

DOG BITE CLAIMS

How a Pet Affects Your Homeowners Policy

THERE ARE more than 68 million dogs in the U.S. and while they make for great companions and keep our homes safe from intruders, they can also be a significant liability.

About 4.5 million people suffer dog bites every year, according to the Centers for Disease Control and Prevention. Of that number, about 885,000 need medical care.

The Insurance Information Institute (I.I.I.) estimates that one out of every three homeowners' claims were for dog bites. In 2010, nearly \$413 million was paid out in home insurance liability claims that were related to dog bites, according to the institute.

In 2010, there were 15,770 dog bite claims, a decrease from 16,586 in 2009. Despite this 4.9% drop in claims, the total value of dog bite claims remained relatively constant, which increased the average amount of each claim.

The average cost of dog bite claims increased to \$26,166 in 2010, a jump of 5.3% from \$24,840 in 2009. What's more, dog bite claims costs have increased a whopping 37% from 2003, when the average cost was \$19,162.

"The average cost per claim has risen over the last eight years (2003-2010) which can be attributed to increased medical costs as well as the size of settlements, judgments and jury awards given to plaintiffs, which have risen well above the rate of inflation in recent years," Jeanne M. Salvatore, senior vice president and consumer spokesperson for the I.I.I., said in a statement.

Most standard homeowners insurance policies include dog bite liability coverage. Maximum coverage typically ranges from \$100,000 to \$300,000 in most homeowners policies. You can get additional coverage if you purchase an umbrella policy.

An insurance company usually won't decline to write a policy for a homeowner with a dog, but if you file a claim, the insurer may choose to raise your rates or exclude the dog from the policy upon renewal.

In the event that your dog does bite someone, the insurance company can raise your homeowners insurance rates or even move to exclude the dog from being covered in your standard policy.

Some insurers will exclude certain breeds from coverage altogether, such as rottweilers, German shepherds and pit bulls.

In the past, some carriers would agree to write a policy with a dog of a certain breed but would create a manuscript exclusion for the animal.

At the time, "dog" exclusions did not exist. This allowed the carrier to maintain a good insured relationship, but eliminate the risk associated with either a dog that had already bitten someone or for a breed known for ag-

gressive tendencies.

The American Association of Insurance Services has recently developed and filed an exclusion for the homeowners form for contact with dogs listed on the exclusion.

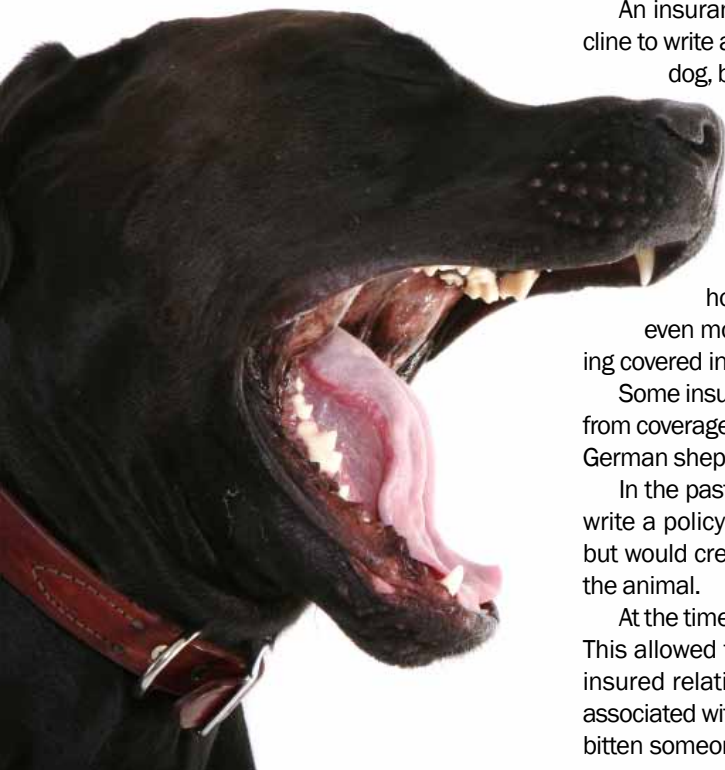
Characteristics, other than their name, must be very specific, so that the dog is readily identifiable.

This alleviates confusion if the dog's name is changed or the insured has multiple animals.

A description such as "a black and white mutt named Spot" will not do.

The list of characterizations must be detailed enough that the dog can be recognized, and thus distinguished, from any other canine.

The insured is required to sign the endorsement acknowledging that coverage for bodily injury, property damage and medical payments is not available when caused by contact with the dog. ■



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PROTECT YOUR ASSETS

Rentals Need Insurance Coverage Too

IF YOU are a renter, you should strongly consider an investment in renter's insurance. No one likes to think about the possibility of a fire or a burglary, but these are real possibilities.

Burglars can break in while you're away and steal your computer, entertainment system, jewelry and other valuable items. Without renter's insurance, you will have thousands of dollars in out-of-pocket costs to replace the stolen items. By contrast, if you have renter's insurance, you will promptly receive a check that covers either the replacement costs for the stolen items or the current value of the items – depending upon which type of insurance policy you've purchased.

Maybe you believe there is little risk of a burglary in your geographic area, but what about the risk of fire? Fires strike randomly and can begin in electrical wiring over which you have no control.

It's unpleasant to contemplate, but you could come home to find that everything you own has been destroyed. With renter's insurance, you would have a check in hand quite soon to begin refurbishing your life.

Yet another scenario for which renter's insurance can be of enormous benefit is personal liability. If a visitor is injured in your home, for example, by falling down the steps, you could be liable for his medical bills. Renter's insurance would cover this liability.

Some renters are under the impression that their possessions are covered by their landlord's insurance. This is rarely true.

Typically, the landlord's insurance covers loss or damage to his property, not yours. Your landlord's insurance also covers his liability in case anyone is injured on the property, though not always injuries inside your apartment.

Most renters can get comprehensive coverage for a few hundred dollars per year, depending on where they live. Considering the risks covered by renter's policies, this is a low

cost for the potential benefits.

Before speaking with an agent about renter's insurance, look around your house or apartment and take an inventory of items you would need to replace in the event of a catastrophe.

Take note of high-value or difficult-to-replace items such as antiques, furs, jewelry, or expensive art. Before you get a policy or immediately thereafter, you should record information on all your high-value items, including details about the make, model, serial number, age, and costs (both purchase and current replacement). It may also help to have photos of these items for identification purposes.

A basic policy usually pays only for the actual cash value of your items at the time they were lost. In other words, they would be valued not at what you paid for them originally or what it would cost to replace them, but at their actual value as used items. So a three-year-old computer would be covered for its initial cost minus depreciation. Since computers depreciate quickly, yours may be worth little by the time it's three years old, so your insurance proceeds will be limited.

If you have expensive items like electronics that are subject to depreciation, you should consider replacement cost coverage. With this type of policy, you would be reimbursed for the current cost of buying a new equivalent item. Thus, in our example of the \$2,000 computer at three years old, you would receive a check that would enable you to buy a new computer. Of course, replacement cost coverage is more expensive. It's up to you to decide which type of coverage – actual value or replacement cost – best fits your needs and budget.

Like most other insurance policies, your renter's policy will have deductibles. A deductible is an amount of loss you will have to absorb yourself before receiving any money from the insurance company.

For example, let's say you have a policy with a \$500 deductible. You have cameras you bought for \$2,000 several years ago. If you have replacement cost coverage and the cameras are lost in a fire, you would receive a check for \$1,500 from the insurance company. Of course, you can lower your insurance premium by accepting a higher deductible, but this means if there is a loss, you must absorb more of it from your own pocket.

Renter's insurance usually does not cover damage from floods or earthquakes, but you may be able to get endorsements for these and other "acts of God." An endorsement extends the perils covered by your policy. Obviously, you must pay an extra premium for the extra coverage.

Be sure to discuss any special high-value items such as antiques, furs and jewelry with your insurance agent, since you may need extra coverage for these.

As mentioned, a basic renter's policy includes liability coverage should someone be injured in your rented home or apartment.

As with car insurance, there is a per-incident limit on this coverage, and you should make sure this is high enough to protect your assets. ■



PEACE OF MIND: Most renters are able to get comprehensive coverage for just a few hundred dollars per year.

New Technology Reduces Fender-benders



NEW TECHNOLOGY that has been introduced in some vehicles may provide some relief for one of the most common road accidents: the rear-end collision that occurs in typical bumper-to-bumper commuter traffic.

A new insurance industry-funded study conducted by the Highway Loss Data Institute found that a 2010 Volvo XC60s that came installed with a feature called City Safety was far less likely to be involved in low-speed, front-to-rear crashes than other mid-sized SUVs without the system. The system is designed to help cars avoid or severely reduce the impact of slow-speed collisions.

The study found that insurance claims that pay for damage to vehicles hit by an at-fault driver were filed 27% less often for owners of the XC60s than vehicles in the same class. More significantly, bodily injury claims were 51% less frequent in accidents in which the driver of the XC60s was at fault.

Many carmakers have been offering safety systems that are designed to prevent collisions at high speeds for about four years now, but the City Safety system is the first one that is designed to reduce the chances of more common crashes, which occur at less than 20 miles per hour.

The system been a standard feature in XC60s since 2010 and it has been introduced in Volvo's 2011-12 S60 sedans and 2012 model S80 sedans and XC70 wagons.

"This was our first real-world look at an advanced crash avoidance technology, and the findings are encouraging," Adrian Lund, president of the institute, said in a prepared statement.

"As people grow more aware of the risks of distracted driving, crash avoidance systems like this one can help to ensure that a momentary lapse of attention during a congested commute doesn't result in a crash." Lund said.

What's different about City Safety compared to other crash-avoidance systems is that it does not sound a warning to the driver that a crash is about to occur.

Instead, it automatically brakes to avoid a front-to-rear crash, using an infrared laser sensor built into the windshield. The sensor monitors the area in front of the SUV when traveling at speeds of between 2 and 19 mph.

It detects and reacts to other vehicles within 18 feet of the XC60s' front bumper during both daytime and nighttime driving. If the speed at which the two vehicles are travelling is different by less than 9 mph, the system may enable the driver to avoid some crashes altogether, the study said.

If the difference is between 9 and 19 mph, the system may not prevent the crash but will reduce the severity of the damage and injury, the study found. The system is not designed to work at speeds greater than 19 mph.

The National Highway Traffic Safety Administration is deeply interested in the potential for crash avoidance technology to significantly improve safety on the roads.

The agency has urged carmakers to continue working on technologies that can improve safety in cars.

Still, City Safety is not foolproof. Its infrared laser system, used to detect vehicles in front of the car, can be hampered by fog, heavy rain or snow. Fortunately, though, if the sensor becomes blocked by dirt, ice or snow, it alerts the driver to clean it off.

The system is automatically activated when the vehicle ignition is turned on. It can be manually deactivated by the driver. ■



SAFE TECH: *The City Safety system helped reduce at-fault accident claims by 27%, a study has found.*

NATURAL DISASTERS

Flooding Not Covered by Homeowners' Policies

THE FLOODS ravaging many parts of the country this year should serve as a warning to homeowners that do not have flood insurance to consider getting it.

If you try to buy it when heavy rains start or upon hearing news that floods are imminent, it is usually too late to secure coverage. While this practical insurance can be purchased anytime, the policy does not take effect for 30 days.

Flooding is the most common natural disaster in the country and this year has been especially tough in the Midwest. Flooding results in millions of dollars in damage to homes and property every year.

Despite that, flooding is not covered in your typical homeowner's insurance policy, which means you have to buy a separate policy to secure additional coverage to protect against this expensive disaster.

If you are in a high-risk flood zone, your mortgage lender will require that you buy flood insurance in order to qualify for a loan. To satisfy the lender, flood insurance must be purchased in an amount that sufficiently covers the loan.

A homeowner should also buy flood insurance if he or she resides in a flood plain with no failsafe controls, such as a dam or levees that protect against a 100-year flood.

Flood policies even pay off if the president of the United States does not declare the area a federal disaster area, which can

prove to be invaluable.

Because the president rarely issues such a declaration, protecting yourself is extremely important.

Besides, you have to repay the federal aid you receive for home repairs related to a natural disaster, so providing your own protection is the only way to ensure financial recovery after being hit by flooding.

Not all homes qualify for flood coverage. For instance, flood insurance for beachfront or ocean-side property may not be available for the obvious reasons.

The Federal Emergency Management Agency (FEMA) reports that more than 20,000 communities have agreed to tighter zoning and building measures to control floods. Residents of these communities can buy flood coverage from the National Flood Insurance Program (NFIP), which FEMA oversees.

As of 2009, NFIP had 5.7 million flood policies in force nationwide.

Premiums for flood insurance vary widely, depending primarily on individual risk. In determining price, flood insurance underwriters consider several factors, including the property's elevation, proximity to bodies of water and whether the dwelling has a basement.

Flood insurance is available to homeowners, renters, condo owners/renters and commercial owners/renters. ■



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