

INSURANCE CURRENTS

FOR THE CUSTOMERS OF ELDRIDGE & LUMPKIN INSURANCE AGENCY, INC.



Helping You to Adjust to the Spring Season

A message from Alan R. Long, President



What a winter it was on Cape Cod! Record snowfall of 94.5 inches tested the resolve of even the hardiest of old Cape Codders. In a conversation with one of our clients - who has been with our agency since its inception 75 years ago - I learned how,

as a young boy, he would first shovel a path to the family barn to feed the animals. When time permitted, the family would then shovel out to the street, meet up with the neighbors and collectively shovel from Stage Harbor Road, down Cross Street into downtown Chatham, joining friends and neighbors along the way.

Although times may have changed, we witnessed a similar spirit in our neighborhood during the blizzard and 30-inch snowfall during the last week in January. Neighbors helped neighbors to weather the storm, and to dig out when the snow finally stopped.

For those of you who avoided the storm by spending the winter in warmer climates, welcome home! Many of you witnessed first hand the devastation caused throughout Florida by the four hurricanes last summer and fall. With the 2005 Atlantic hurricane season just around the corner (officially June 1 – Nov. 30), we felt a few tips on hurricane preparedness would be timely (See Page 3). We hope you find them to be useful. On the other hand, we hope you never have to use them.

Each spring, we receive a significant number of questions from clients who own recreational

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Timely Q&As for Boat Owners

It's that hopeful time of year when boat owners return their craft to the water and jumpstart another season of maritime fun. But wait. Take a moment to think about the serious side of boating – protection of your investment. Here's a set of often-asked questions and E&L answers about watercraft insurance.

Q. I own a boat. Does my homeowner's policy cover damage to the boat and motor?

A. Your homeowner's policy provides *limited* coverage for boats, including their trailers, furnishings, equipment and outboard engines or motors.

Q. What do you mean by *limited* coverage?

A. Coverage in a standard homeowner's policy is limited to \$1,000 and is restricted to certain *perils*. These include fire, windstorm, vandalism and theft. The boat itself and the motor would, however, not be covered for collision, upset, or sinking while in the water. Windstorm damage is covered only if the damage occurs while the boat and motor are being stored within a fully enclosed building.



Q. What if my boat is worth more than \$1,000 or I want coverage while the boat is in the water?

A. Some insurance companies will permit a homeowner's policy amendment, called a *rider*, specifically insuring the boat and motor for their current value. Riders will also expand coverage for physical damage while in/on the water. It is generally more cost effective, however, to insure higher-valued boats, either power or sailboats, on a separate, recreational boat policy.

Q. Am I covered if I hit another boat and cause damage to the other boat and/or the passengers, or a swimmer in the water?

A. A homeowner's policy automatically extends liability protection for injuries arising out of the use of small boats such as rowboats, canoes and kayaks, appearing in great numbers in and around Cape waters. The liability on the homeowner's policy will extend to powerboats with 25 total horsepower or less, and to sailboats less than 26 feet in overall length (as long as their auxiliary power is also 25 HP or less), with no additional premium.

For powerboats exceeding 25 HP, the homeowner's policy once again can be amended to include watercraft liability at an

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Insurance Facts for You and your Young Driver

By Pat Long, Vice President



Your young son or daughter has just received a driver's license. That nerve-wracking process – believe it or not – was the easy part! Now he or she needs insurance. You must immediately notify your insurance company that you have a new licensed driver in the household. You visit your agent or company, and you are shocked by the \$2,000-\$3,000 quote.

These are the stark facts: one out of every five 16-year old boys will have an accident in their first year of driving; one out of seven 16-year old girls will have an accident in their first year of driving.

Until this year, the Massachusetts auto insurance system had the experienced, good drivers subsidizing the inexperienced, bad drivers. Now, as part of auto reform legislation, 2005 auto rates have begun to shift the cost *back to those who cause the losses* - the inexperienced drivers. So expect young-driver premiums to increase even more.

As parents, you should take the time to speak with your agent or company to insure your young driver properly. Rates are based on several factors:

- **Experience** – After three years, rates go down some but a person has to be driving for six years before he or she is classed as “experienced.”
- **Territory** – Towns and cities are rated by the accident and insurance claim rates within that geographical area. Surprisingly, Chatham, Harwich, Orleans and Brewster are among the *lowest* rates in the state.
- **Safe Driver Plan** – This state law seeks to reward safe driving by issuing credits to better drivers and surcharging those with violations and/or at-fault accidents. All new drivers begin at a Step 15, which assigns no credit or debit.
- **Other Drivers** – Classifying some one as an “occasional driver” of a vehicle - as opposed to the principal driver of a vehicle - will alter the premium.
- **Car Symbols** – The more expensive a car is, the higher the symbol and the more premium charged for collision, and fire and theft coverage.

- **Coverage** – The higher the limits, the higher the premium. The collision and comprehensive coverage premiums may be offset by higher deductibles.

The young person's inexperience rating and step rating will be assigned to the most expensive vehicle on the policy. Why? If the parents are away, and the young driver has a choice to drive the 2005 Mercedes or the 1988 Buick, you can bet the Mercedes will be leaving the garage.



Ways for Young Drivers to Save on Insurance

- **Take Driver's Ed** - A driver's education course can save 10 percent on some of the more expensive coverage parts in the policy.
- **Be a Safe Driver** - A good driving record will keep the premium down.
- **Exclude Expensive Vehicles** - If there is an expensive vehicle in the household that the inexperienced driver is not allowed to drive, you should sign an *exclusion form* that will keep the inexperienced driver's rate from affecting that vehicle.
- **Advanced Driver Training** - This course - and a 5% discount - will become available once state funding is authorized. It would cost about \$300 and be offered at six different locations. Sign up for the course through the Massachusetts Auto Dealers' Web site at www.msada.org, and the Auto Dealers' Charitable Foundation will subsidize half the cost.

If the young driver is lucky enough to own a vehicle, he or she can take out a policy on their own. They will need a 30 percent down payment to open the policy. Because of this, the young driver will usually opt for the lowest coverage possible. Just remember, if the person is under 18 and resides in the parents' household, parents are still responsible - *read liable* - for their actions. We highly recommend limits equal to the parents' limits.

When changes occur in your household – for example, a son or daughter moves out or they take the vehicle to college, you need to alert your agent/company.

Studies have shown that involving the young driver in the insurance process makes them more aware of their driving

habits and decisions. The investment is certainly one of the largest they will encounter in their early years.

Q&A for Boat Owners... *continued from page 1*

additional premium for larger recreational boats. If a separate boat policy is purchased, the liability can be extended from the boat policy.

Q. I use my boat for commercial shell fishing. How does that affect my coverage?

A. A business use is not permitted, either as an extension of the homeowner's policy or on recreational boat policies. The proper way to insure a boat used for commercial shell fishing and/or commercial fishing is by purchasing a *commercial hull* policy. It can also be extended to include liability for the boat.

Q. I just bought a Jet Ski. Is that considered a "boat," and how do I cover it?

A. Yes, a Jet Ski is considered to be a *personal watercraft*, generally powered by an inboard engine. These are subject to the same limits outlined above. These include the 25 HP limitation for the automatic extension of liability protection from your homeowner's policy, and the \$1,000 limitation for physical damage coverage.

If you are only concerned about liability, we can amend your homeowner's policy to extend watercraft liability to cover the Jet Ski with an additional premium based on total horsepower. However, for full coverage on the Jet Ski, including collision damage, we have access to Jet Ski programs, designed to insure these types of personal watercraft.

In Summary

Although your homeowner's policy can be amended to include physical damage and watercraft liability for boats, we recommend that you buy a stand-alone boat policy for larger, high-valued and/or high-powered boats. It offers broader protection than is available through amendments to your homeowner's policy.

Please call us at 800 945-1840 to discuss your specific needs. We can advise you on your best choices.

President's Message... *continued from page 1*

boats as they make ready to launch their watercraft for another season. For boat owners, we hope this edition's "Q&A" will address many of the routine questions you may have at this time of the year.

Spring also seems to be the busiest time of year for young drivers to get their licenses, register their first car or get added to their parents' policies. This is a very exciting time for your teenagers! Given the significant cost of insuring young, inexperienced drivers, we have prepared an article to address some of your auto-related concerns and provide hints to save money.

Here's to safe driving on land or at sea. Have a wonderful spring!

Alan

CLIP AND SAVE

E&L's Top Ten Tips- How to Prepare for a Cape Cod Hurricane

- 1 Clear your yard of outdoor furniture, potted plants, trash cans, grills, bikes, kiddie pools and similar objects. Securely anchor things that can't be put indoors.
- 2 Trim trees and shrubs, removing weak limbs and any loose debris that high winds could turn into destructive missiles.
- 3 Protect your windows with storm shutters. If you don't have them, tape or board exposed glass to minimize shattering. Tack down any loose roofing and siding.
- 4 Be sure you have plenty of batteries, candles, boiled or bottled water and non-perishable foods. Many experts recommend a two-week supply.
- 5 Have a well-stocked first aid kit on hand, and at least two weeks' worth of prescription medicines.
- 6 Get a battery-operated radio, and be sure it's working. Closely monitor the storm's progress.
- 7 Move boats to a safe haven. Determine the safest place to leave your car if you don't have a garage, and keep the gas tank full.
- 8 Get extra cash—you may need it to buy necessities if there's a power failure.
- 9 Devise a family emergency plan and rehearse it. Be sure you know the nearest shelter and evacuation route.
- 10 Leave low-lying areas as early as possible. Notify someone of your destination and call again when you arrive. Shut off all utilities before leaving your home.

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Is Your Business Insured for Peak Season?

By Alan R. Long, President

Peak tourist season means business for local retailers—lots of it—and the need to beef up inventory to meet seasonal demand.

When you stock extra inventory, you need extra insurance to protect your business against fire, theft and other losses. Most business policies written today include an automatic peak season adjustment of 25 per cent as protection for normal fluctuations in inventory. In our experience, this built-in adjustment is nowhere near adequate.

Purchasing a year-round policy based on your peak-season inventory level would be unnecessarily costly. To be assured of adequate insurance without paying for more than you need, you should consider a *Peak Season Endorsement*.

That is a rider added to your basic policy that specifies higher coverage for a certain period of time—say from May 1 to September 1. The cost for the extra coverage is pro-rated based on its annual cost.

E&L typically recommends a Peak Season Endorsement for our business customers.

Please call us today at 800 945-1840 to be sure your business is covered for the season.

In Case it Slipped Your Mind....

Be sure to notify us when you change your **Massachusetts driver's license ID** from your Social Security number to something less tempting to identity thieves. Do it at anytime or when your license comes up for renewal.

Please alert us (and let us join in the celebration) **when you pay off your car loan** or when your lease concludes. In the event of a later claim, we'll send payment solely to you and not a former lien-holder. Saves time. Avoids confusion.

Everyone knows that cars start to depreciate the moment you drive them off the dealer's lot. But were you aware that it's not uncommon for people to be left with a loan or lease balance even after a claim for total vehicle loss has been paid? Now, so-called "**gap coverage**" is available from Eldredge & Lumpkin. Find out more.

Please call to ask about any of the above or any other insurance issue that hasn't slipped your mind. 1-800 945-1840.



Insurance Facts for you and your Young Driver

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