

INSURANCE CURRENTS

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



We're Celebrating our 75th Anniversary

A message from Alan R. Long, President



It was 1930 when Edwin Eldredge opened the doors of his insurance agency to his first client here on Cape Cod. Some of our long-time customers may remember Edwin's first office on the corner of Old Harbor and Depot Roads in Chatham.

Today, from our expanded offices in Chatham and Harwich, Eldredge & Lumpkin is proud to serve more than 6,000 clients as we celebrate 75 years in business.

We are observing our diamond jubilee with a special section in this newsletter. You will read about past owners and their experiences, and enjoy some photos both old and new.

We have seen many changes over the years as business has grown. Yet our focus has remained constant: to protect your interests by providing you with the best insurance products and services at a reasonable cost.

Our philosophy also has remained constant: take care of your customers, and the business will take care of itself.

Today we strive to provide you with the level of service you have come to expect and deserve from Eldredge & Lumpkin. Thank you for your business, all 75 years of it!

Please Read this Before Your Son or Daughter takes a Car Away to College....

By Pat Long, Vice President

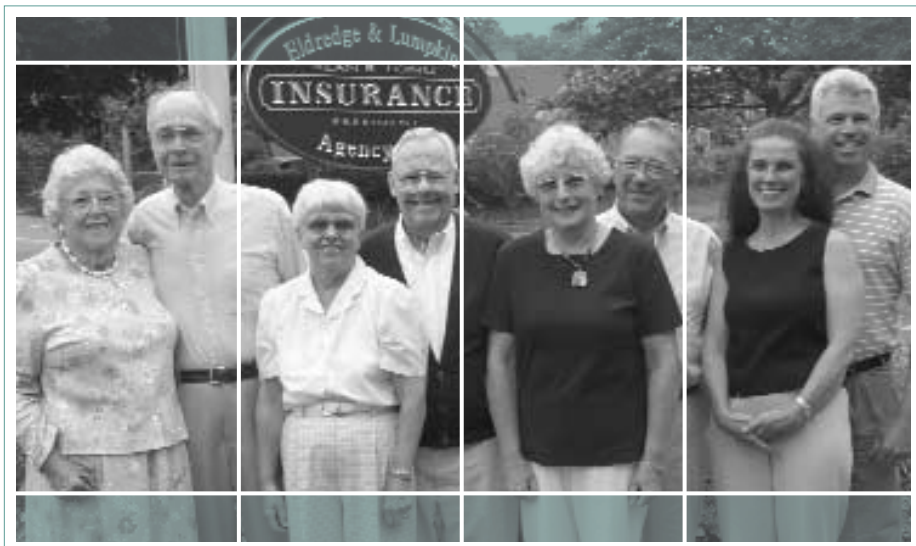
Ed. Note: This is the second in a series of articles on auto insurance for young drivers. This one deals with questions that come up when a student takes a car out of state to college.

End of summer. Young adults are getting ready to return to college. In addition to clothes, credit cards and cell phones, should you be thinking about insurance for the car he or she will take? The answer is an absolute "yes!"

In our spring newsletter, we wrote about young drivers listed on your Massachusetts auto policy or their own. We described rating factors that affect the premium including *territory*, being an *occasional driver* versus a *principal driver*, and the person's driving record. We noted that someone - the parent or student - must notify your insurance agent and/or company if any of these factors change.

Just as you would notify the agent or company immediately if an accident occurred, you are required to notify them when *change* occurs. At a young age, changes are frequent.

If the young driver takes the car away to college, the *territory* where the car is garaged must be adjusted on the policy. The territory can change from the lowest rated (Chatham, Harwich, Orleans and



ELDRIDGE & LUMPKIN OWNERS THROUGH THE YEARS: From left, Gladys and Dick Lumpkin, Christie and Robin Turner, Judy and Jim Young and Pat and Alan Long

Brewster) to among the highest rated (Boston, Worcester, etc.). A special *territory charge* will be applied to your premium for garaging vehicles at out of state schools.

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TAKING CARE OF BUSINESS

State Toughens Definition of “Independent Contractor”

All business owners should be aware of a new Massachusetts law that re-defines “employees” and “independent contractors.” The law creates a *presumption* that “an individual performing any service” is an employee.

According to Massachusetts Attorney General Thomas Reilly, the state statute excludes far more workers from independent contractor status than does the federal, IRS common law test. Simply stated, new state rules make it even more difficult than federal rules to prove that a worker is an independent contractor. For example, real estate brokers and mortgage brokers traditionally have been considered independent contractors. Under the new law these brokers are considered to be *employees* of their firms.

Be aware that misclassifying employees as independent contractors may subject businesses to: 1) income tax liability and penalties for amounts that should have been withheld from wages; 2) employer FICA and FUTA contributions; 3) potential overtime pay and other wage claim liability; 4) unemployment insurance payments; and 5) worker’s compensation insurance premiums and potential liability for workplace injuries.

Here’s the bottom line: in our opinion, the severe penalties of treating an employee as an independent contractor in Massachusetts are not worth the increased risk imposed by the new state law. We strongly recommend that you consult your tax advisor to determine the effect, if any, that the new law might have on your specific circumstances.

This Cover Up Will Work

Thieves have found yet another way to steal your car or truck with little effort.

They peer through the windshield, write down the VIN # from the label on the dash, go to a car dealership and request a duplicate key, based on the VIN #. The dealer’s parts department makes a duplicate key from the VIN # and collects payment from the thief.

The thief returns to the car. He does not have to break in, do any damage to the vehicle or draw attention to himself. All he has to do is insert the key, and take off to a chop shop with your vehicle.

To prevent this from happening to you, simply put some electrical tape, duct tape or medical tape across the VIN # metal label on the dash. By law, you cannot remove the label but you can cover it up.

Please do it now while you’re thinking of it, and pass the word to family and friends.

- Adapted with permission from “The Flash” newsletter, June 2005 edition, published by the Chatham Senior Center.

Away to College... continued from page 1

You may wonder what happens in the reverse situation - if the kids do not take the car away to school. Can premiums be reduced? It is possible, but very risky. If the household member/driver returns for vacation or the summer, they still need coverage. Also, if they drive someone else’s car regularly - such as a roommate’s - they will still need coverage. Passengers in the car they drive will also have to be covered.



Some “Need to Know” Facts

- When parents buy themselves a new car, and the son or daughter becomes the *principal operator* of the old car, the youngster’s status changes from occasional operator to principal operator.
- If an exchange student or relative comes to live in your home for a period of time and has access to a vehicle, they need to be listed as a *household member*.
- If a friend is having car problems, and you loan them a car for an extended period of time, they must be listed on your policy.

If you fail to notify your insurance agent or company of changes like these, your future claims could be denied. General Provision 18 of your policy, called *Failure to Furnish*, prohibits “false, deceptive or misleading information” and requires inclusion of “the description and place of garaging of the vehicles to be insured, the names of all household members and customary operators required to be listed.”

We have seen insurance claims denied for all of the above reasons, even when they were the result of simple oversight by people with busy lives. To avoid that situation, please make a mental note to notify your agent or company when change occurs. Please call us at 800-945-1840 with any questions that you have. Thanks!

Visits Reveal Pattern of Underinsured Homes

By Alan Long, President

In last winter's newsletter, we advised homeowner clients of our concern that area building costs had escalated at a pace greater than the *inflation adjustment factors* used by the insurance industry over the past several years. As we revisit the homes we insure, we are finding a consistent pattern of homes that are *underinsured*, in contrast to building costs here on the Cape.

If we determine your home to be underinsured, we will contact you to recommend that you increase your coverage accordingly.

Homeowners whose policies contain a "Guaranteed Replacement Cost" rider must agree to increase coverage to 100 percent of the current *insurable replacement cost*, based on our cost estimate, to continue to receive the guarantee. Your company then guarantees to replace your home even if the cost to rebuild is greater than the amount of insurance carried at the time of the loss (some companies limit this guarantee to an additional 25 percent of the amount of insurance carried on the house). If you choose not to increase your coverage as recommended, the company will take away your guarantee.

For homeowners whose policies do not contain a "Guaranteed Replacement Cost" rider, we still recommend that they insure their home to 100 percent of our cost estimate. Although total losses are few and far between, we have paid out three total fire losses on homes in the past 25 years.

If, however, you find it prohibitive to increase your policy limit to 100 percent, you must maintain a limit of insurance at least equal to 80 percent of your home's *insurable replacement cost* to avoid a *coinsurance penalty* on partial losses to your home. If you choose to insure your home to only 80 percent of replacement, and in the event of a total loss, the company will pay your policy limit. You will be responsible for the difference between the policy limit and the actual cost to rebuild your home.



David and Kristina Crawford

Coming and Going at E&L....

Jane Buck and **Gloria Lindberg**, two long-time Eldredge & Lumpkin staff members and friends, officially retired July 1.

Jane had been with the Robin Turner Agency in Chatham before coming to work for Eldredge & Lumpkin in 1994. Her quick wit, knowledge and experience will be sorely missed. Jane has opted for early retirement so she can travel and spend more time with her grandchildren.

Gloria has been with Eldredge & Lumpkin for 18 years, working in the Harwich and Chatham offices. We will miss the ready smile and the entertaining anecdotes she always contributed.

David Crawford has joined the ranks at Eldredge & Lumpkin, bringing with him 24 years of insurance experience and a friendly manner. He is one of the few people in our industry who has a technology background, a degree in computer science. These combined talents guarantee total service for our customers.

David is a sports enthusiast. Running, golf and football fill his spare time.

Pete Della Luna, our Harwich Office manager, summed it up: "He's a guy who loves golf and the Patriots - how can you go wrong?"

How did we find David? **Kristina Crawford**, David's wife, has worked as a Customer Service Representative at Eldredge & Lumpkin since 1994. Kris has been a licensed insurance broker for 19 years, servicing both commercial and personal lines.

Kris can tee the golf ball with the best of them, and she is very active in state golf leagues. Both David and Kris are members of Cranberry Valley Golf Course. Her talent for gardening is evidenced by all the greenery in her office. A large family, including nine siblings, two sons and a first grandchild, make for a full life.

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Auto Insurance Reform – The Process Continues

By Pat Long, Vice President



Auto insurance reform in Massachusetts is moving along on several fronts. To keep you – the consumer – on top of developments, here's an update.

The current Massachusetts auto insurance system is a non-competitive one in which the rates are fixed by the Insurance Commissioner. By enacting laws, the State Legislature contributes to the application of the system. The fact that our system is not competi-

tive and that rules and regulations bog down the process make Massachusetts an unfriendly state in which to do business - for insurance companies. Reform is needed to lure companies back to the state.

Last fall, Insurance Commissioner Julianne Bowler, assigned a committee to "fix" the system. On December 31, 2004, as a first step, she issued an order to reform the *assigned risk plan*. That is a means to fairly distribute insurance responsibility for bad driver coverage among companies doing business in the state.

Commerce Insurance Co., a firm that well understands the state's auto insurance market and therefore has an advantage, brought suit against the Commissioner contending that she does not have the authority to issue the order. The Superior Court of Suffolk County agreed, noting that changes to statutes require approval of the Legislature. Surprisingly,

the Court opened a back door for the Commissioner by recognizing the inequities in the current system and pointing out possible alternative methods of assigning the risk.

Jumping on the auto reform bandwagon is Gov. Mitt Romney. Looking to speed up the restructuring process, he proposed a reform bill of his own. It includes many of the same points that the original committee proposed. His bill, however, boldly proposes using a *competitive flex/band* rating. I call this a bold move because the state's auto insurance system is a democratically-based system where rates are set by the Commissioner's office. Competitive/flex rating would move the onus for rate setting back to the companies and those that can create the best product for the best price. Simple economics!

We promise to keep you informed of future developments and what steps you should take.



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Look Inside:

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