

The Gordon Gazette

Insurance news you can use... for the customers of

Andrew G. Gordon, Inc.

Insurance



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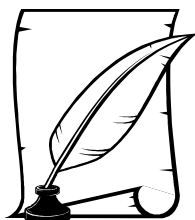
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Winter, 2007



From the owners desk...

In December former Insurance Commissioner Bowler's office issued new regulations to create a new "assigned risk program" for Massachusetts auto insurance that was set up and ready to go on April 1... But wait! The plan has since been suspended pending a 90-day review period. This review period puts the changes pending in Massachusetts auto insurance on hold. Thus, for the time being, auto insurance in Massachusetts is *status quo*.

Meanwhile, rates for 2007, will go down, on average, a little more than 11% beginning with policies that renew on April 1. Bear in mind, this 11% figure is a state-wide average; yours may differ. Drivers in Dorchester and South Boston are seeing rates drop over 17%, and Lawrence is going down a whopping 24% due to successful anti-fraud actions in those communities. One important thing to remember after all the political and regulatory bluster: the greatest effects on your auto insurance cost are your driv-

ing record and the car you drive.

We continue our "Repair, Replace, Restore" theme this month with an examination of what "Replace" really means with a focus on your homeowners policy.

We've enclosed another of my Op-Ed articles for Banker and Tradesman, a trade periodical for the real estate and banking industries. The fallout from Katrina illustrates some core insurance issues that affect us here and deserve examination. Watch B&T for more insurance related articles this spring.

In recognition of and respect for long term hurricane predictions, last summer we installed a generator capable of powering all our computers and phones; and we maintain our CSR /24 Customer Service link from our web site (www.agordon.com) for additional customer service needs in the event of broad power outages.

Have a safe and pleasant remainder of the winter, and if you are happy with your experience at Gordon, tell a friend. If not, please tell me.

Geoffrey Gordon, CFP®, CIC, CRM

Replace—How to get you back to where you were

Replacement of your damaged belongings is the one of the core functions of insurance.

When some unexpected disaster happens, can I get back to where I was before disaster struck?

With homeowners insurance, there are two categories: real property (the house itself and out-buildings) and personal property (your "stuff"). This policy always pays for house repairs at replacement cost, meaning no depreciation. In addition, for most newer homes, companies pay 25—50% or more over the amount shown in your policy... as long as you insure the house to complete value (this is known as home replacement guarantee).



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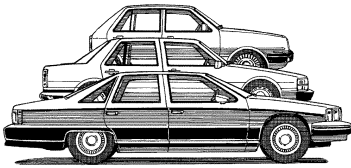
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Commercial Corner Vehicles used in business...

Business use of vehicles varies from business to business, but there are some constants where insurance intersects business use. If you use a vehicle for business, or have a business auto policy, read on.

Renting a temporary vehicle:

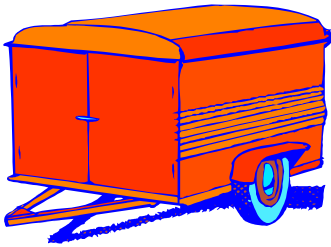
“Non-owned and hired” coverage provides liability coverage for your company in vehicles rented or used, (not owned) by your company or employees. Collision and comprehensive coverages do not extend to rental vehicles. Thus, if you rent a vehicle (for business use or even on vacation) under your company’s name, always purchase the additional “collision damage waiver” from the rental company.



Coverage for owners / employees’ use of other vehicles: The commercial auto policy will insure company vehicles, but won’t extend to you personally for use of any other vehicles... such as when you borrow your neighbor’s car. Only a personal auto policy will extend liability coverages to you personally. If you do not have a personal auto policy, contact us to add “Drive Other Car” coverage to your commercial policy. You can add protection for specific people for those times when they drive non-company vehicles.

Trailers:

If you pull a trailer with your commercial vehicle, the trailer must be listed on your commercial policy. This applies even if you pull a personal trailer such as a boat trailer or utility trailer with your commercial vehicle. So, before you go attaching anything to these vehicles, call us to make sure there is insurance in place. There is no charge for small trailers, but they still need to be listed for insurance to extend. (Personal policies provide this automatically – commercial policies do not.)



80% of crashes guilty of DWD

-- Driving while distracted

Almost 80 percent of crashes and 65 percent of near-crashes involve some form of driver inattention within three seconds of the crash, according to a study released by the National Highway Traffic Safety Administration NHTA. You’ve seen them in your rear view mirror: talking on a cell with one hand, and a cup of coffee and the steering wheel hand in the other, applying make-up or combing their hair... (*it’s NEVER you!*)

Changing a CD, looking for sunglasses, eating a sandwich or drinking coffee can all contribute to distractions at the very moment your safety depends on paying close attention to the road.



Most people agree that these distracted drivers are dangerous. What about younger drivers? A study by Liberty Mutual Group insurance found that texting was the top distraction among teenage drivers, cited by 37 percent of the 903 teens surveyed at 26 high schools across the country. From a Cox Newspaper article last October on this subject, *"I just do it. I can text without looking at my phone," she said. "Everybody texts while driving." She adds, "I'm good at multi-tasking."*

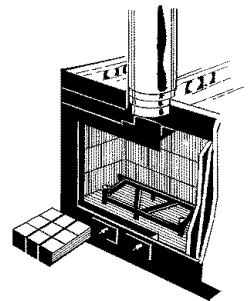
In 2005, over 7,000 teen drivers were involved in fatal crashes according to the NHTA. The fatality rate for ages 16 to 19, is four times that of drivers aged 25 to 69 years based on miles driven

Parents: Talk to your teens.. . And more importantly, set a good example. The way you drive has a greater effect on your teens’ habits than words alone.

Wood stove maintenance

The late 1970s saw a resurgence of burning wood to supplement heat for homes in winter. After all, the fuel source was local, and the cost was attractive. Now, 10, 20, and 30 years later, dried wood, creosote build up and fatigued stove pipes are causing more fires than ever.

Unlike oil burners, which most people have cleaned annually by their heating service, or gas and electricity which don’t require regular cleanings at all, wood stoves are the forgotten heating maintenance item for most people. But they are the most hazardous fire threat to your house and family. If you have a wood stove, it probably needs your attention. Don’t wait: Clean the flue, replace fatigued pipes, or hire a professional to check it all. Make it a priority. Your home and your personal safety may depend on it.



2006 hurricane season a dud... But some are taking the long view

Hurricane season was a non-event last year, to the delight of everyone except the forecasters. With the benefit of hindsight, consider these statements from accuweather.com published last March:

The current cycle and above-normal water temperatures are reminiscent of the pattern that eventually produced the 1938 hurricane Forecasters at AccuWeather.com say that patterns are similar to those of the 1930s, 40s and 50s.... The worry is that it will be sooner, rather than later, for this region to be blasted again... The strongest sustained winds from the [1938] storm were recorded at the observatory at Blue Hill, Mass., southwest of Boston. The 5-minute sustained wind speed of 121 mph, and the peak gust of 186 mph are the strongest winds ever recorded in New England during a hurricane.



(An aside: Sudden Sea: The Great Hurricane of 1938 by RA Scotti provides vivid detail of the storm in a novel. My own grandfather owned a home on the shore that was moved a half mile down the shore during that fall day).

Taking the long view

Reinsurance companies are the financial giants that provide insurance to the retail insurance companies where we buy our insurance. Because of their broad spread of risk they know that any northeastern hurricane could strike New York, Connecticut, or Rhode Island or here in Massachusetts. For them, any northeast hurricane means big payouts to many customers, somewhere. They are building their reserves for that rainy, rainy day, whether in '07, or later, and we are all feeling the effect in our own insurance costs.

Billing heads-up - online checking

If you use an on-line checking account to pay your bills, check their payment terms for the timing of payments. Most internet banks aggregate bills from many customers before sending payment on your behalf, typically causing delays of a week to ten days. This practice can cause problems with time-sensitive payments, so be sure to allow time when using this kind of service.

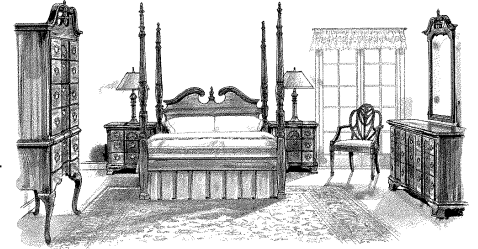


Replacement Cost - how to get back even... or better

(Continued from page 1)

Personal property likewise is paid at replacement cost, but for this we have to endorse, or modify your policy, since a "plain vanilla" policy otherwise charges you for depreciation.

Replacement cost actually goes beyond the first premise of getting you back to where you were "pre-loss", since depreciation is ignored. This is as it should be. Depreciation isn't something we account for personally. To get our "stuff" back means spending money, so we always recommend insurance that provides this replacement value treatment.



There are some cases where "actual cash value" or a depreciated amount is still used. If you choose not to replace or repair what you've lost, then you still get paid at a depreciated basis. (Some "deluxe" policies ignore this feature, even when you don't replace the lost property. Ask us about this if you think this would be important for you).

There are a few things that always are charged actual cash value: fences and antennas are two examples. But most homeowners claims are set up to pay what it takes to get all your "stuff" back.

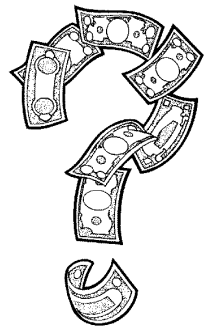
If we don't handle your homeowners insurance yet, we'll review your policy to let you know if steps need to be taken to get true replacement cost.

Update on Coastal homeowners markets in Plymouth County

Underwriting appetites are constantly changing, so here's an update for folks who feel the ocean breeze:

We have one A-rated company that is still writing homeowners insurance within 2000' (just under a half mile) of the ocean. Prices are competitive, but availability is affected by your credit and your claims history. (Always talk to us before filing small claims).

Higher valued homes still enjoy additional options even closer to the coast, but often at a cost that exceeds the Massachusetts "Fair Plan" (the largest writer of homeowners insurance in the State). If there is a big storm in our future, that cost differential may be a small price indeed.





LIFE & FINANCIAL NEWS

Health Care and the government

Legislative bodies at several governmental levels know that they cannot be the default provider for Americans needing health care or income. Several steps have been taken recently to provide incentives for consumers to buy their own protection privately.

Tax Consistency

President Bush has proposed to level the playing field on tax deductibility for medical insurance. In the past, individuals who have bought their own health coverage have not been able to deduct that expense, while corporations have. This disparity has made it more expensive for individuals to buy insurance, and really isn't fair. The president's proposals deserve Congress' careful examination. Health care for all has traditionally been a Democratic Party agenda item, thus bi-partisan legislation in this direction is likely in our view.

Massachusetts Universal Health Care:

Former Governor Romney's plan to require all Massachusetts residents to buy health insurance, either through their employer with extensive subsidies for families below 300% of the federal poverty level, or on their own, represents a movement away from Medicaid. However, a related law in Maryland targeting Walmart employees may have violated ERISA, a 1974 federal law regulating employee benefit plans, so we'll see if that affects us

here in Massachusetts. But even so, the intent of the law is clear: state government will give you a little help, but you have to go out and get health insurance for yourself in most cases.

Long Term care:

Long term care is insurance designed to pay the cost of a nursing home or in-home care when you're not well enough to take care of yourself. Many people mistakenly assume that Medicare pays for convalescent care. It does pay for some skilled nursing care, but not convalescent care. Federal lawmakers have provided tax incentives to buy coverage individually while state lawmakers have provided coverage guidelines to provide state tax incentives as well. The message: buy your own.

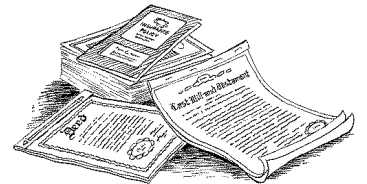
Disability

While the government provides short term help when you're been laid off from work (unemployment benefits), the criteria for disability are so strict as to exclude some 70+% of disability claims brought to Social Security. If something happens to the goose that lays the golden eggs, how long would the eggs you've saved pay all the bills? Insure your ability to make a living.

Retirement Planning

Social Security is an unsustainable system over the long term. Rules and regulations allowing for accelerated savings through employer sponsored 401(k)s and individual retirement accounts and continued tax advantages of annuities all point to making retirement planning an individual's responsibility.

Planning won't guarantee lifelong financial security; but not planning will virtually guarantee financial insecurity in retirement. We offer a broad array of life, health and annuity insurance programs. Don't hesitate to give us a call if you need to explore this protection. We help you get past the confusing details, and help you focus on the issues that matter to you.



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