<u>The</u>

<u>Money Saver #1</u>

Auto & Home Insurance

Information you ***<u>must</u>*** ***<u>know before</u>*** you shop!

WARNING: This is *not* a jargon filled advertisement to waste *your* time or *mine*. I am currently a licensed insurance agent in the state of Connecticut. I have been selling auto and homeowners insurance for 25 years. This brief is designed to be a short, concise detail oriented document that you'll have for reference every time you wish to review your insurance programs. It is imperative that you know what insurance companies will find out about you, and maybe more importantly, what you should know about *them* before ever giving them hard earned dollars. The key to obtaining the most insurance for the money, while at the same time, side stepping company underwriting, is to know what *they* know *before* talking to any agents or company representatives.

Before I actually get into exactly *how* to purchase your insurance, I think it's wise to briefly touch upon the 3 most common outlets of buying that insurance.

1. *Independent Insurance Agents*- For the most part, independent agents are your allies in obtaining products that best suit your needs. Usually they are self employed and licensed to sell for many companies. Being licensed with many companies gives an agent the ability to shop several carriers' products simultaneously, in hopes of finding the best product at the best price.

The industry is changing rapidly but, most of the time, when you buy insurance from an 'agent' you will be serviced directly from the people in *that* agency. You won't be passed on to a 1-800 service department. Either the agent himself will handle your service needs, or your account will be serviced by a Customer Service Representative (CSR) who is responsible for the accounts that agent produces. It is a good idea to build a rapport with both of these people, they will be your saving grace in the event that you are up for cancellation or run into claim problems. Simply said, if you don't get along with your agent, you are best off finding an agent you *do* get along with, because if your business relationship is not a good one, they probably won't go that extra mile for you. *Believe me,* if you own insurance long enough you *will* have some kind of problems, and if someone on the other end is on your side your life will run much smoother. The service you receive from an independent usually is, well worth the premium dollar. By the way, the premiums offered through the agency system are no higher than you would pay to the GEICO'S or Nationwide's of the world; though many would like you to believe otherwise.

The only ***caveat*** I can convey to you regarding the independent agent is that you should ***shop*** the insurance with ***several*** agents. The reason for this is to not only find the best price, but to also weed out agents who may be placing you with a company that is more advantageous for ***them*** rather than for you. Don't be afraid to ask the agent about his or her background. The reputable agent will be more than happy to tell you his qualifications; you may even have to cut them off. It could get lengthy.

Many times during this shopping process you'll find that one agent's price is higher than another guy you talked with, but you feel more *comfortable* with that agent. In the long run, it will be well worth the few extra dollars to use that agent's services. You'd be amazed how many times you will actually be in contact with that person.

2. ***<u>Captive Agents</u>***- Captive agents are usually employees of a large company set up in satellite offices around the country to sell the products of *that* company and *that* company ***only***. Examples would be *Allstate, Nationwide* and *State Farm.* The companies frequently check the license status of each employee to verify that they haven't been licensed to sell products of any other companies. If they have, that is considered a serious breach of contract and could lead to *dismissal.*

The way these agents do business is slightly different than that of the Independent. For the sake of convenience, I'm going to use the Allstate agent as my example. Each agent is set up in one of these 'satellite' agencies. From what I've seen, Nationwide foots most of the bill for the business expenses incurred at each one of these offices. Once a contract is signed between Nationwide and the agent/employee to draw out the specifics of commissions, licensing and business expenses, that agent is in business. Nationwide does its best to make sure that there aren't too many agents in one area. This helps to make sure each agent has his own 'territory' and a fair chance in the competition for leads produced by the advertising Nationwide provides. "Nationwide is on your side.”

The main difference between Captives and Independents is not only in *licensing*, but also in *claims service.* I'm still referencing *Nationwide’s* claim procedures here. What happens once a claim is reported to your Nationwide agent? He immediately forwards that claim to the main office. From there the agent has little to do with the actual process. A Nationwide appointed adjuster will then contact you and the claim is on its way.

This 'hands off' approach is very helpful to the Nationwide agent in 2 ways. First, it frees up time to sell more insurance, and secondly it helps keep overhead of the agency to a minimum. This second point is especially pertinent. On an average, a medium size independent agency would have to hire at least 2 full time people in order to service their 'book' of business. Industry standards dictate an average salary of $27,000 for an experienced Customer Service Representative. That puts the Nationwide agent $54,000 ahead of the game right off the bat; and that's only considering salaries. There may be other factors involved, including health insurance, worker’s comp. Etc. What I'm trying to bring to light here is simply two different approaches to achieving the same goal; getting insurance at a reasonable cost, and getting quality service along with it.

As you can see, there are differences between the Captives and the Independents. *Sounds like a baseball game*. Which one is better? I don't know. That's up to each individual. Personally I feel, if the prices are the same, go with the Independent. The reason I say this, and it probably sounds corny, but I believe it, is that the Independent is in business for himself. No companies are subsidizing them in any substantial way, so the ***<u>process</u>*** of client satisfaction is paramount for the survival of this mode of providing insurance to the public. *<u>It's a pride thing</u>*.

3. Direct Writers. If you buy insurance from these folks you are buying your insurance 'Direct' from the company; hence the name. No agents whatsoever. The best example of a Direct Writer is GEICO (Government Employees Insurance Company). Now, I'm sure you're thinking, "*If I buy direct from the company, the insurance should be cheaper right*?" From what I've seen, GEICO is no more competitive than policies issued through the agency system. What happens is you dial the 1-800 number you get from the radio or TV, and the person you get, who is not an agent, will take your information. If they feel from there that you are a viable 'risk', they will send an application with instructions. Hopefully, once you receive their package, you will fill the paperwork out *correctly*. Sometimes this is not as easy as it sounds. It's kind of like trying to read, and understand, the policy once you receive it. Finally, you write out your check for the payment mode you have selected; that's it, you're insured. GEICO makes a point of mentioning over the radio that "...you won't have to clean up the house when an agent comes over." From years of personal experience, I've found that I have many clients that will not *sneeze* unless they've seen me first. So *apparently* they feel *having* an agent is not as bad as GEICO makes it sound.

Now, just a couple of tid bits about this system. First, if you are close to the expiration date of your current policy, be careful. If you send in the paperwork and they don't accept you for some reason, you may end up with a 'lapse' in coverage. Meaning there will be a gap between your last insurance and the new one you are attempting to qualify for. In Connecticut this is as good as adding $300 *immediately* to the price you were quoted originally. ***Lapses in coverage are as bad as an accident these days***. Also, having lost any agent contact, in the event you find yourself in trouble, due to claims, late payments etc., you are on your own. Yes, you can dial their 1-800 number, but the people there have no authorization, or financial motivation to truly put their heart into the job they do for you. Their main incentive is the paycheck they pick up on Friday. It's not the idea that an independent may have knowing that you're his client and good service is the heart to his livelihood. I'm not bashing the Directs, but I am trying to show reasons why one may be better than the other in different situations. But obviously, if you are saving big dollars going to a Direct Writer then you have to go. Money is money, now more than ever. That's exactly why I'm putting this report out, to help save *you* money. Now that you know whom you can get the insurance *from,* I'd like to get into *how* you get this whole process going.

No matter whether you go to a Captive an Independent or a Direct, the basic underwriting criteria will be the same, and as I've said in the opening, it is important to know what they are going to ask *before* they ask it. Some of the answers you give could mean the difference between a $1,000 premium and a $1,500 premium.

I want to quickly touch upon the new auto laws that are going to affect Connecticut insurance owners. What I'm trying to do in this report is to save you money. My intention is *not* to educate you on insurance contracts and law. The examples I'm giving you in the upcoming pages are *basic* examples of coverage offered and the differences in dollar amounts between them.

1. No Fault Coverage- No-Fault is no longer a required coverage but can still be purchased. The idea of no-fault did not mean that it wasn't anybody's fault. The idea was to provide a basic $5,000 medical benefit under your own policy that you could collect from in the event that you were hurt while, as an operator, or a passenger, in a vehicle that's involved in an accident. This is a rudimentary explanation, but suitable for our discussion here. After you've gone through this $5,000, is when it is determined who was actually at fault in the accident and the course that the claim will follow. Though no-fault has been repealed, some companies are still offering this benefit on their policies. The no-fault benefit also includes a $200 out of work benefit clause built into it up to your $5,000 limit, and a small death benefit. If you do not have health insurance or you have high deductibles and co-insurance it may still be advisable to keep your no-fault benefits on your policy. The companies don't charge an awful lot for it. If they are no longer offering no-fault, they will be offering medical payments in increments of $1,000, $2,000 and $5,000. These are medical payments only; n*o out of work or death benefit*. This will be slightly cheaper, obviously, than a no-fault benefit. In other words, know what you have for *health insurance benefits* when you call your agent.

2. Uninsured/Underinsured Motorist Coverage - This is a *mandatory* coverage that must be on *every* auto policy issued in Connecticut. This provides medical benefits to you in the event that someone hits you *without* insurance, or not *enough* insurance. *This benefit now comes in 2 forms*.

2a. Standard U.M. - This *very basically* states that if you collect $50,000 *from* someone that hit you, and your medical bills amount to $60,000, you could only get an *additional* $10,000 from your policy to *equal* that $60,000.

2b. Conversion U.M. - This is basically the same concept, but in the same example you could go to your own policy for more than just the $10,000. In other words, the amount you get from the other guy is not subtracted from your own coverage.

Again, this is as basic an example as you can possibly get, but it does bring out the point that you will pay more, *sometimes much more for conversion type coverage*. Ask you agent what the difference is and make you own decision on whether it's right for you or not. *Basically the rule of thumb for any of these coverages is, the more you have, the more coverage you need.*

The next, *and last*, coverage that is required by state law is Liability insurance. This is *another* area where the more *assets* you have, *the more you should buy*.

Liability is the coverage that fixes the other guy's car that you hit. That's the *property damage* portion of the liability. It also pays for the whiplash that guy will *undoubtedly* claim he received in that 4 mph crash; this is the *bodily injury* section of the liability. So liability has 2 sections, *property damage* and *bodily injury*. When you look at your policy you'll see it as, 50/100/25 for example. The 50 is the *per person* limit for bodily injury. The 100 is the *per accident* limit for bodily injury. So you can hurt 2 people for 50,000 each and you will be covered. The 25 is the *property damage* limit. So don't hit a Mercedes Benz. Try and hit the Buick if you have a choice.

Now the agent will want to know what you're currently carrying for liability. If you don't have the policy, use your head. If you have a house, 3 cars, 3 kids and a rental property in Florida, take the *higher* liability. If you're renting the 2nd floor of a 3 family house, you have $200 in the bank, and you drive a 78 Datsun B210, then possibly you can get away with the state minimum of 20/40/10. I'm not *knocking* the latter situation; I'm just being *realistic*. You don't have to pay through the nose for your insurance. Don't let an agent try and *scare* you into *higher* limits of liability using the line that "... they can attach your paycheck." The last attachment I saw was $20 a month and that person was making decent money! The only change I would make to that 20/40/10 coverage would be to change the $10,000 in property damage to $25,000. That change in the assigned risk plan is approximately $40 a year; well worth it for the extra $15,000 in property damage. Otherwise, save your money.

Note: Liability coverage premiums are determined by the age of the driver, the town you live in, accidents and violations of each driver and mileage one way to work. The categories are as follows:

<u>Preferred</u>

1. 0-3 miles one way is considered pleasure use.

2. 3-15 is considered short commute

3. 15+ is considered long commute

4. Business use - driving for a living

<u>CT Assigned Risk</u>

1. 0-3-pleasure use

2. 3-10 commute

3. 10+ long commute

4. Business Use

So use this table wisely. If you drive 3 1/2 miles to work one way, use your head, save money. The same if you drive 16 miles one way. Use the graphs to your advantage.

<u>Myth:</u> Red cars cost more to insure.   **<u>Truth:</u>** They don't, if you like red, *buy it*.

<u>Note:</u> If you lease a vehicle, you must carry 100/300/50. If you're young or you have a bad record, this could kill you.

You *now* know what coverage you *must* have in Connecticut. Let's touch on what other coverages there are and how to save money on those.

<u>1. Comprehensive</u> - You'll see this on your policy as OTC or *other* than collision. That's exactly what it means, if it wasn't a collision, comprehensive will kick in. For example, a tree falls on your car, it's stolen, vandalized etc., simple right? It is, so don't let it overwhelm you. Many times *Full Glass* comes with comprehensive coverage. *Full glass* covers your glass *without* your comprehensive deductible being charged. With a preferred company glass costs around $4. Non-standards charge $50 and p. In my

opinion, at $4 it's a steal. For $50 a year it's a consideration. Anything over $75 a year ***forget it.*** Now as far as your deductible is concerned, for comprehensive take $500. Five hundred should be your *standard* deductible. With the way companies are today, you don't want to be putting in small claims, they'll cancel you in
a heart beat. They'll probably cancel you anyway, but you might was well make them big claims if its going to happen. Stay away from the small claims, they'll kill you.

2. Collision - Collision is collision, the only collision I know of that gets paid out under comprehensive is if you hit an *animal*. I don't know why, but there *has* to be an exception somewhere. Again, your standard deductible should be $500; no less. When a claim is paid, it's not like you have to come up with $500 before the rest of the money is disbursed. A check is cut for the entire amount *minus* the $500. If you negotiate with the body shop before the work is done you can probably work out a deal on the deductible. This point is *critical*, talk to them. They know the game. If there's room to work, they will, depending on the size of the claim. Again, if the total damage is $600 there is no reason for you to be even putting in a claim. Even if you had a $250 deductible it would not be worth it in the long run.

My personal rule of thumb on when to ***drop*** comprehensive and collision is really not on the ***age*** of the vehicle but by a ***percentage***. If your total cost for these 2 coverages is *more* than 10% of the book value of your vehicle, then drop them, or at least drop the collision portion. *Collision* is the most expensive part. *Comprehensive* can be fairly inexpensive for what you get, so check the price before your drop it. If you drop it and your car is over 10 years old, it may be hard to get back. **Be careful**.

3. Towing - The Company will reimburse you for any tow charge you may incur. A typical charge for this coverage is $4 per 6 months. I've stopped selling it. The company will use this *measly* payment against you if they decide to get rough. Pay the tow yourself.

4. Rental - This is a good coverage if you can get it. Not all non-standard companies offer it. This provides around $20 a day up to 30 days for a rental car if your car is disabled due to a comprehensive or collision claim. Six hundred is a lot of money; take it if you can get it. The cost is approximately $15 to $40 a year.

These are the *basic* coverages associated with auto insurance that you must know, and helpful hints to make them as affordable as possible. At the end of this report I will list other important facts and tips to offset these costs as well. If I *wrote* them out you'd be **asleep** before you reached the end.

Once you've gone through the *application* process with the agent, then the *underwriting* process begins. When applying for new insurance, companies **will** run 3 reports on you.

1. Motor Vehicle Report - This is your license history. Most agencies can run an MVR for you for a small fee. I have found that most people believe that the companies **only** look at a 3-year history. This is true when you are applying for insurance through a **substandard** company or an **assigned risk** type policy. *They* are only concerned with 36-month history. If you are applying for a **preferred** company, one that can give you better rates, they **say** they only go 3 years, but you can bet that if you have a lot of

violations between 3 and 5 years then the company will ***decline*** you. Exceptions to the 3-year rule are ***major violations*,** and then the companies are allowed to go back five years. These violations include DWI, Racing, Eluding an officer, Vehicular homicide, etc. MVR's are used primarily as a new business tool, they are not ordered every year unless a lot of claim activity has transpired. MVR's are ***always*** ordered on files that are constantly putting in claims in hopes that the company can cancel. *So keep your nose clean.*
Note: If you receive a warning you can throw it away, it means nothing to you or your MVR.

2. CLUE Report - This is a report compiled by Equifax that keeps a history of claims on any given policyholder. This is a relatively new service accessible by the companies. From what I've seen, this service pertains more to auto than home insurance. I have not yet had a homeowner's policy declined due to an *unfavorable* CLUE report. How it works is, that anytime you've had a claim, no matter how minor, the claim is forwarded to Equifax. From there they create a file showing *how much was paid on the claim, who was driving what car, etc*. Coverage is broken out into *property damages* and *bodily injury*. Currently, due to its detail, the clue report is probably the most important part of the underwriting process. Prior to CLUE the motor vehicle report was the determining factor on being eligible for coverage.

3. Credit History - This is probably the newest report being accessed by insurance companies. Not all companies, at the time of this report are ordering credit histories. The companies say they are finding links between poor credit and claim frequency. This may, or may not be true. The thinking is, if you're late on your car payments and you're sick of hearing from the collectors, the car is *going* to mysteriously disappear. No matter whether the companies are right or wrong it's happening, and if your credit history is a mess and a report is given to the company, your likelihood of being declined for coverage is much greater.

So those are the 3 main underwriting reports received by the companies. For all intents and purposes you can ***guarantee*** that these reports ***will*** be run to determine eligibility.

Now, I'd like to get into more detail on CLUE reports and MVR'S. These reports *definitely* can make or break you when you are applying for new insurance, but once you've been accepted by the insurance company and you've been there awhile it's critical to make sure these reports remain in good standing. It may not seem it but there are steps to take to ensure accuracy of these reports.

1. Motor Vehicle Reports and Connecticut Violations- Anything over 5 years old will ***not*** show up on a MVR. Don't even get into a discussion about *over* 5 year old violations with any agent or representative. It can only hurt you. Be quiet. If the violations are over 3 but less than 5, yes, let the agent in on it so he can be prepared for questions from his company underwriter regarding the circumstances involved in each infraction. I have heard that possibly a change in legislation has made it so a DWI will remain on your MVR for 10 years. I haven't seen one yet, but that doesn't mean it won't happen in the future.

This next information is critical. If you have the time and flexibility with your job, fight every infraction you receive. The last 2 tickets I received I sent in 'not guilty', The court notified me ***not*** to show up and the tickets were thrown out or nollied. This must be from shear *overload* in the court system. Take advantage of it while you can. I'm sure new computer technology will speed this process greatly.

Next, if your ticket is not 'thrown out' you will be given a court date. On that day you will go down to the courthouse and meet with the local prosecutor. He or she will have all the information on the case given to him by the arresting officer. Be sure to look good, be polite and sound as professional as possible. If the prosecutor declines to nolle the case, nine times out of ten the fine you pay will be much less than originally issued; probably half. Again, this is what the prosecutor is 'offering you' - if you feel that you did *not* do what the officer claimed you can *reject* the offer and go before the judge and plead 'not guilty'. What happens next is that you are issued another court date.   If the arresting officer *doesn't* show up the ticket is thrown out, if he *does* you plead your case and hope for the best. The more prepared you are the better. Be a lawyer yourself or have one with you. That decision will depend on the severity of the ticket. As I said, you can purchase a MVR from you local agent for $5. It's not a bad idea to get one once in a while to verify that everything is O.K. I've seen people with suspended licenses and registrations that didn't even know it!! If you find something that is inaccurate on your report you must call 1-203-566-5250 in Hartford. They will explain what you have to do in order to clear up the problem.

2. Motor Vehicle Reports and out of state tickets - There isn't much to say here. If you receive a violation out of state, ***pay it***. When you ***do*** pay it, pay it ***on time*** and ***with certified mail*** to verify its receipt. These violations rarely show up on a CT MVR when paid in this fashion. *The only time I've ever seen one show up is due to the fact they did not follow my instructions*! It's that simple.

3. MVR'S and Life & Disability - Just a quick note; Licenses are now being checked by most companies in conjunction with life, health and disability insurance. They are mostly looking for major violations like DWI's, etc. MVR'S are used primarily as a new business tool, they are not ordered every year unless a lot of claim activity has transpired. MVR's are always ordered on files that are constantly putting in claims in hopes that the company can cancel. So keep your nose clean.

4. CLUE Reports - Though the CLUE report is probably the most ***important*** underwriting document, it is far from being 100% accurate. It is up to you, the client, to keep proper documentation on all claims for a 5-year period. The most common mistake I've seen is that the CLUE report has been *incorrectly updated by the insurance company* regarding a driver involved in an accident. Apparently what happens is that when the company is inputting the claim information on the tape that will eventually be sent to Equifax, they incorrectly put the name of the ***insured as the driver*** as opposed to the ***actual operator in the accident,*** which very easily could be a different person, perhaps your son, or daughter, even your spouse. This inaccurate information will have a ***definite*** affect on the rating you get for your car insurance premium. If you've kept proper records you will have the police report showing that the operator ***actually*** was and this problem will be avoided. Good record keeping has become more important than ever in regards to insurance. Be sure to keep license plate receipts, police reports and any documentation related to an event that could possibly jeopardize insurance eligibility. The number for CLUE in the event you may need a copy of this report is 1-800-456-6004.

<u>5. Credit History</u> - You know what this is. There really is no need to get into detail. Your credit is your credit; but... you should order a credit history once a year to be sure that everything on this report is accurate. If it isn't be sure to fill out the consumer dispute form and make sure the inaccurate information is deleted. The credit bureaus are very easy to deal with. They seem very helpful.

<u>Auto Insurance Do's & Don'ts:</u>

1. Always keep at least 6 months of prior insurance documentation. Try and keep **12** if possible. If you have an annual policy, keep the prior year to be safe. Companies will ***not*** accept ***less*** than 6 months of coverage as proof. ***I.D. cards are not considered proof of prior coverage.***

2. Do keep I.D. cards in your vehicle at all times. This simple infraction, if the officer tickets you, will give you a headache if the underwriter decides to say you were driving ***without*** insurance ***instead*** of just an I.D. card.

3. Do replace the *old* registration sticker with the *new* one. Again, this violation will sometimes show up as ***driving an unregistered motor vehicle***.

4. Do tell the agent who is quoting your insurance that your new car has airbags, anti-lock brakes and any alarm information. This could save you 20% on your comprehensive and collision costs.

5. Do tell you agent if you have taken the ***<u>55 & Alive</u>*** defensive driver course. It won't save you much but it's money in *your* pocket not theirs.

6. Do tell your agent if your child has taken driver training (road and classroom.)

7. Do tell you child that the '*good student discount'* can save them, or you, **10 %** on their auto rates.

8. Do tell your agent if your child is going to school *<u>over 100 miles away</u>* from your home and does *<u>not</u>* have a car. There is an additional discount for that situation.

9. Do tell your agent if you've recently gotten *<u>married</u>*. This is particularly important to guys *<u>under the age of 30</u>*. 99% of the time this will save you money.

10. If you have a violation that will be ***over*** 3 years old ***within*** 6 months of your effective date, take a 6-month policy. The renewal policy will no longer reflect that ticket. Companies do *not* lower your premium *during* the annual policy period if a violation drops off during that time frame. Save the money.

11. Do not buy a vehicle without ***knowing*** what it will cost to insure it! I've seen too many guys buy Z-28's when they were 24 and *then* couldn't afford the insurance. If they had waited till they were 25, they ***could*** have. It saves a lot of aggravation. Also, if you can, when you're younger, try and buy vehicles that only need liability coverage, it's much cheaper. Once you get a loan for a vehicle they'll make you carry comprehensive and collision. That's when insurance becomes burdensome.

12. Do not run and notify your agent that you got married if your spouse has a bad driving record. As long as both of you have your own cars and insurance you are safe. Companies cannot deny a claim based on you not informing them about a change in marital status. But, if you receive an insurance audit on your policy asking about licensed operators in your household, you must be honest. If your spouse gets into an accident in your car, and you lied on the audit, they can deny the claim for misrepresentation or fraud. Try and *wait out* the violations as long as you can, in the meantime try to drive only your own cars. The person with the bad driving record should still inform his or her agent that they are married. Their rate **should** drop and there is no way for **your** company to cross-reference that change.

13. Do not be conned into switching insurance if you are *over* 70 years old. I don't feel the savings will offset the possibility of you being canceled at this stage of the game by having a quick accident with the new company. Because of your age they could become spooked and decide to cancel you. If this should happen, the company that you had for the past 20 years very well may have let that accident slide because you've been a long time policyholder. Be careful!

14. ***Do not let your insurance lapse***. Technically there are no grace periods with auto insurance. The difference in premiums between someone having proof of insurance without a lapse can be $500 or more.

15. ***Do not get caught driving without insurance in CT***. If you car is registered but not insured, they can now cross reference that registration with an insured vehicle list supplied to the state by the insurance companies. If you cannot show the state that you have insurance, they will suspend your registration and the police can now confiscate your plates on the spot. This will be a costly mistake for the next several years.

16. Do not think because your son or daughter only drives a *couple times a week* that you can *automatically* get a part-time rate. If you own 3 cars and there are 3 drivers in your household, all of you will get a *principle driver auto rate*. That's just the way it is. Try and arrange what the driving situation will be long before the young driver actually gets licensed. It will save you a lot of aggravation.

17. If you are required, due to a serious violation to obtain an SR-22 form and you currently have a good cheap policy somewhere, ***do not*** go to that company for this filing, ***they will cancel you***. SR-22's are usually required for 1 year. Call around and get another company to write this annual policy and send the SR-22 to the state for you. Hopefully, your other company will never find out that any of this happened and your life will go as usual. At the end of the year, you cancel the second policy.

18. Do not be afraid to pass on what you've learned from this report. This is valuable information.

Part II: Homeowners Insurance

This section of my report is much less extensive than the auto portion, but by no means is it less **important.** For the most part, homeowners insurance is a steal for the premium charged. Though you are getting a lot for your money, there are still areas where you can _save money without sacrificing the quality of your policy._

For simplicity, I am going to target my discussion here to the 3 main types of policies sold over the counter.

1. _Owner occupied single-family dwellings - HO-3_

2. _Condominium Owner Policies - HO-6_

3. _Renters Policies - HO-4_

When you *purchase* and *live* in your own home, the type of policy you will most likely buy is the homeowners form 3 policy or HO-3. This is a comprehensive policy, which covers you in the event you are _sued_ for negligence resulting in either _property damage_ or _bodily injury_. *This policy* also covers your home belongings and costs associated with the settling of a homeowners claim. To quickly put a homeowner claim in perspective, the words *sudden* and *accidental* are used to define whether you have a claim on your hands or not. For example, if your washing machine hose ***burst,*** you have a water damage claim. If on the other hand your washing machine hose has been ***leaking*** for a year and your second floor has to be replaced, you don't. *See the difference*?

As for the liability side of your policy, which is in fact the same for all 3 policies, I will mention that this is a _worldwide_ coverage. You can be sued by anyone. So no matter where you are in the world, as long as a homeowner's policy is in force, you have liability coverage protecting you and your assets from any unforeseen lawsuit.

As far as *cost* is concerned, this portion of your policy is very *inexpensive*. Instead of trying to *save* you money here, I'm actually going to tell you to spend a little *more* money in this area. Under this policy, normally you receive $100,000 of liability without incurring an additional cost. Three hundred thousand of coverage ranges from $15.00 to $25 more and a half million of coverage is another $10. So for 25 *additional* dollars per year you have gone from ***$100,000*** to ***$500,000*** in liability. That is well worth the cost and it might even help you sleep better at night.

One more piece of input I would like to add to this discussion regarding the liability portion of your policy, **KEEP YOUR LIABILITIES TO A MINIMUM.** In today's litigation minded society just being alive and trying to make a living is hard enough. Don't add to it by inviting unwanted trouble. For instance:

1. ***Keep your property clear and free of potentially harmful debris.***

2. If people are using your property as a 'cut through' or 'short cut' put a stop to it. You're not being a jerk for doing so, if someone slips and falls and is seriously injured you can almost ***guarantee*** a certified letter from the local attorney.

3. If you own 'raw land' try and keep private property signs up. Keep the land in order. Liability is automatically extended to cover undeveloped property. Once you break ground, call your agent. You'll now need a separate policy.

4. Be careful of *underground oil tanks*. These are now becoming a *concern*. Some companies will no longer write HO-3 coverage if this situation exists. The companies are paranoid of the ***environmental exposure***; you should be too, depending on the *age* of the tank. If the tank has been leaking for several years the cost to clean the area to federal specs could easily run into ***tens of thousand of dollars*****.** To avoid this, once your tank reaches the 10-year range you should have it checked regularly. Fuel dealers now offer an approved testing method that will detect any tank leakage. The test runs about $375. This test will now be a *required* item by banks before they will approve a mortgage for a new home purchase. ***Be careful of underground oil tanks.***

5. Be sure to keep pool areas up to state code and proper working order. Lock gates when not in use. Keep areas surrounded by the proper fencing. I believe they require a 4-foot fence.

6. Keep dogs on a leash and be *extra careful* when children are around. *Two out of three claims regarding dog bites involve children.* Some companies will *decline* issuing a policy if you own a Pit Bull, Rottweiler or similar type of pet. *Whether its warranted or not; that's the way it is.*

Enough about Liability, lets get to the Property section.

When I say *property*, I mean both your house *and* your stuff.

With the new policies today your home itself is covered on an 'all risk' basis. Meaning if your house is damaged in *any way*, and that '*way*' is not specifically *excluded*, there *will* be coverage afforded under that policy. Now, I'm sure you're saying, "I bet there's 100 exclusions;" Not so. Under the HO-3 there are only 8; and 2 you can buy separately. If you want to find out more about these exclusions, either read your policy or call your agent.

Now that you know the basics of the HO-3 policy, I'm going to wrap up the condo and renter forms quickly. Basically these policies give you everything the HO-3 does except the structure coverage. With the **HO-4** policy or **Renters Form**, someone else owns the building and hopefully they have their *own* policy to cover *them* for damage to the actual building. You are simply covering your personal property and buying your liability coverage. Even though the landlord has a policy covering *his* liability exposure you *still* can be held liable in the event you are found *negligent* for injuring someone on the property while they are visiting you.

7. Finally, the **Condo Form** or **HO-6**. This policy also covers your personal property and liability; no different than the renter form, but out of your condo fees, there is a portion of that fee that goes to purchasing a **Master Insurance Policy** that covers all of the structures that are included in your entire association. This policy covers the common elements that are made available to the people living in that association; pools, buildings, tennis courts, etc. That's why you only have to cover *your* items. The Master Policy covers the rest.

That just about covers the bare bones of the 3 main policies offered by the insurance companies. *Right up front*, if you purchase your HO-3 or HO-6 insurance through the ***same company*** that writes your auto insurance you will save money on ***both*** policies. *Sometimes* they will offer a credit for a renter's policy but not always.

Just like the auto section - here is a list of recommendations that *should* help you save money on any one of these policies. If they don't, you have done well. If they do, you should call your agent to make the changes right away. The *day* you call can be the effective date of those changes. Even if you only changed the deductible on your homeowner's policy, the money you saved more than covered the cost of this report.

1. ***Never*** carry a $100 or $250 deductible. ***Always*** carry $500 or more, you are ***inviting*** trouble by putting in small claims.

2. If you live on the water and currently have a regular homeowner's policy, ***hang on to it like gold***. If someone is quoting your insurance, get ***written*** verification that the company will accept your home on the water. Companies are *running* from waterfront property instead of *underwriting* them. They would rather put their heads in the sand, than confront a problem head on.

3. *Be sure to cover your in home office properly.* Homeowner's policies limit coverage for business property.

4. If you are building a home for yourself, shop around for a company that will write an HO-3 policy for you; some will, some won't. Don't buy a builder's risk policy. They are very expensive in comparison, with less coverage. Be sure to add the 'theft of building materials' coverage to the policy mentioned above. If someone robs your furnace or A.C. unit from the job site, there will be *no* coverage unless you have bought the coverage specifically.

5. Keep your 'inflation guard' coverage in check. *My rule of thumb in CT is $140 per square foot to rebuild a home*. If your home is 1,500 square feet, look to insure it for around $150,000 give or take $10,000 depending on other unique characteristics. I bring this up because an un-checked inflation guard over the years could over inflate your home's value. Keep an eye on it. If it gets out of control, call the agent to rework it.

6. *Always have replacement cost on your contents and dwelling.* This coverage takes depreciation out of the loss settlement.

7. Just be aware that a homeowners claim check is made out in *two* names; the named insured *and* the mortgagee.

I hope this report was worthwhile. My *main* reason for writing this brief was to try and *level* the playing field in a game where the companies basically write the rules. This trend is not unique to the insurance industry, but when the *law* dictates that you *have* to have insurance, I felt it was time for someone to try and lend a hand and give some *insider* input on 2 topics that, unless you work with them everyday, can be very difficult to grasp. It's my intention to publish additional ***<u>Money Saver Reports</u>*** in the future. Thank you for taking the time to read this brochure.

Now that you've been educated on the rules of how to save money on your insurance, please make a point to call me and get a quote over the phone. Compare your current coverage to what I can offer. You very well may lower your rates and further Maximize your Dollars!

<u>Please call me at the number below and start saving money now!</u>

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