

# Insights and Updates



16 West Elizabeth Avenue ♦ PO Box 1100 ♦ Linden, NJ 07036  
(908) 862-4047 ♦ (908) 862-0308f

[Spring 2015 • New Jersey]

## Should a lawsuit rain down, do you have your umbrella?

Lawsuits happen every day. Some are frivolous, while others warrant merit. If you were sued, would you have enough money to cover your attorney's fees and possible settlements? Most homeowners and automobile policies offer certain protections to cover legal liability, but is it enough?

If you are concerned about your ability to cover all the possible expenses of a lawsuit, you should consider purchasing an umbrella policy. This insurance policy will cover you if you cause bodily injury, property damage or personal injury to another party. Since umbrella policies are accessed only after the liability coverage from your homeowners or automobile policies are exceeded, umbrella policies usually are inexpensive. A million-dollar or larger policy costs between \$200-300 per year.

Umbrella policies also offer protections that traditional homeowners or auto policies do not cover. Typically, there are two umbrella coverages: personal liability and defense. Personal liability covers more than bodily injury (e.g., damages caused by slander, libel, defamation, detention, confinement and related allegations and more). Defense will pay to defend claims or lawsuits for damages based on personal injury or property damage (e.g., expenses incurred in defense, premiums on bonds required in the lawsuit, reimbursement for lost earning and more).

While an umbrella policy offers additional protection, there are situations that are not covered. For example, if you own a business, only a business insurance

## Index

Thinking about Airbnb? Consider the implications .....	2
If it looks too good to be true.....	3
Medicare or Medicaid could impact your auto insurance .....	4
News from our agency .....	4

policy covers against liability claims. Most umbrella policies do not cover punitive damages. Additionally, some umbrella policies are eligible only to policyholders who have both their homeowners and auto insurance policies through the same insurance company.

If you think you need an umbrella policy, give us a call. We can walk you through the process and make sure you have the necessary coverage should you be served with a lawsuit.



# Thinking about Airbnb? Consider the implications

Millions of people use house/apartment share services like Airbnb, every year. These services match hosts who are looking to rent their dwelling or room for a short period of time with guests. The majority of the matches made by these services are reportedly matches made in heaven. Of course, this isn't always the case. Accidents do happen with guests getting injured at the host's home. There also is no shortage of stories about hosts discovering their homes destroyed, filled with naked people or with drug paraphernalia strewn about. What happens if a guest is injured on your property or you come home to a nasty scene?

If you were to use Airbnb, the company provides Host Protection Insurance with protection up to \$1 million in the event the host is legally liable for someone's bodily

injury or property damage. This is excess insurance, meaning it pays after the homeowners liability insurance limit is exhausted, if this coverage is available. In addition, the Airbnb Host Guarantee will reimburse the host up to \$1 million in damage to the host's eligible property if a resolution cannot be achieved with the guest responsible for the damage.

How likely is it that your homeowners or renters policy will respond? This can be difficult to determine without assistance from a professional. Property coverage is dependent on the type of property, the location of that property and the circumstances of the guest's occupancy. Liability coverage is dependent on what part of the home is rented, how often the home is rented, and how many people are involved.

Further, if you fail to disclose that you are using your property for a commercial purpose, you could run the risk of having

your insurance policy canceled. Many states allow insurance companies to cancel homeowners or renters policies at any time if the carrier discovers that the insured withheld a material fact about the property, such as the insured using the property for commercial purposes.

In addition to the insurance implications, renting your dwelling for short periods of time might be illegal in your area. Many municipalities prohibit the renting out of a home or apartment for short periods of time. So, before you decide to participate in home-share services, check your policy and your municipal laws, or you might be checking your couch cushions for spare change to pay off the claims made against you, as well as municipal fines (assuming your guest didn't steal the change, too).





## If it looks too good to be true ...

You've heard this before: If it looks too good to be true, it's likely not true. This maxim is particularly applicable when it involves auto insurance. Sometimes, an insurer will give an applicant an amazing premium quote that is significantly lower than what the applicant is currently paying or is being quoted by other insurers. Unfortunately, the quoted and bound premium may not be the final premium. Insurers generally are allowed to complete their underwriting review and revise the billed premium according to the rating elements discovered after the policy was bound. What initially seemed like a great bargain could end up being a big burden.

"Dave" is ready to purchase a vehicle at the local dealership. He calls his insurer to quote the insurance on the new car. The premium will be \$3,000 per year, but the current insurer knows Dave's traffic violation record, the drivers in his household and the losses that he's incurred over the last five years. This kind of information is available to all insurers, but

they must pay a fee for it.

Dave is reluctant to purchase the car because the car payment, combined with insurance costs, exceeds his budget. The car salesperson doesn't want to lose the sale, so she recommends that Dave call an insurer that she relies upon under these circumstances. This insurer quotes an annual premium in the amount of

**"You've heard this before:  
If it looks too good to be  
true, it's likely not true.  
This maxim is particularly  
applicable when it  
involves auto insurance. "**

\$1,500. The insurer asks Dave all the right questions, but Dave does not remember the fender bender or the speeding ticket he got two years ago. Nor does this insurer want to pay for the records to verify statements on the

application until the policy is bound and the insurer has received the first premium installment. Dave proceeds to purchase the car on the assumption that the car insurance is affordable.

Six weeks later, Dave gets the bad news. Underwriting reports have been obtained by the new insurer, and it turns out the annual premium will be \$3,200. As frustrated as Dave is, he probably will stay with that insurer because to return to the prior insurer now will require another down payment, and it will take weeks to get an unearned premium refund from the new insurer.

Shopping for the right price, service and coverage is a wise thing to do. Our agency represents multiple insurers that compete for your business. The difference is that we can ensure that each of these insurers knows the pertinent details about you ahead of binding time so that you don't end up with an underwriting surprise. That not only sounds good, but it's true.



## Medicare or Medicaid could impact your auto insurance

When you purchased your auto insurance, you made a number of choices on a Coverage Selection Form.

One choice was the designation of either your health insurer or your auto insurer as the primary provider of personal injury protection benefits. If you selected your health insurer for a reduced auto insurance premium, there is something you need to know about your coverage: If you are in an accident and your health coverage is no longer in effect, your auto insurer will pay the medical benefits. However, you will be required to pay an additional \$750 deductible, and you may have to reimburse the insurer the discounted premium.

One reason your health coverage might not be in effect is if you change from a private insurer to either Medicare or Medicaid. These government plans are not eligible to provide primary PIP benefits coverage. So, if you know you will be changing to Medicare or Medicaid, you will need to contact our agency to select your auto insurance as the primary provider in order to avoid the penalties.

## News from our agency

### Stay informed

Staying informed and up-to-date on your insurance company's insurance policies isn't just smart, it also can save you money and give you peace of mind. If you haven't reviewed your coverage in a while, you might be paying for things that no longer apply to your current situation. Or, perhaps you have a gap in coverage you were unaware of. If you've been renewing your policy over and over for a while, sitting down with us for a review might leave you with better protection.

Give us a call and we can go over your policy together to make sure you're properly covered and not paying for something unnecessary. We're here to help.