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INSURANCE Insights

A Newsletter for Clients and Friends of MOUNTAIN STATE INSURANCE AGENCY, INC.

Millennials' Misconceptions Over Renter's Insurance

IN A RECENT study, researchers discovered that millennials are now renting in larger numbers than ever before.

They also found that most (75%) of the people surveyed did not know they could obtain renter's insurance for about the same cost as a pair of movie tickets and had therefore not purchased coverage for their belongings.

They concluded that there was a clear misconception with this group of young people about how important it is to have renter's insurance, and the true cost of coverage. Leaving belongings at risk when about $20 per month can buy adequate coverage is an unwise move.

Renters often live in properties with multiple units, and they may not always realize how high the risk of fires and other disasters is in these places.

Although property owners are responsible for repairs to the structure in the event of most disasters, they are not responsible for tenants' belongings. It is up to renters to make sure their possessions are protected.

In their research, experts also found that about 40% of people who did not have renter's coverage did not think it was necessary. They said nearly 70% of all young adult renters replied that the cost to replace all of their belongings would exceed $5,000. Renters who had coverage said they bought policies because they wanted the peace of mind to know they were protected.

Inexpensive peace of mind

A plan that costs around $300 a year generally covers up to $50,000 worth of property. But most people won't need that much coverage as renters.

A policy that covers $15,000 to $20,000 worth of property should be enough for most millennials. Such policies can sometimes be had for less than $200 a year, or as little as $10 to $15 a month. (The average renter's insurance premium cost about $187 in 2017, according to the Insurance Information Institute.)

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Hopefully you are finding our *Insurance Insights* newsletter informative. Our purpose is to inform our clients, prospects and friends about personal risks faced in everyday life and how insurance might apply to those risks. If you have friends or family members that could benefit from our newsletter, please send us their contact information. We are always looking for more great clients like yourself.

It is our pleasure to be of service to you.

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More People Sued for Social Media Posts

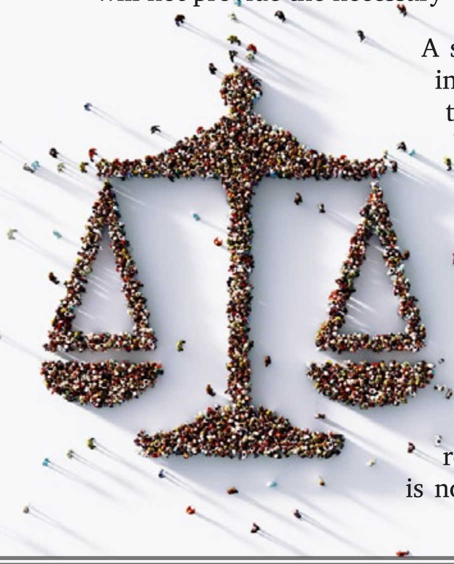
SOCIAL MEDIA has grown by leaps and bounds over the past decade. But, what many people don't understand are the unique risks that come along with social networking.

Anyone using Facebook, Instagram, Twitter, LinkedIn or any other social networking site should exercise extreme caution in what they decide to say online.

As an example, in 2013 a teenager in Florida sued some of her classmates and their parents, accusing the classmates of bullying and humiliating her in a Facebook group. In another case from 2015, a 14-year-old California girl sued her classmates – and their parents – for setting up a fake Facebook account under her name and using it to bully her.

Whether or not the allegations are true, the teenagers and their parents in such instances will need to hire lawyers to defend these cases and money to pay for the possible judgments against them.

Many people believe a standard homeowner's insurance policy will cover these kinds of lawsuits. In fact, it probably will not provide the necessary coverage.



A standard policy covers bodily injury or property damage done to someone else. It defines bodily injury as "sickness, harm or disease," and it defines property damage as "destruction of or injury to physical property."

Neither definition includes publishing or saying something that injures another person's reputation. Hence, the policy is not likely to cover a Facebook post. Typically, a lawsuit resulting from a social media post would allege inflicting emotional distress, defamation or some similar charge.

Personal umbrella policy

A good source to consider for extra coverage is a personal umbrella policy. This kind of policy provides additional insurance in circumstances where a loss has depleted the amounts of liability insurance offered under a homeowner's policy.

But, the policies also extend coverage where a homeowner's policy may not. An umbrella policy typically contains a personal injury clause that protects the homeowner from other circumstances, such as defamation, libel or slander lawsuits.

Umbrella policies usually have a deductible of $250 to $500, but that's a small price to pay for avoiding financial devastation.

Personal injury endorsement

The other option is to buy a personal injury endorsement. This policy addition broadens your homeowner's policy's definition of bodily injury to include personal injuries, such as false arrest, false imprisonment, defamation, invasion of privacy, malicious prosecution, wrongful eviction and wrongful entry.

Like the rest of your homeowner's coverages, the endorsement will probably exclude coverage for business-related activities, such as defaming a competitor on your business blog. It will also exclude coverage for claims resulting from any intentional or illegal activities.

As we become more exposed to risk through social networking, keep in mind that you should choose your words carefully on any social networking site.

Additionally, if you do not already have an umbrella policy, call us to see if it would be a good match for you.

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Theft, Fire Damage among Renters' Greatest Worries

Renter's insurance is quick and easy to buy, and millennials everywhere should make sure they always have it. To learn more about this type of coverage and how affordable it is, call us today.

RENTERS' BIGGEST FEARS

- Two of respondents' biggest fears were theft and fires.
- About 40% said their biggest fear was fire damage.
- About 30% said their biggest fear was theft.
- Believe it or not, nearly 5% said that their biggest fear was a zombie apocalypse!
- Nearly 25% of the renters surveyed said they would rescue their laptops first, ahead of mobile phones, hidden cash and heirlooms.
- About 40% of respondents said they did not know stolen property was covered in a renter's insurance policy.
- About 30% said they did not believe party mishaps would be covered, and they were surprised to find that many types of damage to personal property or the structure that are typical at parties were covered.

HOW IT WORKS

Scenario 1

Your son receives an e-mail and opens an attached file or clicks on a link that contains a virus that infects the computer, rendering it unusable. You have to hire a professional to reformat the hard drive, reinstall the operating system and restore data from the latest back-up. The services cost $900.
Outcome: The professional's charge is covered by your policy.

Scenario 2

You receive a pop-up message on your computer after you are unable to access any of your files. The message tells you that all of your data has been locked and encrypted and the only way to unlock them is to pay a $1,500 ransom to receive the decryption code. Further, if you don't pay promptly, the ransom price will increase by $500 a week and after three weeks the code will be destroyed, and your files will be permanently deleted.
Outcome: The insurer determines the threat is real and agrees to reimburse you for paying the ransom.

Protection Against the Growing Cyber Threat

THE SAME gadgets and technology that have made life more convenient and help people pass the time, unfortunately can leave you and your family members exposed to a variety of cyber-related attacks.

Online crime is rising fast and anyone that uses the internet, e-mail or smartphone apps risks exposing themselves and their personal data. This risk even extends to your kids downloading apps on their tablets.

Because of this growing threat, some insurance companies have started including certain cyber-specific coverages in their homeowner's policies, or as a rider. Some of the coverages that homeowner's insurers have begun offering are:

Digital content coverage – Replaces or repairs affected electronic data property that has been compromised.

Unauthorized charge reimbursements – This coverage protects credit cards from fraudulent charges made without your approval.

Identity access management – Helps with fraud resolution if your identity has been stolen in a cyber attack.

Document recovery – Assistance with retrieving, replacing or recreating lost, stolen or destroyed legal, financial or personal identification documents.

Lawsuit protection – Coverage for allegations of unintended libel, slander, defamation or invasion of privacy.

Additional cyber protection rider

But most of the coverages in homeowner's policies for cyber issues are not really that comprehensive. Better protection comes in the form an additional cyber protection rider (which has to be paid for separately as a rider to your homeowner's policy).

Some examples of these types of coverage include:

Cyber extortion and ransomware – Provides payments and professional assistance in responding to cyber extortion demands based on a credible threat to damage, disable, deny access to or disseminate content from devices, systems or data.

Cyber financial loss – Covers online fraud that results in a direct financial loss to you.

Cyber-bullying – Assistance in dealing with online harassment that results in wrongful termination, wrongful discipline from school or debilitating emotional distress.

Cyber disruption – Support for dealing with cyber attacks that prevent you from accessing your home, or attacks that interrupt a small business you run from home.

Cyber breach of privacy – Assistance dealing with theft, loss or unauthorized access to personal data from a cyber attack that results in defamation of character or puts the security of your family and home at risk.

Compromised or destroyed data – Pays to recover data and restore systems that have been lost or damaged due to a cyber attack. This would include attacks involving malware or unauthorized use of owned or leased computers, mobile devices and connected home devices.

New Car Totaled; Will Insurance Pay Off the Loan?

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IT'S THE nightmare scenario for any new car buyer. You drive it off the lot and a few days later another driver runs a red light, smashing into your car and severely mangling most of the front end and irreparably damaging the frame – essentially totaling the vehicle.

Luckily nobody was injured, but will insurance cover the total loss? Are you expecting the insurer to pay off the loan and you can be on your merry way? That may not always be the case.

Since the other driver was at fault, their insurer will be the one picking up the tab for your vehicle and, as repairing it is out of the question, it will have to pay you for the damage.

But, if you only put a little bit of money down when taking out a loan on the car, you could end up having to pay off at least some part of the loan balance that's left over after the insurer pays you for your vehicle.

One of the issues that arise is that new cars depreciate in value immediately after they are driven off the lot. If you've had the car a short time, the insurer will deduct the mileage from the purchase price and pay you that replacement value of the car at that time. If that's the case, you should be able to pay off the loan without being out of pocket.

However, if the car is a few months or up to a year old, and you didn't put a lot of money down, you could be out of pocket. How much will depend on the loan terms (interest and length of loan) and how much you put down when you purchased the vehicle.

Since the crash was the other driver's fault, their insurance company will pay you the current cash value of your vehicle. The loan is not a consideration for the insurer.

Gap coverage

There is one way around this conundrum called "gap insurance," but you would have had to set it up in advance.

This kind of coverage is ideal for people who didn't put much money down on their vehicle and/or have a loan that may stretch out for six or seven years. With payments on such a long horizon, you could be in a situation of owing more than your car is worth during the first few years of the loan.

Gap insurance is a special endorsement you can buy for your auto policy which will pay the difference between what you owe and what the vehicle is actually worth. This endorsement was created as vehicles became more expensive and loans became longer.

With gap insurance, the carrier pays the cash value of your vehicle, and then pays off the loan. So if the at-fault driver's insurer pays you the value of the car, your insurer would step in to pay off the loan.

If you don't have gap coverage, you will be left with part of a loan on a vehicle you no longer own – and you'll be without a vehicle. In some cases, the balance of your own loan can be tacked onto to a new loan that you take out for a replacement vehicle.