

WINTER 05 INSURANCE CURRENTS

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



We're Taking Steps to Protect Your Home

A message from Alan R. Long, President



While almost all of the homeowner's and renter's fire insurance policies we have sold to clients over the years have included an "inflation guard" rider, we have become increasingly concerned that the inflation adjustment factors used by the

insurance industry have not kept pace with the true costs of building a home on Cape Cod (see related story on page 3).

The concern was confirmed when we reviewed several recent homeowner claims filed with our agency. As part of the claims process, the underwriting insurance company requires a claims adjuster to determine the current "insurable replacement cost" of the damaged home, and to further determine whether or not the home is insured to its value. If the homeowner is underinsured, he or she may be subject to a penalty, and may not receive a full recovery at the time of loss.

Our review showed a consistent pattern of underinsured homes even though Eldredge & Lumpkin diligently estimates the replacement cost of homes at the time they are originally insured, and even though the industry's "inflation adjustments" have been applied to policies every year following our original estimates.

Although many new homes include a "guaranteed replacement cost" rider as part of their policy, most companies are now imposing a compensation limit of 125 percent of the home's insured value in the event of a total

(continued on page 3)

Second Homeowner's Alert! Freeze Alarms May Be Mandatory

When your homeowner's insurance policy comes due for renewal, you may have to prove that you have a working freeze alarm in order to reinsure your property. With Cape Cod's recent frigid winters, water damage claims due to freeze-ups and burst pipes have skyrocketed. As a result, many insurance companies are making a home temperature-monitoring device mandatory.

Freeze alarms are readily available in a choice of models ranging from no-frills basic to highly sophisticated, multi-functional units. Prices range from about \$130 to about \$400.

The basic freeze alarm is usually adequate to satisfy insurance company requirements. That type, which runs on a 9-volt battery, will call a programmed telephone number when the temperature in your home drops below 45F. It will continue to call that number every 15 minutes until answered. Then it sounds an alarm tone indicating that the temperature is nearing dangerous levels. You can direct the call to a neighbor, to a home-watch service or to yourself.



If you don't already have a freeze alarm installed, be sure to call us at Eldredge & Lumpkin at 800 945-1840 to see if your current policy requires one.

"Whether it's mandatory or not, a freeze alarm is a great product," says Mike Colecchi, owner of Chatham Hardware, which carries a full line of the devices. "Just think of the peace of mind you can buy for as little as \$130; the technology is reincarnating itself yearly."

Freeze alarms are available at many home centers, hardware stores and home security firms.

For more on freeze alarms, visit us online at www.ELInsurance.com

contact us:

Phone: 800 945-1840 • **Fax:** 508 945-4048

E-mail: info@ELInsurance.com

Web: www.ELInsurance.com

Living Near the Water Usually Means Mold

Even in the driest of winter days on Cape Cod, mold is insidious. As a companion of too much moisture in our coastal region, airborne mold spores are present everywhere, indoors and out. When they land on a damp spot inside your home mold begins to grow, actually digesting its host to survive.

Mold can grow on carpets, walls, fabric and food - virtually on any surface where moisture has accumulated. In addition to looking and smelling unpleasant, mold has been labeled as a potential health risk.

Mold at its worst in a Cape Cod home.



Photo Courtesy of Rich Lennox

EPA Guidelines

It's impossible to eliminate mold, but you can reduce humidity by adhering to the following Environmental Protection Agency guidelines:

- Vent clothes dryers and heating stoves to the outside.
- Run an exhaust fan, or open a window when showering, using the dishwasher or cooking with steam.
- Use air-conditioners and/or de-humidifiers when needed.
- Insulate cold water pipes and other cold surfaces.
- Consider buying an inexpensive humidity meter, available at most hardware stores.

A basement de-humidifier is particularly advisable on the Cape where high humidity can be present year round. Consider getting a unit that vents outside the house

If You Find Mold...

Clean it up promptly and thoroughly. Wash mold off hard surfaces with detergent and water, then dry completely. If absorbent materials such as ceiling tiles or carpets become moldy, they may have to be replaced.

For detailed information about mold and how to control it, visit EPA at

www.epa.gov/iaq/molds/preventionandcontrol.html.

Consider Extra Coverage to Protect Against Mold

Most insurance companies build mold exclusions into their homeowner's policies. Losses typically are limited to \$10,000 - in some cases \$5,000 - for property damage. Liability coverage is also limited. These amounts will fall far short of what are likely to be your actual expenses.

Fortunately, many companies allow you to add an endorsement to your policy to protect against mold damage. An endorsement, which costs \$100 or less, typically raises the loss limit to \$50,000 for property coverage and \$100,000 for liability coverage.

E&L strongly recommends that you purchase a mold endorsement.

Here's why: when a water damage claim is filed and mold is detected, you will have to have your home scientifically tested - at a cost of about \$1,500. Then you'll face the added expense of clean up. Typically, these expenses can easily approach your loss limit. And finally, you'll have to pay for re-testing your home to prove the mold is gone - another \$1,500. If significant mold remains, the entire process will have to be repeated.

Guard Against Identity Theft

Almost 10 million Americans were victims of identity theft in 2003; most had their credit cards stolen or their numbers misused.

A lost or stolen wallet/pocketbook - along with mail theft - are the most common types of ID theft. A Federal Trade Commission web site - www.consumer.gov/idtheft - urges you to manage your personal information wisely:

- Don't give out your personal information over the phone, through the mail or online unless you initiated the contact or you are sure you know with whom you are dealing;
- Don't carry your Social Security card on your person; store it securely;
- Secure your personal information at home, out of the reach of roommates, service workers or intruders;
- Carry outgoing mail to the post office

(continued on back cover)

Heads Up if you are in Business at Home By Pat Long, Vice President



Home-based businesses on Cape Cod soared 28 percent in the 1990s to 12,573, according to the latest Census. More and more workers and retirees are opting to use the family nest as a base of operations for entrepreneurship. One thing is for certain. You can't beat the commute!

If you earn any money from an in-home business, there will only be limited coverage from your basic homeowner's insurance policy. It's best to check your homeowner's policy before starting out. If you've been in business at home for a while, make your adjustments before complications arise.

A homeowner's policy usually restricts coverage of business property (desktop computers, laptops, modems, etc.) on the premises to \$2,500, and \$250-\$1500 off premise, depending on the company.

Further, there is no liability coverage for any business transaction-related activity. For example if a person making a business delivery to your home falls and gets hurt, you have no liability coverage. Another common oversight is the storage of business property in another structure such as a barn or detached garage, or the rental of the structure for something other than its original purpose. Not only is the business property coverage limited, the structure itself is not covered because it was used for business.

Coverage Is Available

Some but not all insurance companies will allow you to endorse your homeowner's policy for added business property coverage and/or business liability coverage. This may, however, be restricted by the type of business, the gross sales, how many employees you have, and other factors.

Some companies will allow you to combine a homeowner/business owner policy, or you may have to purchase separate business coverage.

Steps You Should Take...

Telling your insurance agent and insurance company about a business in the home serves two sound purposes: 1) You get proper coverage for your business activities and equipment; and, 2) Your insurance company cannot deny a claim based on undisclosed information.

The Eldredge & Lumpkin team is standing by to help you make the right choices. Call us at 800-945-1840.

President's Message... continued from page 1

loss. Although this practice allows for a 25 percent margin of error on homes that have the guarantee, we are not afforded any margin of error on older homes or those not otherwise eligible for the rider.

Eldredge & Lumpkin currently insures about 3,000 homes. Most of our clients are long-term. In fact, we have insured many homes for ten, 20 and 30 years - in some cases for 50 or more years!

As a result of these concerns, we intend to re-visit every home that we insure to make certain that they are adequately protected from disaster. As part of an effort to update our records, we will be sending each homeowner a renewal questionnaire and a request for details on the interior features of their home or homes. When you get these, please complete and return them to us in the time frame requested. We will then follow-up with an on-site, exterior inspection of your home to confirm the square footage of the buildings and take new photos for our files.

As a final step, we will update the current "insurable replacement cost" of your home based on local area building costs. We will advise you of any recommended adjustment to the amount of insurance to carry after this process is complete.

This is an important process to protect your most valuable asset, and your cooperation is vital to its success. Please call us at 800 945-1840 if you have any questions concerning this effort to ensure that your home is adequately insured.

Building Costs Skyrocket Here

The Cape and Islands are particularly vulnerable to escalating building costs experienced nationwide. "Not only has the cost of some materials doubled in the last year," says Rick Roy of Rick Roy Construction in Chatham, "sky-high fuel costs make it more expensive to bring building materials and specialized labor over the bridges."

"Five years ago, the cost to build an average home ran \$90-\$100 per square foot. Today, that same home would cost \$150-\$175, and an upscale place considerably more."

-Rick Roy

Prices are up across the board, according to Rick's estimator, Rich Gonet of Brewster. "For example, the high price of steel means we're paying more for nails and wire. Eventually, the increases must be passed along to the customer."

E&L PEOPLE

Pete Della-Luna—New Harwich Office Manager

Pete brings almost 40 years of insurance experience to customers in the Harwich area. "I've never worked in any other field," he says. "My job is personally rewarding because I genuinely like people and enjoy helping them."

Pete started in the business right out of college (he's Class of '66 at Holy Cross), working for several companies before becoming owner of an agency in West Springfield in the early '70s. He is a Certified Insurance Counselor with experience in both commercial and personal lines.



In addition to keeping abreast of the latest insurance industry trends through continuing education, Pete has served as an officer of the Professional Insurance Agents Association of New England. He has also been active in Rotary and other service organizations.

Pete joined the Eldredge & Lumpkin team in 2003. "Since we became wash ashores, we go to the beach every chance we get!" says Pete, who is also a Certified Ski Instructor and enthusiastic golfer. "Cape Cod is in my blood."

Identity Theft... *continued from page 2*

- rather than placing it in your mailbox;
- Invest in a shredder to destroy charge receipts, checks, bank statements, etc.;
- Ask the Commonwealth to make sure the number on your driver's license is not your Social Security number;
- Follow up with creditors if bills don't arrive on time;
- Protect sensitive information on your computer with updated virus protection software and a firewall.
- Don't put financial information on a laptop, and be sure to wipe the hard drive or destroy it when you discard or recycle any computer.

If you are victimized, act quickly. Close credit accounts or bank statements that have been victimized; call the three major credit bureaus, and place a fraud alert on your credit reports. Then contact the agencies that issue lost ID documents for replacements.



*Freeze Alarms
May Be Mandatory!*

Look Inside:

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