melter to keep the channels open. Make sure the channel extends to the roof edge or gutter.
- You can engage the services of your roofing contractor to remove ice build up.
- If you observe water damage, hire a restoration service to dry out the walls, ceiling and structure. Not addressing minor damage can cause rot, decay and more extensive problems.
- Contact your roofer and an insulation company to correct the ventilation and heat transfer issues in your attic. This can prevent future problems.
- When replacing a roof, add an ice and water shield membrane at the edge of the roof and extend it at least five feet up the roof to protect this area against water intrusion.
- If you have suffered damage to your property, contact your Hanover Agent or Hanover Claims at www.hanover.com or 1-800-628-0250.

Source: The Hanover Insurance Group, Loss Control Dept. [View a PDF of this information](#), suitable for printing.

It's Your Agent's Job to Ask the Right Questions

✘The following is a true story. I handle the hull and protection and indemnity (P&I) insurance for an historic tall ship. You would recognize the name of this famous vessel.

Anyway, the president of the non-profit organization that operates the ship was reviewing the insurance coverage with me when he asked if I wrote directors and officers (D&O) liability coverage. I said I did, and that it was a specialty of mine in addition to ocean marine insurance.

I wanted to know why he was asking about D&O coverage. It isn't something a client will usually ask about.

The gentleman said that his insurance agent was reviewing a renewal questionnaire of his D&O coverage. As they talked, the agent suddenly asked him: "You mean you actually operate your ship? You sail it?" The president of the non-profit group said that they did. The agent replied with a comment that would make the head of any organization cringe: "Oh my gosh, that changes everything. We may have a problem placing coverage."

It turned out that the insurance agent never knew that the historic ship actually sailed and instead had simply assumed the vessel was simply a relic and was tied to the dock. It most certainly was not, having just returned from an extensive trip.

But there's more. The president of the non-profit group drives a vehicle owned by the organization. His now ex-insurance agent

had insured it as a private vehicle, not a commercially owned one. This meant that the organization head was, without knowing it, driving around without valid insurance. Imagine how he felt about that.

It's your insurance agent's job to ask the right questions that will ensure you have the insurance coverage you need for your individual line of work.

Never be afraid to question your agent. You pay dearly for insurance, so make sure your agent is earning the money you pay him. Insist that your agent explain the coverage you're receiving and make sure he or she uses plain language that you can easily understand.

And never hesitate to ask any question or seek a clarification. Your insurance agent works for you, not the other way around.

This article appeared in the January 2011 issue of [WorkBoat magazine](#), where Gene McKeever, marine insurance specialist, is a monthly columnist.

Does Your Business Need a Snow and Ice Log?

Maintaining snow and ice logs can prove to be a valuable defense if your business becomes involved in a lawsuit resulting from a slip and fall accident.

Some of the benefits to keeping proper snow and ice logs include:

- Serves as written proof of how diligent you are at removing snow and ice from your property;
- Promotes proper maintenance of your property that may help prevent slip and fall accidents from happening and/or reduce occurrences;
- Functions as a valuable record-keeping tool, which allows you to match up snow removal bills of sub contractors who maintain your property during the winter months.

[Download a Snow and Ice Log, courtesy of Hanover Insurance.](#)
(PDF, new window)

Snow Load Alert – Protect Your Roof

As the next in a series of winter storms moves into the region, property owners and residents should be aware of the weight loads these storms may be creating, especially on flat roofs.

The unprecedented snow load on roofs in the Northeast has led to some building damage and collapse. Schools, churches, commercial and residential buildings, carports and awnings have been affected. [Read more now in this PDF from Hanover Insurance.](#)

Free Seminar: A New and Progressive Way for Small- and Medium-Sized Businesses to Provide Medical Coverage to Their Employees

Allen Insurance and Financial [is holding](#) a seminar at Tuesday, Nov. 2 in Rockland to discuss a new and progressive way for small- and medium-sized businesses to provide medical coverage to their employees.

A new medical benefits product, MAINE HEALTH SAVER, a joint effort among Patient Advocates, LLC, Medical Network, Inc (MedNet), and ASG Risk Management, all Maine-owned and operated companies, will be introduced.

Bagels and coffee will be served. James Ward, president of Patient Advocates, LLC, Robert Hillman, CEO of Maine Medical Network (MedNet), and Gardner Roberts, director of marketing for ASG Risk Management will be on hand to discuss this new product that:

- Offers employers the opportunity to get money back if claims are lower than expected.
- Levels the playing field to allow smaller employers many of the advantages enjoyed by larger companies.
- Uses state of the art plan design strategies to incent the use of lower cost, center of excellence facilities and incents employers to invest in a healthy workforce.
- Assists employees with medical and insurance questions through a Maine-based nursing hotline, arranges appointments and makes travel arrangements when complicated medical care is required.
- Provides chronic disease management by serving as an advocate

for medical care and discusses medical findings and quality treatment options for your critically ill employees.

“We’re looking forward to talking with our Midcoast business neighbors about how they can take back some control over the high cost of providing medical care to their employees,” said Sherree Craig, Insured Benefits Manager at Allen Insurance and Financial.

The seminar begins at 8 a.m. at the Maine Lighthouse Museum on Park Drive in Rockland. Attendees are asked to call or email to reserve their seat at the table for this seminar. Sherree Craig can be reached at scraig@allenfg.com or 236-8376.