

Weekly Market Update: March 28, 2011

Equity markets shrugged off bad news last week—including spreading tensions in the Middle East and Africa, persistently high crude oil prices, and the unfolding events at Japan's Fukushima nuclear power plant—to post solid gains.

[Read more in this week's Market Update.](#)

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 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 a 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.

Weekly Market Summary: March 21, 2011

Equity markets dropped again last week, driven lower by escalating tensions in Libya and the devastating impact of the earthquake and tsunami in Japan.

[Read the complete market summary.](#)

Community Support: Building Hope's Future in Science

Building Hope's Future in Science, the volunteer group raising money to build a science lab in the middle school wing at Hope Elementary School, recently received a donation from Allen



Insurance and Financial of Camden.

The Hope group has been reaching out to local businesses as they work to raise the \$136,000 needed to fund this project. A matching grant has been donated when the group reaches the \$50,000 mark. The result of this effort will be the school's first fully-equipped science lab.

"We are pleased to be able to support this important education initiative," said Gilbert Fifield, president Allen Insurance and Financial.

The Hope Elementary School website includes additional information about this project: hopees.u69.k12.me.us.

Image caption: From left, Gilbert Fifield, president, Allen Insurance and Financial of Camden; Carol Hathorne, principal, Hope Elementary School and Erik Wade, middle school science teacher, Hope Elementary.

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.

50/50 Raffle Added to Relay for Life Fundraising Efforts: Get Your Tickets Today

We are a strong supporter of the American Cancer Society's Relay for Life. We have just added a 50/50 raffle to our fundraising efforts for 2011. Tickets will be sold until the Relay For Life Event in June and the winner will be drawn that evening.

We feel this was a great opportunity to show the community how our employees are supporting the American Cancer Society/Relay For Life Event.

If you need tickets or more information, please contact Karen Reed at 236-4311 or [kreed\(at\)alleninsuranceandfinancial.com](mailto:kreed@alleninsuranceandfinancial.com)

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, iii.org

Weekly Market Update : March 14, 2011

Equity markets declined across the board last week. They were led lower by cyclical stocks and international markets.

Tensions across Africa and the Middle East, oil's rising cost—to more than \$106 per barrel—and questions about inflation and potential policy changes at central banks around the world weighed on investors' minds. [Read more](#) in this week's Market Summary (PDF, new window).