

Personal Lines

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Special Events

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Protecting Your Wedding Investment



If you are planning a wedding – or any major family celebration – you're probably crossing your fingers, hoping that everything goes smoothly. Buying event insurance will protect your financial investment as the big day approaches.

Last December, Mother Nature did her best to turn brides and their families into nervous wrecks. Just as holiday travel peaked, storms moved across the country, leaving snow, ice and closed airports in their wake. If your wedding was in sunny Atlanta, but the groom's family was stuck in Seattle, you had a big problem. However, if you had a wedding insurance policy that

covered event cancellation, you were able to reschedule without losing the deposits you had paid to the banquet hall, the florist and all your other vendors.

The average wedding costs more than \$27,000, according to Brides.com. During the planning process, which can last as long as two years, brides and their families often spend thousands of dollars on non-refundable deposits for banquet facili-

ties, caterers, photographers and entertainment.

Event cancellation insurance is bought most frequently for weddings, but you can also buy it for other major family events such as a bar mitzvah or 50th wedding anniversary.

Policies are nonstandard, but can have three components:

- ✱ Personal liability insurance

Why Every Policyholder Needs Umbrella Insurance

With the economy struggling, the stock market down and unemployment up, almost everyone is looking for ways to save money on their insurance. But, while some may think they can cut corners by eliminating personal umbrella protection, the truth is that this coverage becomes even more important in a struggling economy. Today, lawsuits are everywhere. Lawyers are awarding larger amounts of money than ever. Homeowners, auto and watercraft policies have a limit on liability coverage. If an unfortunate accident should happen that is your fault, do you have enough liability insurance from your current policies to cover your costs for negligence? Since no one can predict how much a judge may award the injured person, umbrella insurance is not just for the wealthy anymore, but a needed protection for every policyholder.

Your auto and homeowners policies have at least some liability insurance that would be used to settle legal claims. But with soaring health care costs, it does not take much to exceed these limits when serious or multiple injuries are involved. In addition, because times are tough, many vehicle owners are reducing the lim-



The Promise of No-Fault Auto Insurance

In the 1970s, no-fault auto insurance was introduced with much fanfare and the promise of lower insurance premiums. What happened? How does it work? And what is the future for no-fault?

The concept of no-fault auto insurance is fairly simple and sounds like a good idea: your insurer pays claims for damage to your car regardless of who caused the accident. If you have an accident under no-fault insurance, your insurance company pays you for your medical costs and lost wages. In return, drivers give up the right to sue for pain and suffering, except in cases of serious injury.

Under traditional, tort-based insurance, claims are paid by the insurance company of the person at fault. No-fault is supposed to save money and lower premiums by eliminating three costs:

- * The expense of determining who was at fault
- * Lawsuits and the accompanying legal fees
- * Pain and suffering payments for minor injuries

Unfortunately, almost nothing is simple in the insurance business. While the original model for no-fault envisioned the elimina-

tion of lawsuits, state legislators felt it was important to retain the right to sue in cases involving severe injury. Each state established its own “threshold” for lawsuits. When injuries exceed that threshold, injured people can sue for damages. In the early years of no-fault, the thresholds were low, and so there were almost as many lawsuits as before. Some states rewrote their laws; others discarded no-fault altogether.

No-Fault Today

Today, 12 states and Puerto Rico have some form of no-fault insurance, and 12 more states have no-fault as an add-on to their traditional, tort-based insurance. In add-on states, a person’s own insurance company pays for his or her personal injury, but there is still an option to sue the other driver.

Has no-fault worked? According to Jeff O’Connell, professor of law at the University of Virginia, it’s working fairly well in states that have good laws. “Having high thresholds for lawsuits is key,” O’Connell said. “Where the legislation has watered down no-fault, the

cost of lawsuits is too high to keep premiums in line.”

Pennsylvania is one state where you can see the potential savings in no-fault. It is a “choice no-fault” state, and drivers can choose to limit their rights to sue the other driver, in return for lower premiums. According to the Pennsylvania Department of Insurance, more policyholders are choosing the lower-cost option, which now represents 56 percent of policies in the state. The average savings per policy is 13 percent.

The Future of No-Fault

True no-fault auto insurance continues to offer the potential for major consumer savings. A few years ago, the U.S. Congressional Joint Economic Committee estimated that if all states adopted a good, no-fault system, consumers could save more than \$47 billion a year – a savings of more than \$150 per car each year. However, there is no momentum right now – from consumers or lawmakers – to make it happen.

One reason is that auto insurance rate increases are averaging less than one percent a year nationally, according to the Insurance Information Institute, and people in some states have seen their premiums decline. Second, both state and national legislators have their hands full dealing with the poor economy, and insurance issues are not expected to receive high priority this year.

Peter Kinzler, president of Kinzler Consulting and an expert on no-fault insurance, believes that in about three years, the nation’s stimulus package, increased debt and higher interest rates will lead to higher costs for all goods, including auto insurance, triggering renewed interest in no-fault. According to Kinzler, “Model legislation exists that would enable people to choose which system they prefer and explicitly see the consequences of their choice, both in terms of the cost of insurance and compensation.”





WEDDING—continued from Page 1

- * Cancellation/postponement insurance
- * Additional coverages

Personal Liability Insurance

Wedding insurance has become more popular because more facilities are requiring proof of liability insurance from individuals who rent the venue. In the past, your homeowners policy might have provided coverage, but today, most homeowners policies exclude off-site coverage. If you do not have a personal liability umbrella, or if it does not provide off-site coverage, you may have to purchase a separate liability policy to rent the facility, and then give the facility a certificate of insurance. While buying insurance may seem like an unnecessary expense, it does cover you if, for instance, your guests damage any of the facility's property.

The venue may also require "host liquor liability" insurance, which provides coverage for any injuries or property damage caused by someone who drinks alcohol at the event. Venues require the coverage to reduce their own risk of being sued if a guest is involved in a traffic accident after the wedding. If you are planning to serve alcohol, it makes good sense to have this coverage.

Liability insurance can generally be bought separately or packaged with additional coverages.

Cancellation/Postponement Insurance

Cancellation/postponement coverage pays for non-refundable deposits that you lose if a wedding has to be canceled or postponed due to events covered by the policy. For instance:

- * A primary family member becomes seriously ill or dies.
- * Bad weather prevents key family members from attending.
- * Power outages occur at the facility.

For military families, this coverage is especially valuable, since it reimburses for non-refundable deposits if a military bride or groom is unexpectedly called up for active duty.

While the coverage is called "cancellation/postponement," the policies do not cover people who simply decide to call off the wedding. One insurance company does offer "change of heart" coverage, but with restrictions that make it unlikely that most couples would qualify.

Additional Coverages

What if the photographer takes your deposit in March, but fails to show up at the wedding in June? What if the bride's little brother decides to paint the wedding gown? In these two real-life scenarios, wedding insur-

ance saved the day.

In the case of the missing photographer, wedding insurance paid to bring the wedding party back together and to recreate the wedding scene so a new photographer could take photos. The painted wedding dress was replaced, at no cost to the bride.

Wedding insurance packages can be tailored to meet your individual concerns. You can choose coverage for:

- * Extra expenses incurred in rescheduling the wedding
- * Lost, damaged or stolen wedding rings
- * Lost, damaged or stolen gifts
- * Repair or replacement of the wedding gown
- * Damage to rental property such as tents

What Does It Cost?

A basic liability policy costs less than \$200. For approximately \$300-\$425, you can buy a liability policy plus \$25,000 in cancellation insurance.

If you are planning a wedding or other major family event, give us a call so we can discuss your insurance needs. We want your big day to be a big success. ■

NO-FAULT—continued from Page 2

Fault Still Matters

Drivers in no-fault states are not off the hook for the repercussions of an accident. Causing an accident can still cost money due to:

- * Lawsuits: If an accident causes significant injury or death, damages can exceed the no-fault threshold, and victims can file a lawsuit.
- * Insurance premiums: Insurance companies can use poor driving records to raise your insurance rates.

Regardless of where you live – a fault or no-fault state – it pays to drive safely. ■

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Sudden Versus Slow

Inside your house, damage from plumbing and heating pipes is generally covered if you have a sudden, accidental burst or crack. Insurance usually only pays to repair the water damage, not the pipes themselves. Regular maintenance is still important to save you money and aggravation.

Going back to your roof...assume that it is 15 years old, and some of the shingles are damaged. After a heavy rain you see water damage in the ceiling under that part of the roof. It is unlikely your insurance company will cover the damage, since your roof deteriorated slowly over time. Likewise, insurance does not usually

cover dry rot, since it occurs slowly and can stem from poor maintenance.

Sewer back-up is another major cause of water damage, and many people do not realize that their homeowners insurance policy does not automatically cover it. Coverage has to be purchased as an add-on (an endorsement) to your regular policy. In addition, you may not be able to get restitution from the municipality that owns and maintains the sewer, since local laws often limit the municipality's liability.

If you are concerned about sewer back-up, give us a call, and we will review whether or not you have added the coverage.

Here's to a dry home in 2009. ■



Water Damage: Are You Covered?

When it comes to water damage and insurance, there are two rules of thumb:

1. If it comes from above, it's covered; if it comes from below, it isn't.
2. If it's sudden and accidental, it's covered; if it's slow and gradual, it isn't.

Here is what those maxims mean for you.

Water From Above

When water that falls from the sky – rain, snow or hail – and causes damage to a home, your homeowners coverage will usually apply. Often the cause is not really the water, but the combination of water and high winds. An example is a thunderstorm in which the wind rips shingles off your roof, allowing in heavy rain that damages the inside of your house. Most insurance policies cover the cost to repair your roof and fix the water damage.

Water From Below

Insurance usually covers “wind-driven water,” but coverage becomes less clear-cut when heavy rains also cause flooding, which standard homeowners policies exclude. After Hurricane Katrina, many homeowners who had not bought separate flood insurance found that their homes were destroyed, but

they had no coverage. These homeowners included former Mississippi Senator Trent Lott, who lost his home on the Gulf Coast. He blamed the damage on “wind-driven water,” while his insurance company said that storm surge and flooding destroyed his home.

FEMA (Federal Emergency Management Agency) has mapped the risk of flooding throughout the country. Home buyers in high-risk areas must buy flood insurance from the National Flood Insurance Program (NFIP) to get a mortgage from a federally regulated bank.

If you live in a low- to moderate-risk flood area, insurance is not required. However, consider the facts:

- ✱ Flooding is the most common natural disaster in the United States.
- ✱ At least 20 percent of all flood claims are in low- to moderate-risk areas.
- ✱ When the Mississippi River flooded in 1993, 563 counties, including the entire



state of Iowa, were declared disaster areas.

- ✱ In 2005 the NFIP paid more than \$5 billion in claims to more than 200,000 homeowners.
- ✱ The cost can be low. Preferred risk policies start at \$119 per year.

Even if you never thought that your home could flood, give us a call. We'll analyze your flood risk and, if needed, recommend the appropriate coverage.

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UMBRELLA—continued from Page 1

its on their auto insurance policies or forgoing insurance altogether. Statistics show that one out of six drivers is underinsured and this trend is increasing. If you are hit by one of these drivers with a passenger in your car, and the limits carried by the other driver are not sufficient to pay your damages, you can be held responsible not only for your own medical costs and damages, but also for those of your passenger(s).

Worried? You should be. Thankfully, personal umbrella liability is relatively affordable, and can be easily coordinated with your existing insurance policies. It is by no means just for the well-to-do.

Umbrella insurance is designed to give added liability protection above and beyond the limits on homeowners, auto and watercraft personal insurance policies. With an umbrella policy, depending on the insurance company, one can add an additional \$1-\$50 million in liability protection. This protection is designed to “kick-in” when the liability limits on other current policies have been exhausted.

Premiums are typically \$200 to \$300 a year for a \$1 million limit of coverage, but each additional \$ 1 million in coverage you purchase becomes considerably less expensive. The total cost depends on such criteria as the number of automobiles, boats, recreational vehicles, homes and/or rental dwellings you own, the underlying limits provided by the primary policies covering these assets, and other personal risk factors such as driving records, youthful drivers, etc.

How much you own should not be the only determining factor in selecting an umbrella limit. Do you live in an upscale community where you could be an easy target for a big settlement? Do you travel frequently? Do you operate a home-based business and have clients coming to your home on a regular basis? (Many self-employed people wrongly assume that their homeowners policy covers this.) If you answered yes to any of these questions, personal umbrella liability protection becomes even more critical.

The Personal Lines Department is here to assist you with your personal insurance protection. We encourage you to call us with your questions or for a free quote. ■