

# Insurance Briefs

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## Do You Need an Umbrella? Here Are Some Things to Consider

Standard auto, homeowner's and boat insurance policies cover liability a person may have for injuries or property damage suffered by someone else. Insurance companies design them to cover accidents for which the insured person may owe tens or even hundreds of thousands of dollars. However, sometimes the person may be responsible for an accident so catastrophic that the damages are \$1,000,000 or more. To cover financially devastating events

like these, insurance companies offer personal umbrella policies. These policies provide additional protection when an accident uses up the amounts of insurance provided by the other policies. They may also cover some types of losses these other policies do not cover.

There is not a "standard" umbrella policy; each company's offering will be different. Therefore, it helps to have a checklist of considerations when evaluating a policy.

First, identify those things that could expose you to a catastrophic loss. How many cars do you own? Do you have

inexperienced drivers in your household? Household attractions like swimming pools, trampolines, and swing-sets present an exposure to severe losses. Boats, like cars, can

cause serious injuries and damage if the operators are inattentive, intoxicated, or inexperienced.

Next, identify other exposures you may have that do not involve potential physical injury or illness or property damage or that might require different coverage. Do you or any members of your family participate in social media Web sites or online discussion forums? Does anyone coach a youth sports team, belong to the governing board of a non-profit organization, write computer code as a hobby, or give music lessons? These activities present different exposures to legal liability.

Review your insurance policies. How much will your auto insurance pay for injuries to one other person? How much will it pay collectively for injuries to more than one? How much will it pay for property damage? How much will your homeowners policy pay for your personal liability for an accident? Does it cover any business activities? Does it cover family members accused of slander, libel, or defamation of character in online postings? Does it cover you for allegedly causing mental anguish to a kid who didn't get much playing time on a team you coached, or trouble caused by a computer program you wrote? How much will your boat-owners policy pay for your liability for boating accidents? The answers to these questions will tell you where an umbrella policy can help.

For example, if your auto policy will pay up to \$250,000 for injuries to one person and \$500,000 for injuries to multiple people, an umbrella with a \$1,000,000 limit will give you insurance equaling \$1,500,000 for injuries to two or more people. If your homeowners policy will pay up to

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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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# Parents, Tell Your Kids: Stop Texting and Drive

In the summer of 2009, a shocking video posted on the Internet gained widespread attention from the media. Viewers found it so upsetting that YouTube restricted access to it on its Web site. Created by the police department of a small town in Wales, it depicted a fictional but horrific car accident that claimed the lives of four people and seriously injured the driver who caused it. The culprit: A teenage girl who was sending a text message from her cell phone while driving.

“Texting” while driving is a very dangerous practice. Car accidents are already the leading cause of death for people aged 16 to 20, according to the Centers for Disease Control; by distracting them, texting increases their chances of getting in accidents. Eastern Virginia Medical School ran a study in which 21 teenagers with at least six months’ driving experience and no chemical influences simulated driving in 10 minute segments. When they sent text messages or searched their MP3 players while driving, they changed lanes and speeds more often than when they did not. Some of them ran over pedestrians.

The federal Department of Transportation convened a Distracted Driving Summit meeting in the fall of 2009. Participants discussed solutions to a variety of distractions, including ways to get teens to stop texting behind the wheel.

1. Just as they would talk to their teens about the dangers of drinking and driving, parents should talk with them about driving while texting. Teens don’t necessarily think about how risky some behaviors may be. Driver education instructors might not raise this issue, so it’s up to parents to address it.
2. When they have the conversation with their teens, parents should not worry about being too harsh. Cemeteries are full of teenagers who thought they were immortal, so this is no time to soft-pedal the message. Have them watch the Welsh police department’s video, give them testimonials from other teens to read, and show them stories about accidents like the one in 2007

- that killed five girls who had just graduated from high school near Rochester, New York.
3. Some state and local governments have enacted laws against texting and driving. New York, California, Arkansas, Texas and Missouri are a few of the states that have enacted bans. Parents should find out the laws where they live and make sure their teens know.
4. Parents should set firm rules with tough consequences for violations. Loss of driving and cell phone privileges are some of the penalties parents may want to consider for breaking the rules.



5. Parents should model the behavior they want from their teens. They should avoid talking on cell phones or texting while driving themselves. These practices are not any safer when someone over age 40 does them; parents should set a good example and drive safely.
- Learning to drive is an important milestone in a teenager’s passage to adulthood. It is important for safe driving habits to become ingrained in new drivers. Parents are their children’s first teachers in many subjects; texting and driving should be no different. Teens’ lives and the lives of the people sharing the highways with them depend on it.

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\$300,000 for your liability, the same umbrella will afford \$1,300,000 if someone gets seriously hurt at your home. The umbrella limit of insurance also applies on top of the limit on the boat policy.

In addition, the umbrella may cover things like volunteer activities, statements made online, and certain business activities that a homeowner’s or auto policy might not cover. Normally, the insurance company will require you to pay a deductible amount (such as \$250 or \$500) before it will pay for a loss that one of these other policies does not cover.

A professional insurance agent can help you sort out what your current insurance does and does not cover and what additional coverages an umbrella will provide. It is important to compare all the coverages the policies provide and not just their prices. Fortunately, catastrophic accidents are extremely rare, but having an umbrella policy when they happen can make it easier to get through them.



# How Much Homeowners Insurance Do You Need?

**B**ecause your home is probably the biggest investment you'll ever make, you'll want to take measures to safeguard that valuable investment. The best way to protect your home investment is through homeowner's insurance.

However, you shouldn't settle for just any policy. The type and amount of insurance you need depends on your specific home, what's in it and your personal requirements. But how much insurance is enough? Here are a few ways to you determine just how much insurance coverage you need:

## Market value may not be enough

While you may be tempted to purchase just enough homeowner's insurance to cover the market or resale value of your home, this may not be enough. While the market value may be enough coverage for some homeowners, that's typically not the case.

Your home's market value is not the same as what's known as its "replacement cost." The replacement cost of your home is the amount of money you would need to rebuild your home to its previous condition if a loss were to occur. This amount is different from your home's market value, purchase price or the outstanding amount of your mortgage loan.

Especially right now, when property values are falling throughout much of the nation, the market value of your home is probably much lower than its replacement value. Therefore, you should not use the market value to determine how much insurance coverage you need.

## Calculate the replacement cost

So, how do you figure out the replacement cost of your home? Your homeowner's insurance company can calculate how much it would cost to rebuild your home based on the following:

- Square footage of your home
- Type and quality of your home's construction
- Any updates, special features or add-ons to your home
- Quality and cost of materials used in your home

## Read the fine print

Before you purchase a policy, read all the fine print so you know exactly what the policy covers. Homeowner's insurance generally covers damages to your home and "other structures" on your property, such as a shed, detached garage, gazebo or pool.

In most policies, the amount of insurance coverage you receive for other structures is 10 percent of the amount of coverage you receive on your home. For example, if your insurance policy covers \$100,000 on your home, the cover-



age you would receive for your other structures would be \$10,000 combined. If you believe that the structures on your property are worth more than 10 percent of your home coverage, you may want to request additional coverage.

## Take a look at your personal liability coverage

Most homeowner's policies also include personal liability and medical expense coverage. Generally, your homeowner's insurance company will pay up to \$100,000 on a legitimate civil claim against you for an injury that occurred on your property.

However, this still may not be enough to cover a major lawsuit. You might consider purchasing a separate personal umbrella liability policy, which can offer additional protection. This type of policy offers a higher level of liability coverage and ensures that you and your family's assets will be protected if someone sues you for damages. Umbrella policies typically pay up to a predetermined limit, which is usually \$1 million, for liability claims made against you and your family.

## Protect your valuables

If you have particularly valuable jewelry, artwork or collectibles in your home, you may want to opt for even more homeowner's insurance coverage for additional protection. You may assume your valuables are fully covered by your homeowner's insurance, but that's not always the case. It all comes down to what's called the "sublimit"-this is the limit on the amount the insurance company will pay for specific types of personal property. Although your policy's total personal property limit may be \$75,000, the sublimit for jewelry may be as low as \$1,500.

Read through your contract and find your policy's sublimit for artwork, jewelry and collectibles. If your valuables are worth more than the sublimit, you may want to purchase additional insurance to cover them. You can purchase what's called a "floater" and have this worked into your homeowner's policy. Insurance floaters typically cover one specific item, so if you have multiple valuables, you may need to purchase floaters for each item you want to insure.

## Talk to a professional

Discuss your unique homeowner's insurance needs with your insurance agent. He or she can help you determine what kind of policy will best fit your needs and whether or not you may require additional coverage.

**Here are a few ways to you determine just how much insurance coverage you need:**

# Traffic Deaths Decline to Lowest Levels Since 1961

The number of Americans killed on U.S. highways in 2008 reached the lowest level since 1961, according to a recent release from the Department of Transportation. Higher gas prices, which caused many to limit their driving activity, certainly helped the cause along with increased seat belt usage in many states.

The Department of Transportation's National Highway Traffic Safety Administration estimated that 37,313 people were killed in vehicle traffic crashes during 2008. That's 9.1 percent lower than in 2007, when 41,059 died, and the fewest since 1961, when 36,285 deaths were reported.

Another positive, the nation's fatality rate, the number of deaths per 100 million miles driven, reached a record low at 1.28 in 2008 down from 1.36 in 2007.

It's not uncommon for tough economic times to cause similar declines in traffic deaths. From 1973 to 1974, such deaths fell more than 16 percent as the U.S. dealt with the oil crisis and rampant inflation. Similarly, deaths dropped nearly 11 percent from 1981 to 1982 as the nation battled a recession.

The government reported that miles driven in 2008 fell by about 3.6 percent, to 2.92 trillion miles, proving that many adjusted their driving habits as gas prices rose and the economy tumbled. The number of miles driven by motorists had risen steadily over the past three decades.

Nationwide seat belt usage reached a record 83 percent in 2008. Fourteen states and the Washington, D.C. had usage rates of 90 percent or better. Michigan was the highest at 97.2 percent, followed by Hawaii with 97 percent and Washington state at 96.5 percent. Massachusetts had the lowest rate, 66.8 percent, while New Hampshire and Wyoming were also both under 70 percent.



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