June 2019

INSURANCE Insights

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

Controlling the Risks of Business Vehicles

AS THE cost of commercial auto insurance continues climbing at unprecedented rates, any business with vehicles has to make sure that it has procedures and policies in place to reduce the chances of its drivers causing accidents.

When a business entrusts a vehicle to an employee, it is literally putting its assets on the line. That's why you should set these no-exception rules for drivers:

- Always wear seat belts.
- No driving while under the influence of alcohol or drugs.
- No mobile phone use while driving.

You should also set guidelines for employees to follow when they use company vehicles, such as:

Limit their non-business use of vehicles – If employees take company cars home with them, you should set reasonable limits on personal use.

Allow plenty of time between meetings and assignments – This will make it less necessary for employees to speed.

Park vehicles wisely – Instruct workers to park vehicles in well-lit areas.

WEEDING OUT TROUBLE

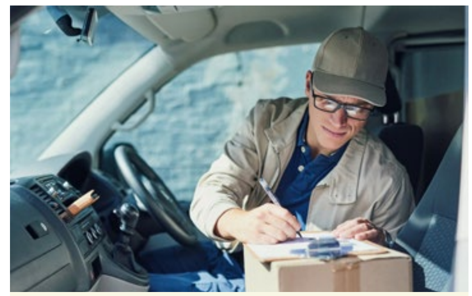
- Check prospective employees' driving records before hiring them.
- Don't let staff with poor records drive.
- Annually check driving employees' records.
- Require employees to report accidents they have when they are off the job.
- Be on the lookout for employees with short tempers, as they may be prone to road rage.
- Provide occasional driver training for employees who drive, especially drivers of large commercial vehicles.

Even with all the preventive measures in the world, an accident will occasionally happen.

Employers should prepare their drivers for that event. You can start by developing procedures for what employees should do after an accident (see box at top of next column).

Also, keep copies of the procedures handy in vehicle glove boxes.

See 'Accidents' on page 2



POST-ACCIDENT PROCEDURES

- Remain at the scene.
- Call the police if there are injuries.
- Gather information from the other driver (name, address, insurance information, license plate number) and any witnesses.
- Report the accident to a designated person within the company.

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Mary Ann Jenkins

PLEASE VISIT OUR WEBSITE – www.mountainstateinsurance.com

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.

Mary Ann Jenkins/Personal Lines (304) 720-2000 Ext 200

Do You Know Your Home's Flood Risk?

ALMOST EVERYONE has a risk of their home being flooded, regardless of where they live. And now as flooding has become an annual threat to many communities across the country, even areas that were not considered flood-prone are also at risk.

There was record rain and snow in many parts of the country in the early part of the year, and many areas have experienced flooding.

According to the Federal Emergency Management Agency, more than 20% of all flood insurance claims come from areas outside of high-risk flood zones – and that number is rising with each passing year.

That still means the vast majority come from high-risk areas. How can a property owner find out what their flood risk is?

Gauging your flood risk

FEMA considers a property to be at high risk of flood if there is at least a one-in-four chance of flooding during the life of a 30-year mortgage.

Geographic areas with this risk are known as special flood hazard areas (SFHAs). Federal regulations require federally regulated or insured mortgage lenders to confirm that mortgaged properties in these areas carry flood insurance.

The traditional way to determine a property's flood risk is to locate it on a flood insurance rate map (FIRM). FEMA publishes these maps based on geographic survey data. They are the official depictions of flood hazards in a locality.

FIRMs are freely available for review at the Flood Map Service Center on FEMA's website. As a property owner, you can view your flood risk by entering your address in the search field.

Flood maps assign each area in a community to labeled flood zones. Areas with low-to-moderate risks of flooding are assigned to zones with labels beginning with the letters B, C, X or a shaded X. SFHAs are designated with the letters A or V. These areas are shaded on the maps..

Property owners can also search for their flood risks at FEMA's flood insurance consumer website. By entering your address in the fields on the home page, you can quickly learn whether you face a low-to-moderate or high risk.

The site offers other valuable tools, such as an estimator that can calculate how much financial damage a given amount of water (two inches, four inches, etc.) would cause in homes of various sizes.

For example, six inches of water in a 2,000 square foot home would cause $39,150 in damage.

FEMA also offers a suite of flood risk products that go beyond the information provided in a FIRM. They include:

- Flood risk maps, which show overall risks for a given area,
- Flood risk reports, which show community-specific risks, and
- The Flood Risk Database, which stores all data for an area.

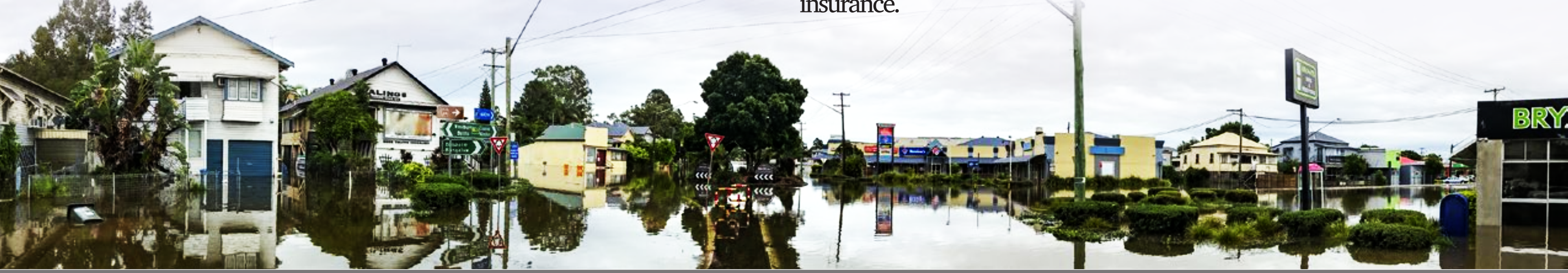
These products are helpful for community planners, but individual property owners can also use them to get a clear idea of their flood risks.

Elevation certificates may also be on file with local governments for certain properties. These documents show the elevation of the lowest floor of a building (including the basement) compared to the base flood elevation for the area.

An elevation certificate demonstrates community compliance with flood-plain management laws and is used to set appropriate flood insurance premiums.

The takeaway

A flood can be every bit as catastrophic as a fire. It is worthwhile for property owners to learn their flood risk and take steps to reduce it. Additionally, with the increasing risk of flooding in non-flood-plain areas, if you live near a flood plain, you may want to secure flood insurance.



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Report Any Employee Accidents ASAP to Your Insurer

If one of your employees is involved in an accident, report the accident to us or your insurance company as soon as possible.

Follow the conditions listed in the insurance policy. Check with us if you do not know what they are.

Follow the insurer's instructions for getting repair estimates and communicating with physicians.

Auto accidents disrupt lives and business operations, and they can be costly.

Your insurance company may be able to help. Many insurers offer loss-prevention guidance for their customers.

Businesses can reduce their risks and control their costs by working with their insurers and following these simple steps.

Homeowner's Policy Won't Cover Vacation Rental

IF YOU'VE been insuring your vacation rental with a standard homeowner's policy, it likely won't be enough to cover the various types of damage that are inherent when renting out property.

And it also won't cover any injuries that your guests sustain on your property, or lost income should it be rendered un-rentable for a period. What you need is vacation rental property insurance, which is like a homeowner's policy with added protection.

Even if you have a contract that requires guests to pay for damages, plus a deposit, if someone can't pay for damage, you may never be able to fully collect and you're on the hook.

What you need to know

A standard homeowner's insurance policy will not provide coverage for business activities. Also, policy language will vary from insurance company to insurance company and from state to state. So, it's wise to give us a call about your options.
Usually, there are two alternatives:

- If the property is used mostly for short-term rentals of less than 30 days, then you may be able to purchase a special endorsement for your homeowner's policy from your insurer.
- If you rent on a more frequent basis, you may need to buy a business insurance policy for short-term vacation rentals.

The three main areas you'll want to insure are:

Liability – The biggest liability you'll face with a vacation rental is injury to your guests or damage to their property due to your alleged "negligence." Insurance would provide coverage for any injuries sustained by guests on your property that they blame you for, and for costs if they file suit against you.

Building and contents – If one of your guests starts a kitchen fire that burns half the property down, this part of a policy will cover rebuilding of the structure and replacement and installation costs of contents damaged or destroyed.

Rental income – If your property is damaged and rendered un-rentable for a period, a proper policy can also reimburse you for lost income during that time.

Before securing a policy

Before you decide on a policy, take stock of your rental:

- Do you provide recreational items like bikes or a swimming pool? This increases your chances of a claim.
- What are the conditions around the property? Is the area prone to wildfires or other natural disasters?
- Hire an inspector to check piping and wiring to bird-dog any signs of wear that could lead to a leak or fire.

If you also stay in your rental

If you insure your short-term rental as a business, you can also stay there since there are no standard occupancy restrictions on a business policy. This means the property is insured while you, your friends or family, and of course paying guests stay there.

If the short-term rental is also your primary residence, you can still purchase a vacation rental policy. In that case, the policy simply adds $1,000,000 in personal liability and $50,000 in loss of use to relocate in the event the property is being rebuilt. This is very important if you don't carry a homeowner's policy elsewhere.

Why Wealthy Families Need More Insurance

ALTHOUGH MANY people assume wealthy individuals have nothing to worry about, they do have to be concerned about being targeted with significant liability lawsuits.

Unfortunately, many wealthy families do not have ample protection against such actions because they underestimate the cost of potential damages and how affordable protection is in comparison with those damages.

A recent study by ACE Private Risk Services found that half of the people interviewed thought the worst lawsuit they could possibly face would be less than $5 million in liability.

But, the reality is that lawsuit awards for serious injuries are often much higher than that amount. And if the plaintiff finds out that you are a high-net-worth individual, they can increase the amount they are seeking from you.

WEALTHY AND EXPOSED

- Rich families feel they are increasingly targeted for lawsuits.
- 80% of wealthy individuals feel their money puts them at a higher risk.
- More than 65% feel that the nation's view of the wealthy has become more negative in the past decade.
- Almost 40% feel they are likely to be sued over the next few years.

Source: ACE Private Risk Services

The risks

The ACE survey found that more than 50% of wealthy families have household employees. Gardeners, housekeepers and nannies can become disgruntled enough to file a lawsuit.

In many cases, the allegations may not even be true. Sexual harassment, wrongful employment practices, wrongful termination and discrimination are common allegations in such lawsuits.

Wealthy individuals who serve on boards of charitable organizations are also at risk, since the organization's directors and officers coverage may not be enough for individual protection.

Auto accidents, dog bites, character defamation and slander are also common lawsuit allegations.

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Umbrella coverage

Auto and homeowner's insurance usually caps liabilities at a relatively low level, like $500,000. To augment that coverage and protect their assets, wealthy individuals need to secure an umbrella policy that has appropriate limits for their net worth.

In the event an incident exceeds the liability limits of the base policy, an umbrella policy provides extra coverage. Several companies specialize in umbrella policies for wealthy families whose net worth is beyond $1 million. These companies offer policies covering between $5 million and $100 million.

Premiums are quite reasonable for the coverage, and policyholders can reduce the premium by increasing their deductible. But the key is to buy a policy with enough coverage.

If you're worth $2 million, a $2 million umbrella is not going to protect you from a $4 million legal judgment, since it would still be worth a lawyer's time to go after your personal assets. So even if your net worth is below $4 million, you should consider a $4 million umbrella.

We recommend securing coverage at least equal to your net worth. That said, if coverage falls short, a judge could order you to pay up, forcing you to liquidate savings and investments, real estate and personal property – and even garnish your wages.