

SUMMIT all up!

A newsletter for the friends of



I hope 2012 is off to a good start for you and your family. I was going to write about winter-related topics such as preventing ice dams, and offer “best practices” for avoiding cold weather claims, but I’m crossing my fingers that we’re going to continue to have a mild season.

In this newsletter you will find useful information on topics that are relevant to your personal insurance program. 2011 continued to be a very difficult year for companies insuring homes in Ohio. As a result, you’ll likely see an increase in your premium this year. More details on the state of the homeowner market are inside, along with an article on the insurance needs of home-based businesses, an explanation of insurance scoring, and information about exclusions in all homeowner policies.

2011 was an exciting year for us, as we’ve dramatically expanded our product offerings for you by partnering with several insurers, all new to our agency. We have a competitive mix of regional and national insurance carriers, all A rated (Excellent) or higher for financial strength. We’ve continued to invest heavily in technology, and will continue to do so. We now have a “comparative rater” that allows us to get quotes quickly from eight different companies offering home and auto insurance. We’ll be making available an agency “app” if you use a smartphone. This will come in handy if you are in an auto accident, have a claim, need to make a payment, find a tow truck, or need to produce your automobile ID card. We’ve grown our business mainly by referrals and are grateful for those who have suggested us to their friends, neighbors, co-workers, and family members. Inside you will find information about our new referral program. We’re going to email what we hope is useful insurance information throughout the year if we have your email address. You’ll have an opportunity to opt out if you don’t want to receive this. Please don’t hesitate to call me or anyone at the agency if we can assist you in any way. Also, please call or send an email (Jim@summitinsurance.com) if you have suggestions on how we can improve our relationship with you.

Thank you for continuing to trust us with your insurance program.

Jim Zuccaro

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Homeowner Exclusions

The vast majority of home, condominium and renters policies we suggest to clients use the valuation method known as replacement cost. This means there is no deduction taken for depreciation, so you'll get your property repaired or replaced, with new materials. What causes your claim, and determines whether or not the claim is "covered" and your insurance company will pay, is known as a peril. We always recommend, and if you're our client, probably have "special perils" because this means that anything that happens to your property is covered, unless the cause of the claim is specifically excluded. Many insurance agents will quote "special perils" for your house, but "named perils" (only the specific perils mentioned in the policy will trigger a covered claim) for your personal property, because it saves money.

There are three perils, automatically excluded in the homeowner policy, that you have the opportunity to "buy back". In other words, for additional premium, you can gain coverage, so that if your property is damaged, you'll get it fixed with insurance dollars, instead of your own. The first peril that is automatically excluded is known as **"sewer and drain backup"**. If water or sewage backs up through a drain and damages your property, you are not covered

for the damaged caused, unless you have purchased this coverage. Most insurance companies have an endorsement that provides \$5000 to \$10,000 of coverage, with the option to purchase more. A common claim we see is due to a sump pump failing, usually because it can't keep up with the volume of water, or lightning strikes it, rendering it useless. In addition to having a mess to clean up, your personal property can be ruined. Depending on how long the carpeting is exposed, it may need replaced. Drywall, furniture and furnishings also may be destroyed. Make sure you have this coverage if you're concerned about this exposure. Many people buy a battery powered back up so that if the sump pump fails, there is another source to pump the water out. It's a good idea to test your sump pump periodically to make sure it's in good working order. This coverage is becoming quite expensive as insurers have lost money on this line of insurance the last several years. Another peril, automatically excluded, is **earthquake**, or damage caused by "earth movement". Ohioans have felt minor earthquakes recently. Brick homes are more expensive to insure than frame homes because frame homes are more flexible, and less likely to sustain damage.

The final peril that is excluded in all homeowner policies is flood. With the average **flood** claim being over \$45,000, it's important to understand that this is not a covered peril. You can have a flooded area caused by a pipe bursting, or washing machine overflowing and, while the damage is probably covered under your policy, the damage caused is not due to a "flood". Flood damage is caused by rising water, including snowmelt. If water comes through your basement window, or laps up against your house and gets in, that is considered flood damage. Flood policies are all underwritten by the National flood Insurance Program (NFIP) and premiums vary, based on which flood zone your home lies in. If you live in a high risk zone, and have a mortgage you'll be required to carry flood insurance. If you live in a low risk area and are eligible for the Preferred Risk Policy, your flood insurance premium may be as low as \$129 annually. Flood policies can be written for just the dwelling, or for your home and personal property. Please note, that damage to your property caused by flood, earthquake, or a sewer or drain backing up, are not the only exclusions in your policies. If you have any questions about your policy, or would like to discuss these coverages further, just give us a call.



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Homeowner Marketplace 2012

While premiums for auto insurance in Ohio are stable, that's far from the reality in the homeowner's insurance marketplace. You may not believe it, but insurance companies doing business in Ohio have not made money writing homeowners insurance for several years. In fact, during the last 10 years, Ohio is the 10th worst state claims-wise, but the 6th most competitively priced for homeowners! While no one feels sorry for them, they've been increasing premiums steadily for 4 years, and are now taking other actions in an effort to return to profitability.

Hurricane Ike cost insurance companies over \$1,200,000,000 (yes billion) in the Buckeye state alone in 2008! Hurricanes were not one of the considerations actuaries used when determining pricing for property in Ohio, but they are now. The six biggest storms in Ohio in 2011 caused nearly \$600,000,000 in insured losses, continuing a trend of damaging wind and hail storms, well above the norm, that started in 2006. As you know, insurance companies are in business to make money, and they've been raising rates and becoming more selective in who they insure. Since 2007, homeowner premiums have gone up an average of 38%, yet that's not been enough for the companies to make money. The average rate increase in 2009 among the top ten companies in the state (based on premium) was 9.7%, in 2010 it was 8.7%, and in 2011 an even 10%. **In 2012, 12% – 18% increases appear to be the norm, and one company will be raising rates 30%!**

This has been an especially difficult time for insurance companies with a heavy concentration of business in Ohio. They know they need larger rate increases than they are getting, but can't raise them too much for fear they'll lose market share. For the first time in my 25 years in the business, I'm seeing insurance companies impose minimum deductibles, and offer "actual cash value"

settlements for roof claims. While some consumers may be tempted to save money and opt for the lower premium, it's imperative to understand how you could be impacted if you have a substantial claim. We've made the decision to not automatically offer an actual cash value policy, because of its shortcomings. Most companies have a quick trigger and will want to non-renew homeowners who make more than one claim in a three or five year period. This is not a hard and fast rule, and all circumstances are different, so please call us if you have any questions or concerns. We have many clients who had their first ever (or first in 10 plus years) homeowner claim in 2011, due to the storms. If you are one of them, please consider raising your deductible to as high as you can reasonably afford to. Our advice, especially after a recent claim, is to not submit another one unless it's substantial. There are a number of things we can do to help keep your homeowner premium as reasonable as possible. We can ask your insurance company to re-run your insurance score (see our article on this topic) and if it has improved, your premium will be reduced. We can also calculate (based on the insurer's software) the replacement value being used to rebuild your house, and possibly reduce it, if warranted. Remember though, that the "market value" of your house has no bearing on how much money it would cost to rebuild your home. While most captive insurance companies require their agents to notify them of claim conversations with clients, (helps them build a case if they choose to cancel you) unless we turn a claim in, your insurance company will have no knowledge of our talk. We review your renewal policy every year. Because of the state of the homeowner's marketplace in Ohio, if your increase is 10% or so, you won't hear from us. That just means we feel it is reasonable. Please don't hesitate to call or email us if you have questions or concerns or would like us to re-market your policy.

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Here's a few useful "consumer tools" that may make your life less stressful.

To get registered on the "Do not call" list and avoid telemarketing calls at home, as well as your cell phone, go to www.donotcall.gov. You can also call them at 1-888-382-1222 from the phone number you want to register.

You can "opt out" from receiving unsolicited commercial mail from many national companies for five years. The Direct Marketing Association makes this possible by registering your address at www.dmachoice.org

To eliminate unsolicited credit and insurance offers you can call 1-888-567-8688 or visit www.optoutprescreen.com. The phone number and website are operated by the major consumer reporting companies.

You are entitled to a copy of your credit report each year from each of the three major reporting bureaus. To order, go to www.annualcreditreport.com or call them at 1-877-322-8228. The website is simple to navigate and results are quick. Although you'll see what is in your credit report, they won't give you your credit score. They charge you for that!

Ohio makes available, free to drivers, their **motor vehicle report (MVR)** which shows any tickets you've received in the last 24 months. The site can be found at: http://ohiobmv.com/driver_license.stm. Go to "BMV Online Services" then to "View an Unofficial Copy of Your Driving Record". Although insurance companies want to know your driving history for up to five years, only accidents are visible to them beyond 36 months.

Referral Program

Throughout the years we have found that the best business comes from referrals from our current policyholders, and is the backbone of our agency. In an effort to thank our policyholders that refer clients to us, we are offering \$25 gift cards to various restaurants, retail stores and gas stations.

We hope you're very satisfied with our service, and for telling your friends, co-workers, family or neighbors about us, you can choose among the following:

Zeppe's Bistro (Hudson location)
Sheetz
Gap
BP

Nosh Eatery
Lowe's
Chili's
Applebee's

Auto, home, business and life products all qualify for the program. There is no limit to the number of gift cards you can acquire. We ask that your referral gives us your name, so that when they call we know who should receive the gift card. Or, you can get their permission for us to call. We'll call to thank you and find out which of the gift cards you prefer.

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COMPANY SPOTLIGHT – HANOVER INSURANCE COMPANY

We believe the most important aspects of a personal insurance program are coverage, claims and other services, price and financial stability. Hanover delivers on all of these requirements exceedingly well!

Hanover has been in business for over 150 years, has premiums of over \$4 billion, and have earned an “Excellent” rating from AM Best, the industry leader, for financial strength. Although they’ve only been in Ohio for a few years, they’ve quickly grown to be the 18th largest insurer by premium here.

There are huge coverage differences among insurers, and we hear from prospective clients all the time that are disappointed when they find out their policies weren’t adequate, and a claim wasn’t paid as fully as it could have been. **Hanover’s personal lines offerings are among the broadest available!** If you insure your home and autos with them, several coverage enhancements are automatically included. Here are a few examples: Single Loss Deductible (both policies suffer a loss – smallest deductible is waived), Mortgage Extra Expense (total loss and interest rates are higher – payments to compensate for that), with a Guaranteed Renewal feature. Hanover also offers coverage for watercraft and other toys, valuables, and umbrella liability protection.

Hanover’s home policy has several “trim” levels, and one that is popular, and reasonably priced, is known as the “Select Premium Plus” policy. It includes “special” perils for your home or condominium, and personal property, the broadest way to insure these items. \$25,000 for sewer and drain backup (see our article on homeowner

exclusions), \$25,000 in identity theft, and \$10,000 for losing, misplacing, and theft, of jewelry, (\$5000 per piece) is automatic. Deductibles are waived for claims over \$50,000.

Hanover waives the comprehensive deductible if your windshield can be repaired instead of replaced, pays the cost to re-pack a deployed airbag, and allows you to choose where you want your car fixed. An option available with Hanover’s auto policy is known as the “Drivesmart Advantage”. The three coverages added with this are: Accident Forgiveness, New Car Replacement Guard, and Deductible Dividends. Accident forgiveness means your first at-fault accident in a 36 month period won’t be surcharged, and it will be reinstated after 36 months with no other accident. New Car Replacement Guard replaces your new car, with a new car, within one year of its purchase or lease, or 15,000 miles, if it’s totaled. Deductible Dividends reduces your collision deductible by \$100 each year you don’t have a collision claim. It goes into effect immediately, so that a \$500 deductible, for example, would be \$400.

We’ve been extremely impressed with Hanover’s claims service. The local adjusters are quick to respond to claims, and are very fair in their settlements. We like to get involved when you have a claim, to answer questions and offer suggestions, and to make certain you understand the process. We are your advocate! Let us know if you want to review your policies so that you understand them better or if you want to consider other coverage options. We’ll be spotlighting other insurance companies in future communications.



Jackie Lucas

Jackie Lucas is the newest addition to our team, having been with us since June of 2011. Jackie comes to us with over 7 years of Insurance experience. She has worked in the independent agency system, and most recently, worked at a State Farm office. She is a graduate of Malone College in Canton Ohio, where she captained the Women’s tennis team. She lives in Kent with her husband Nick, and their three kids (dogs) Lulu, Kota and Mr. Chocolate.

Jackie is licensed in both property and casualty, and life and health insurance. She is excited to get back to an independent agency where she can offer many different options to her clients. While personal lines sales and service has been her main focus in the past, she is getting involved in commercial insurance with us, and really enjoys it! She would be delighted to help you out with any of your personal or commercial insurance needs.

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Insurance Scoring

Until about 15 years ago, auto and home insurance companies in Ohio all used the same criteria to develop their insurance premiums. Your age, where you lived, what kind of car you owned, and how you drove it, along with your driving record, were the key factors in determining how much they would charge you for auto insurance protection. That all changed when statistical evidence proved that how a person manages credit can predict whether or not he or she is likely to have an insurance claim. These days, your insurance score is a major factor in how much you'll pay, sometimes more important than your driving record! Nearly all insurers in Ohio use your insurance score to help determine the premium, but with varying degrees. I only know of two companies that don't use scoring, and they both specialize in high-risk auto insurance.

Similar to a bank that sizes a person up on how likely he or she is to repay a loan, insurance companies use a person's credit history to determine how likely they are to have a claim. Until I attended seminars that detailed the data, I was skeptical that a person's credit could predict whether or not he or she was a good insurance risk. The evidence is overwhelming and indisputable! Insurers do not use your credit score per se, although elements of your credit history are a part of your insurance score. In order to improve your 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 accounts with low balances.

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.

The Fair Credit Reporting Act requires each of the nationwide consumer reporting companies (Equifax, Experian, and TransUnion) to provide you with a free copy of your credit report, at your request, once every 12 months.

To order, go to www.annualcreditreport.com or call 1-877-322-8228.



Sandy Masl



Annuities

While annuities have been around for a very long time, many people have no idea just how they work. Very simply, an annuity is a contract between you (the annuitant) and an insurance company to provide you with a future income stream. You give an insurance company an amount of money, and in return, the insurance company promises you regular checks for as long as the contract stipulates.

The annuitant has a wide variety of choices of how to structure the annuity. Payout can be for a certain period of years, begin immediately, or sometime in the future, or can be paid for your lifetime. Age, sex, duration of payments and the amount of the payments are determining factors in the initial or ongoing premium.

But are annuities for you? There are several factors why someone should seriously consider annuities in their financial or retirement planning, including: Income you cannot outlive, guaranteed returns, tax deferred interest, and the fact that proceeds at one's death pass outside of probate. While annuities are estate assets, the proceeds pass directly to the beneficiary named in the contract, avoiding the probate process. Regarding guaranteed returns, the amount you get from your annuity will never be less than what you put into the annuity – a guarantee you can't get in the stock market.

While annuities aren't for everybody they do provide a safe-haven for money with guarantees that you cannot find anywhere else. The long and successful history of annuities is one of the greatest arguments in favor of them. We can give you more details.

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Do you have a Home-based business?

Over 4.5 million people operate a business from their home and it's estimated that another 2 million home-based businesses will be formed in the next four years. My guess is that the majority of these people have no liability insurance, with only limited property coverage for their computers, furniture and equipment. Studies show that many people assume their home, condo or renters policy will protect them against lawsuits resulting from the business, and that business property destroyed while in their house or car will be covered. I understand this thinking because the business owner is working from home. However, homeowner's policies were created to handle the needs of people owning, and running a household, not for running a business. **Without getting too deep into policy details here, there is an exclusion for "liability arising from the insured's business activities."** One example of how this exclusion applies is if a delivery person or client, while at your house for business purposes, gets injured. Your homeowner company will not defend you, or pay the claim. The business doesn't have to be full time, so a person working on a part time, or occasional basis, will also trigger the exclusion. Most policies have an income threshold that needs cleared for the exclusion to apply, usually \$2000. This allows for an occasional garage sale, etc. Also, volunteering, when reimbursed for expenses would not be considered a business pursuit.

Homeowner's policies typically have \$2500 available for business personal property while at the residence, and much less than that away from home, usually only \$500. Certain types of businesses may qualify for liability coverage under the home policy, so check with us for eligibility. If you're employed, and work from home, make certain

that your employer has liability protection that extends to you personally, should you be named in a lawsuit. Also, any business property owned by an employer will not be covered on your policy. It's a good idea that your employer knows upfront that their property needs to be protected on their business insurance policy. One final, but very important consideration has to do with using a detached structure for business purposes. If this is the case, your homeowner's policy will not respond to the damage or destruction to that structure. They will deny the claim because of the business use. If you're using an out-building as a woodworking, or repair shop, for example, and want the building fixed if it's damaged, you must get a commercial policy for that structure.

Depending on the type of home-based business that you have, insurance premiums can be very affordable. A "liability only" policy can be as low as \$160 per year, and a Business Owners Policy (BOP) can be purchased for as low as \$225. BOP's provide not only liability and property protection, but also business interruption (lost income and ongoing expenses), accounts receivable, specialized coverage for electronic equipment and more. Certain professions, including consultants, need professional liability insurance. This protects you if your client alleges that your services, or lack thereof, caused them to suffer a financial loss. We can help you sort through these issues. Give us a call!

Understanding Car Rental Coverage

If you have "full coverage" on your personal auto policy, you'll have automatic coverage that will pay to fix damages you're responsible for on a car you've rented. The deductibles on your car will be the same for the rental. The liability limits that you carry

on your policy will be the amount of coverage protecting you in the rental vehicle. You must rent the vehicle in the same name that the policy is under, and it can't be for business use.

Rental car companies also charge consumers for a vehicles "loss of use". This means if you're responsible for the damage and it can't be rented, they can charge you for the lost revenue. I've also seen contracts that will attempt to charge you a fee simply for handling a damaged car, and also for its "diminished value". Once a vehicle has suffered damage, it is no longer worth as much money as it was before the damage, and they may try to recoup this. Some insurance companies will pay for the "loss of use" portion of the claim, but you'll probably be responsible for any additional fees and/or the diminished value the rental car company imposes.

By waiving the rental car company's coverage, you'll save money, but understand you might be obligated to pay certain expenses and fees if you're responsible for damaging a rental car. Please call us if you have any questions.



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