



Five Reasons You Might Want to Get Under an Umbrella

Umbrella insurance policies can be an important feature of personal financial plans. They provide additional insurance that takes over when a claim uses up all of the homeowner's or auto insurance. They even cover some losses that home and auto insurance do not cover, though the policyholder must pay a small deductible for them. They provide insurance amounts as low as \$1,000,000 and may provide \$5,000,000 or more. Despite the large amounts, they are not just for wealthy people. Here are five (actually six) situations where umbrella policies are vital:

Auto insurance: A man is late for work and speeding on the highway. He loses control on icy pavement and strikes another car in the driver's side. The other driver suffers serious injuries; hospitalization, follow-up care, medicine, rehabilitation and pain and suffering tally up to \$900,000. The at-fault driver has an auto insurance policy that covers \$250,000 for injuries to any one person. If he has an umbrella with a \$1,000,000 limit, it will pay the remaining \$650,000.

- **Bonus auto insurance scenario, based on a true story:** The policyholder's son loses control on a highway overpass. His car plunges off the overpass and lands on a row of vehicles for sale in a Lexus dealer's lot. Six vehicles are damaged to the tune of \$150,000. His father's auto insurance covers \$100,000 in property damage from any one accident. If he has an umbrella, it will pay the remaining \$50,000.
- **Homeowners insurance:** A homeowner has insurance that covers her liability for bodily injuries to others, up to \$300,000 per accident. A neighbor who has three children under age 10 drowns in her swimming pool. His estate sues her for \$1,500,000. Her homeowner's

insurance will pay all of its \$300,000; if she doesn't have an umbrella, she is responsible for the remaining \$1,200,000.

- **Boats:** A man has a boat insurance policy that covers his liability for injuries to others up to \$300,000 and an umbrella policy with a \$2,000,000 limit. He loans his boat to a friend for the weekend. The friend takes it out on a lake with three buddies and a case of beer. He becomes intoxicated and plows into another boat late at night. The survivors and the estates of the deceased sue the driver and the boat owner. The court finds the owner 20 percent liable for the \$5,000,000 judgment. His boat policy pays \$300,000 and his umbrella pays \$700,000.
- **All-terrain vehicles:** A man's grandson from out of state visits him for the holidays. He takes the boy out for a spin on the ATV he bought the week before, but the boy bounces off and suffers critical injuries. The man bought coverage for the ATV under his auto policy, but the most it will pay is \$100,000. The boy's medical care will cost \$750,000; his grandfather's umbrella policy will pay \$650,000.



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Welcome to the Jackson & Jackson Insurance Agents and Brokers Newsletter!

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



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Ensure the Right Coverage for Your Jewelry

Men and women alike often own expensive pieces of jewelry, such as diamond rings, designer wristwatches, bracelets, and necklaces. Not only are these pieces attractive to thieves, they are subject to several other perils as well. Because of the sentimental and monetary values associated with jewelry, proper insurance coverage is of great importance.

A standard homeowner's insurance policy will pay for jewelry damaged by fire, smoke, vandalism, windstorm, and several other causes. Coverage is also available for stolen jewelry, but only for a maximum of \$1,500 or \$2,500. This limit applies collectively to all items of jewelry, furs and gemstones stolen at the same time; it does not apply separately to each item. It will not pay for pieces that are lost or that mysteriously disappear. In the event of a loss, the insurer will pay only the cost of replacing the item less depreciation.

Because of these limitations, people who own valuable pieces of jewelry should consider purchasing separate coverage, either as an add-on to their homeowner's policy or as an individual policy. With this coverage, the policy lists specific items and the amounts of insurance on each. If the policyholder buys a new item during the policy period, the policy covers it automatically for 25 percent of the policy's limit or \$10,000, whichever is less. The automatic insurance ceases after 30 days; the owner must report the piece to the insurer to maintain coverage.

The policy covers items of jewelry but does not include unmounted gems; gold, silver and other precious metals; and silverware, flatware or goldware. The owner may be able to insure some of these items separately. The insurance will pay for loss from all causes other than war, nuclear disaster, actions of the government, and maintenance of the property. The owner must choose one of two options for determining the property's value in the

event of a loss. The first is the same as in the homeowner's policy – actual cash value, which means the insurer will pay the least of:

- The item's replacement cost minus depreciation;
- The cost of repairing it;
- The cost of replacing it; or
- The amount of insurance shown on the policy for the item.



The second is called “agreed value,” which means that the insurer will pay the full amount of insurance shown on the policy for the item if it's lost or damaged. This option may cost more but provides more certainty for the owner.

Jewelry owners may also select optional coverages. One option gives the owner a premium credit for items stored in a bank vault. If the owner wants coverage to apply outside the bank vault, she must notify the insurer in advance and pay an additional premium. Another option gives a future spouse, whom the policy would not ordinarily cover, insurance for his or her interest in engagement or wedding rings. Under the third option, the insurer will pay the value of a complete set of items, such as a pair of earrings, even if the loss affected only one item in the set.

The owner must surrender the surviving items in the set to the insurer.

Owners of expensive jewelry should consider having it appraised by a reputable jeweler at least every three years. They should also take common sense steps to safeguard it against theft, the most common cause of loss for jewelry. Finally, they should meet with their insurance agent for a coverage review every couple of years to ensure their insurance is adequately protecting them from loss to their valuables.

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- **Personal injury:** A woman loudly repeats a rumor she heard about one of her neighbors. The neighbor sues her for defamation of character and wins \$500,000. The woman's homeowner's insurance does not cover defamation, but her \$1,000,000 umbrella does. After she pays a \$250 deductible her umbrella pays the rest.

Severe accidents like these can and do happen to people every day. When something like this happens, an umbrella policy may be all there is to keep the person responsible from financial ruin. An insurance agent can explain coverage details and provide estimates of the cost. The relatively low cost may be well worth the peace of mind should a catastrophic accident occur.

Does My Auto Insurance Cover the Kids After They've Moved Out?



Parents of teens and young adults know the pattern all too well. A child hits the magic age when he can finally get a learner's permit to drive. After multiple tries, he passes the driving test and gets his license. Mom and Dad open their wallets and tell the insurance company about the new driver. Their insurance policy covers him during high school, while he's in college, and while he's back home. At some point, however, he moves out on his own for good. Maybe he moves to a city with convenient mass transit, and his job doesn't pay well enough for him to buy a car, so he goes without.

One day, he asks out that girl in the accounting department he's been flirting with for a month. Meeting her at a subway stop just won't do, so he grovels at the feet of the best friend with a new set of wheels. The friend, though appalled at the shameless pleading, agrees to lend him the car. Young Romeo picks up his date, pulls out into traffic, and rear-ends a Lexus at the first red light. Flustered, he pops it in reverse and backs hard into the BMW behind him. Two questions immediately come to his mind: 1) Will she still want to go to the movie? and 2) Does he have insurance coverage for this little adventure?

Bad news for Romeo: His date takes a cab home and his friend sort of forgot to pay his car insurance bill; the insurance company cancelled the policy. Then he gets an idea: It hasn't been all that long since he lived with Mom and Dad. Maybe their insurance will pay for the repairs.

Every insurance policy has specific descriptions of who the insurance company will cover. The standard Personal Auto Policy published by the Insurance Services Office says that the person whose name is on the policy and any "family members" have coverage for the ownership, maintenance or use of any auto. Maybe Romeo's in luck.

Maybe not. The policy also has a specific definition of the term, "family member:" A person related to the person

named on the policy. The family member must be related by blood, marriage or adoption and must also be a resident of the other person's household. Romeo has moved out of his parents' home, which is why he got the job, met the girl, borrowed the car and had the double dent-fest. Is he still a resident of his parents' household?

Chances are, the insurance company will decide he's not, and it may have the law on its side. A California court ruled in 1975 that an adult son who lived in a separate apartment on his parents' street and who relied on his parents for financial support was not a resident of the parents' household and not entitled to coverage under their auto insurance.

Circumstances may change the answer. Courts have recognized that college students, though they live elsewhere the majority of the year, are still residents of their parents' household. A self-supporting child who lives in her old bedroom and pays rent to her parents also qualifies as a resident.

It's when the move away from home looks permanent that the break in coverage may occur. Even if she doesn't own a car, she should consider buying an auto insurance policy with a special coverage called Named Non-Owner Coverage. This will cover her liability for injuries or damage she may cause while renting or borrowing a car. Coverage will apply after other available insurance (such as the car owner's coverage) is used up.

And, while it wouldn't have salvaged Romeo's date, it would have saved him a whole lot of money.

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If you should lose traction:

- Take your foot off the accelerator.
- Steer in the direction you want the front wheels to go. If your rear wheels are sliding left, steer left. If they're sliding right, steer right.
- If your rear wheels start sliding the other way as you recover, ease the steering wheel toward that side. You might have to steer left and right a few times to get your vehicle completely under control.
- If you have standard brakes, pump them gently.
- If you have anti-lock brakes (ABS), do not pump the brakes. Apply steady pressure to the brakes. You will feel the brakes pulse — this is normal.

If you should get stuck:

- Do not spin your wheels. This will only dig you in deeper.
- Turn your wheels from side to side a few times to push snow out of the way.
- Use a light touch on the gas, to ease your car out.
- Use a shovel to clear snow away from the wheels and the underside of the car.
- Pour sand, kitty litter, gravel or salt in the path of the wheels, to help get traction.
- Try rocking the vehicle by shifting from forward to reverse, and back again. Each time you're in gear, give a light touch on the gas until the vehicle gets going.

Practice Safe Winter Driving Techniques

In case you haven't noticed, winter has arrived and with it comes ice, snow, slippery roads, and poor visibility. Winter driving is necessary and nothing can be done to avoid it.

While the best advice is to not drive at all, that's not an option for most of us. If you must drive, here are some simple precautions you can take to minimize the risk of accidents and injuries:

- Decrease your speed and leave yourself plenty of room to stop. You should allow at least three times more space than usual between you and the car in front of you.
- Brake gently to avoid skidding. If your wheels start to lock up, ease off the brake.
- Turn on your lights to increase your visibility to other motorists.
- Keep your lights and windshield clean.
- Use low gears to keep traction, especially on hills.
- Don't use cruise control or overdrive on icy roads.
- Be especially careful on bridges, overpasses and infrequently traveled roads, which will freeze first. Even at temperatures above freezing, if the conditions are wet, you might encounter ice in shady areas or on exposed roadways like bridges.

- Don't pass snow plows and sanding trucks. The drivers have limited visibility, and you're likely to find the road in front of them worse than the road behind.



- Don't assume your vehicle can handle all conditions. Even four-wheel and front-wheel drive vehicles can encounter trouble on winter roads.

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