



WATERCRAFT POLICIES

For many in the Seattle area, summer means taking the boat out for a wide range of activities including: fishing, waterskiing or just cruising Lake Washington. Insurance isn't likely to be the first thought of many boat owners but should be an important consideration for all watercraft owners. Most boat owners would agree that insurance is simply a fact of boating life, even if it is often an afterthought. This article is intended to help watercraft enthusiasts understand some distinctions between different types watercraft coverage and also to illuminate several types of discounts available through some carriers that can contribute to lower premiums.

Boat and yacht insurance policies can vary between carriers although typical coverage may include: Physical Damage coverage that provides protection in the event of a collision with another boat, or perhaps a submerged object; Liability coverage in case of bodily injury or damage to the property of others; and Personal Property coverage intended to protect personal property on the boat. These three types of coverage illustrate the depth of boat and yacht policies but are not the only types of watercraft coverage.

For example, some carriers offer uninsured and underinsured boaters coverage. This coverage is intended to protect the insured's watercraft in case of an injury or damage resulting from the actions of an owner or operator of an uninsured or underinsured watercraft.

An important characteristic of any insurance policy and especially of watercraft policies is if the policy is based upon a "replacement value," an "agreed value," or an "actual cash value." A "replacement" policy will cover to replace your boat with a comparable boat. This differs from an "agreed value" policy which insures the boat for an amount agreed upon by both the boat owner and the insurer, prior to any loss. The premium for either a "replacement" or an "agreed value" contract is usually greater than an "actual cash value" policy for watercraft policies. While "actual cash value" policies cost less, it pays out only the depreciated value of the boat at the time of loss. For watercraft policies the way in which the replacement value is defined, in case of loss, is an especially important factor in determining the cost of the policy.

Several companies offer discounts including but not limited to the following: the successful completion of a safety course, a new boat credit, and theft protection device discounts. These are a few of the discounts offered to watercraft owners.

SAVING MONEY AND EXPANDING COVERAGE FOR YOUR COLLECTOR CAR

Collecting, rebuilding and maintaining antique and classic cars is an increasingly popular pastime. According to one estimate there are nearly three million collector cars in the US. Collector cars are owned by a diverse range

of owners, from those who can afford to keep stables of rare cars to those who may keep a sentimental favorite from their youth. Specialty insurance for collector cars is an especially good idea for many classic car owners.

Antique car policies come with benefits and special limitations that differentiate them from typical auto policies. For example they can cost up to thirty-five percent less than a standard auto policy with similar coverage. The cost is usually affected by how much the car is driven.

Another benefit of antique car policies is that they usually provide an "agreed value" rather than a "depreciated value" of the vehicle. Agreed value is determined when the policy is written. That agreed amount is exactly what you receive in the event of a total loss. Most auto insurance is based on a "depreciated value," which means the replacement value of the car becomes lower as the car ages. This unique advantage makes this type of insurance an attractive policy alternative for antique car owners.

There are benefits to the insurance company as well as the collector with these types of policies. First are the limitations put on the policies and secondly companies see collectible cars, and their drivers, as a relatively low-risk proposition. Most collector car owners pamper their cars and drive them only for short rides and for shows. There are however, some significant limitations put upon antique car coverage.

PROTECTING YOURSELF FROM EXCESS LOSSES AND UMBRELLA POLICIES

Most readers of this newsletter will have insurance of some kind; however it is important for every insured to be aware of their policy limits, and exclusions. Unfortunately, homeowners insurance is not always enough to protect your home and lifestyle. Adding or revising umbrella coverage to your existing policy is a reasonably affordable way of ensuring that your insurance coverage meets your needs; especially as lifestyles and financial positions change over time.

It is important for many to know that basic homeowners and auto policies sometimes do not completely cover every nightmare scenario. And unfortunately a worst case scenario can happen to anyone. For example: your goofy neighbor visits and trips on your front step and is critically injured. Very unfortunately for you, your goofy neighbor is also a highly paid executive who is hurt so badly she cannot return to work, causing a jury to eventually reward her with millions of dollars you have to pay! Awards and legal costs involved can rapidly exhaust your homeowners' policy limits and even exceed your net worth. Those without umbrella coverage or those with insufficient umbrella coverage can quickly become financially wiped out by an unforeseen accident.

A better strategy than crossing your fingers and hoping a disaster doesn't happen to you is to talk to your agent about your insurance needs. A personal excess liability policy or an umbrella policy is a good starting point. Simply put,

umbrella and excess coverage are extensions of your home and auto insurance. An umbrella is a type of liability insurance designed to protect the insured from significant claims and lawsuits beyond the limits of their existing policies. It provides additional liability coverage beyond the limits of other policies and it also may provide coverage for claims that are excluded by other more limited liability policies.

There are many reasons why people have either insignificant umbrella coverage or do not have an umbrella policy at all. For example most states require drivers to purchase auto insurance and lenders make mortgages conditional upon homeowners insurance, but nobody mandates the purchase an umbrella policy despite it possibly being the most important part of an insurance package. In addition, many people fail to consider updating their umbrella policies as their net value increases or their activities change. Others simply do not understand what umbrella insurance is or do not want to pay for the added protection. It is important to adequately understand your insurance needs and to protect yourself in case of a costly accident.

Thankfully, devastating accidents and expensive lawsuits are not everyday occurrences. However, for a relatively modest cost, an umbrella policy can provide an extra layer of liability protection that is vital to protecting your assets.

INSURANCE HISTORY: LLOYDS OF LONDON

Insurance companies are generally regarded as uninteresting and historically irrelevant; however, Lloyd's of London certainly defies those characteristics. Lloyd's it-

self is proud of its history: "From 17th century shipping and Lord Nelson's victory at the Battle of Trafalgar, through the devastation of the San Francisco earthquake in 1906, and on to the emergence of space satellite technology in the late 20th century, the story of Lloyd's is both long and interesting."

Lloyd's of London is generally regarded as the first insurance company. Lloyd's slowly evolved in the late 17th century within the confines of Edward Lloyd's Coffee house in central London. It was a meeting place for parties wishing to insure cargos and ships and those willing to underwrite such ventures. At Lloyd's Coffee House you would find a motley collection of sailors, merchants, ship-owners and investors often looking to insure their cargos or vessels against the perils of the sea. Those at Lloyd's could, if they choose to, add their name to a list. By putting themselves on this "list," they pooled their assets in order to minimize and distribute the risk of loss on marine ventures to the Americas, India and the Far East. However, Lloyds still was just a popular coffee shop and meeting place for investors rather than a formal organization.

It was not until 1774 Lloyds slowly evolved into a more formal society and the "Subscribers to Lloyd's" moved to the Royal Exchange. Although it was not until 1871 that Lloyd's gained solid legal footing and protection with the first Lloyd's Act. Lloyd's continued to evolve through the late nineteenth century and into and beyond the twentieth.

Through the twentieth century Lloyd's has been an active and successful company. The company's dedication to its customers was demonstrated on

one severe instance by Lloyd's reaction to the 1906 San Francisco earthquake. After the earthquake the company honored its policies paying out more than fifty million dollars or around one billion in today's dollars in order to help rebuild San Francisco.

As insurance evolved, Lloyds has become increasingly involved in specialized insurance lines beyond Flood, Earthquake, and Marine insurance. They go beyond most other companies even insuring Keith Richards' fingers and Tina Turner's legs. There have even been rumors of Lloyd's insuring future Virgin Atlantic spaceflights.

Unfortunately, like many historical entities, Lloyd's has also had its share of dubious ventures. However, the company has throughout its history been a leader in the insurance industry and today remains the leading market for marine transport. Lloyd's is also a leading innovator in developing new markets.

SOME INSURANCE JARGON EXPLAINED

Insurance products commonly appear overrun with legal-sounding jargon making these products inaccessible to many consumers. Below are a few common terms and their definitions:

Personal Liability: Personal Liability can be simplified as, damages that you are legally responsible for. The following are two examples: a dog bite, or a guest who was injured while visiting your property. Personal Liability includes incidents occurring at your home or property and/or are caused by you, residents of your household or your pets.

Personal Excess Liability Coverage: Excess Liability coverage increases your personal liability limits by adding protection to your current auto, boat or homeowners policies. An example of Excess Liability coverage is if something is not covered in your homeowners policy (like libel), and it is not specifically excluded in the excess liability policy, you would be covered. However, generally, "Excess Liability" coverage is not broader than the underlying primary coverage and is subject to exclusions. In addition an "Excess Liability" policy is distinguished from an "Umbrella" policy in that the Umbrella policy affords broad blanket excess liability coverage and applies to certain areas that are not covered by underlying policies.

Exclusions: Frequently, insurance policies are more easily defined by what they do not cover rather than what they do cover. If something is not specifically excluded, then it is usually covered. Moreover these exclusions can vary widely between carriers. A few common exclusions as listed by Travelers include:

- Damages expected or intended by insured.
- Damages arising out of business or professional pursuits.
- Liability assumed under contract or agreement.
- Liability arising out of ownership, maintenance, use, loading or unloading of aircraft.
- Liability arising out of ownership, maintenance or use of non-traditional watercraft such as jet skis, air boats or air cushions.

- Liability arising out of ownership, maintenance or use of most recreational vehicles. Only snowmobiles and golf carts are covered.
- Damages covered under a Worker's Compensation policy.
- Liability arising out of war or insurrection.

Personal Injury: Personal injury applies to a wide variety of situations. As defined by one insurance carrier, personal injury can include: bodily injury, shock, emotional distress, mental anguish, sickness or disease, or death arising from any of the above. It also may include: false arrest, detention or imprisonment, malicious prosecution, wrongful entry or eviction, humiliation, libel or slander, defamation of character or invasion of privacy.

Adapted in part from Travelers Insurance, *Umbrella Coverage* http://www.travelersnj.com/buy_insurance/umbrella

SAVING MONEY AND EXPANDING COVERAGE FOR YOUR COLLECTOR CAR *continued from page 1*

To qualify cars must be old or rare, likely to increase in value and they cannot be used for daily driving.

Many companies offer different and specialized types of auto insurance for collector cars such as Hagerty and Chubb. Give us a call to discuss what policy is best for you!

Redmond General Insurance Agency
PO Box 847
16160 NE 80th Street
Redmond, WA 98073-0847
(425) 885-2283 Fax: (425) 885-6631
www.rgia.com

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We collect information about you from:

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- The information we receive from a consumer reporting agency (such as your credit history)
- Your insurance company or financial advisor (such as updated information pertaining to your account)

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We treat your information with respect and concern for your privacy. We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law.

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www.rgia.com

Redmond, WA 98073-0847

PO Box 847

Redmond General
Insurance Agency



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