Auto Insurance

Understanding the Term 'Totaled Vehicle'

YOU'VE HAD an accident and your vehicle is in bad shape. After you report your claim, the insurance company sends out an adjuster to determine if it is worth paying out for the required repairs or instead paying you for the value of the vehicle at the time of the accident.

If the cost of repairs exceeds the value, the insurer may tell you the car is "totaled," even if it doesn't look that way. Before an accident occurs, it is wise for you to learn how insurance companies determine the value of your vehicle, which will mean one less thing to worry about if it is ever totaled in a crash.

When a vehicle is damaged in an accident, the insurance company is more interested in the cost to repair, rather than the overall amount of damage to it. If the repair costs exceed what the insurer considers the vehicle to be worth, it deems it to be totaled and the policyholder is paid the current value.

While most car owners are familiar with value guides like the "Kelley Blue Book" and the "NADA Official Used Car Guide," insurance companies generally have private databases that they use to estimate the value of a vehicle.

After assessing the damage to your vehicle, the insurer will make an offer which it feels is fair. The offer is meant to provide you the means to purchase a vehicle of the same style and condition as the one that was totaled. Insurance companies call this "making whole."

For example, if you were driving a four-year-old pickup with 82,000 miles on it before the accident, your offer should provide you the money to purchase a similar truck with similar mileage.

What constitutes a fair payout?

As a policyholder, it is your right to make sure that the insurance company's offer is fair and that you feel you have been made whole by the offer, like having been paid the right amount of funds to purchase a comparable vehicle.

Sometimes, the insurer and policyholder will disagree on what constitutes a fair payout and drivers must turn to outside sources to help their case. Car owners can hire an independent appraisal service or take their case before an arbitrator.

If you are considering having your car appraised, factor the cost of the service into the equation and see if it is still a cost-

See 'Offers' on page 2

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Protecting the people and property that matter most to you.

Homeowner's Issues

Have You Renovated Your Home? Call Your Insurer

AMERICANS WHO were cooped up at home during stay-at home orders during the pandemic were busy renovating their homes in record numbers.

Home renovation spending grew 15% in 2022 to a median $22,000, according to a poll by home renovation website Houzz. It also found that higher-budget projects saw an increase to $85,000 or more in 2022, compared with $80,000 in the two years prior.

If you spent money on home renovations recently and you haven't informed your insurer about it, you should.

The reason for this is that if that new kitchen increased the cost of rebuilding your home after a claim, your current policy limits may not be enough to reimburse you if you have a total loss. Ideally, you should inform your insurer before you start renovations.

Below we list the main home renovations that you should inform your carrier about:

Kitchen and bathroom upgrades – One of the most surefire ways to increase your home's value is to remodel and modernize the kitchen or bathroom.

A kitchen upgrade will cost an average of $35,000, while adding an average value increase of $20,000 to your home.

If you spend that much, your homeowner's policy may not have high-enough limits to cover the cost of rebuilding after a disaster or fire.

Please note: If you upgrade your electrical or plumbing systems during a kitchen or bathroom renovation, you could qualify for an insurance discount.

Flooring – New or refinished wood flooring also adds value to your home.

Installing wood flooring by replacing another floor, usually has a 91% return on investment. So a $10,000 wood flooring installation can add around $9,000 in value to your home, depending on the flooring type you choose.

Siding – The average cost of siding replacement in 2022 was $14,518, and the replacement cost is likely to be higher today due to higher material pricing.

Adding more square footage – Some people have added more space to their homes to make it more comfortable to telecommute.

While a home expansion can add value to your home in the resale market, it will also cost more to rebuild in case of a total loss.

You may also need additional insurance if the space you added is not inside your home: like a deck or grandmother's quarters.

Some final tips

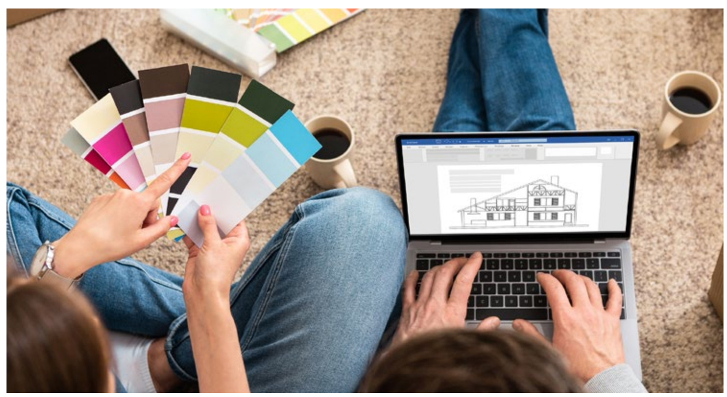
When doing a remodel, make sure that your contractor is licensed, insured and surety-bonded before signing the contract.

If the contractor starts but doesn't finish the job, their surety bond will cover financial losses the homeowner incurs.

Also, you need to make sure the contractor has general liability insurance, which covers them for accidental injury to someone other than a worker or themselves.

You will also want to make sure they have workers' compensation insurance. If they don't and one of their workers is injured on the job, they can go to your homeowner's policy to cover their workers' comp claim.

Finally, call your insurer if you've made upgrades or have added expensive fixtures.❖



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Insurers Limit Coverage of Totaled and Salvaged Vehicles

effective option. If you seek arbitration, keep in mind that there are binding and non-binding cases when arbitrating, and non-binding arbitration decisions can be appealed in court if you still consider the offer to be unfair.

In the majority of cases, offers are easily agreed upon and your vehicle heads off to a salvage yard.

You do have another option: to keep the vehicle and pay for all the repairs out of pocket, but that is usually a costly route to take.

Car owners who decide to keep their vehicle after it has been totaled will typically receive a smaller payout from their insurance company. The offer is reduced by the amount of your deductible and the estimated amount of profit that would have been made from the salvage process.

After it's fixed, you may also have trouble finding an insurance company to cover the vehicle as it may not be deemed roadworthy. Most insurers will only extend liability coverage to previously totaled vehicles as long as they pass an inspection by the Department of Motor Vehicles.

The takeaway

Whether you choose to make the repairs yourself or have your vehicle salvaged, it is crucial that you understand how auto insurance companies operate before you are ever involved in an accident.

By knowing how the process works, you can be prepared to negotiate with your insurer and receive a fair payout if your vehicle is totaled. ❖

Figuring Out How Much Life Insurance You Need

WHEN IT comes to figuring out how much life insurance you need, it's important to determine how much you're financially worth to your family. Otherwise, you'll probably end up buying too much or too little coverage.

Many consumers use what's called the "multiple of earnings" method to figure out how much life insurance coverage they need. With this method, you look at your annual salary and decide how many years your family would need to replace income if you died.

So, if you earn $75,000 and you want your family to be covered for five years, you would need $375,000 in life policy coverage.

However, many experts believe this method is ineffective. It doesn't take wage increases into account and it can be difficult to determine how many years your family will need to be covered.

Plus, the technique does not measure your non-wage value. Non-wage contributions include essential duties such as cleaning the house or taking care of your children – tasks your family might have to pay someone to do if you were no longer living.

The 'Human Life Value' calculation

Many financial experts believe that Human Life Value calculations are more effective in gauging the appropriate amount of life insurance coverage that one needs.

Courts often use this method to determine the amounts to be awarded in wrongful death lawsuits. Although this technique is much more complicated than the multiple of earnings method, it can offer a more precise estimate of your value.

Step one – The first step in calculating your Human Life Value is to add the current value of all future income you expect to earn plus any other value you plan to contribute to your family until your projected retirement date.

You then subtract your taxes and personal expenses from now through your retirement date.

Step two – Next, adjust this yearly amount for inflation over the number of years until your planned retirement.

Step three – Finally, you apply what is called a "discount rate" to each year's projected total value. This accounts for what's known as the "time value" of money.

EXAMPLE: FAMILY MAN TOM, 30

Tom's annual salary is $65,000, and 20% of that goes into his personal living expenses while the remaining 80% of his income goes to his family in the form of living expenses, home and vehicle costs, etc.

Tom provides additional value for his family by doing the yard work, handling all the house and car repairs and making other non-wage contributions. When added together, he contributes about $14,000 of non-wage value to his family each year.

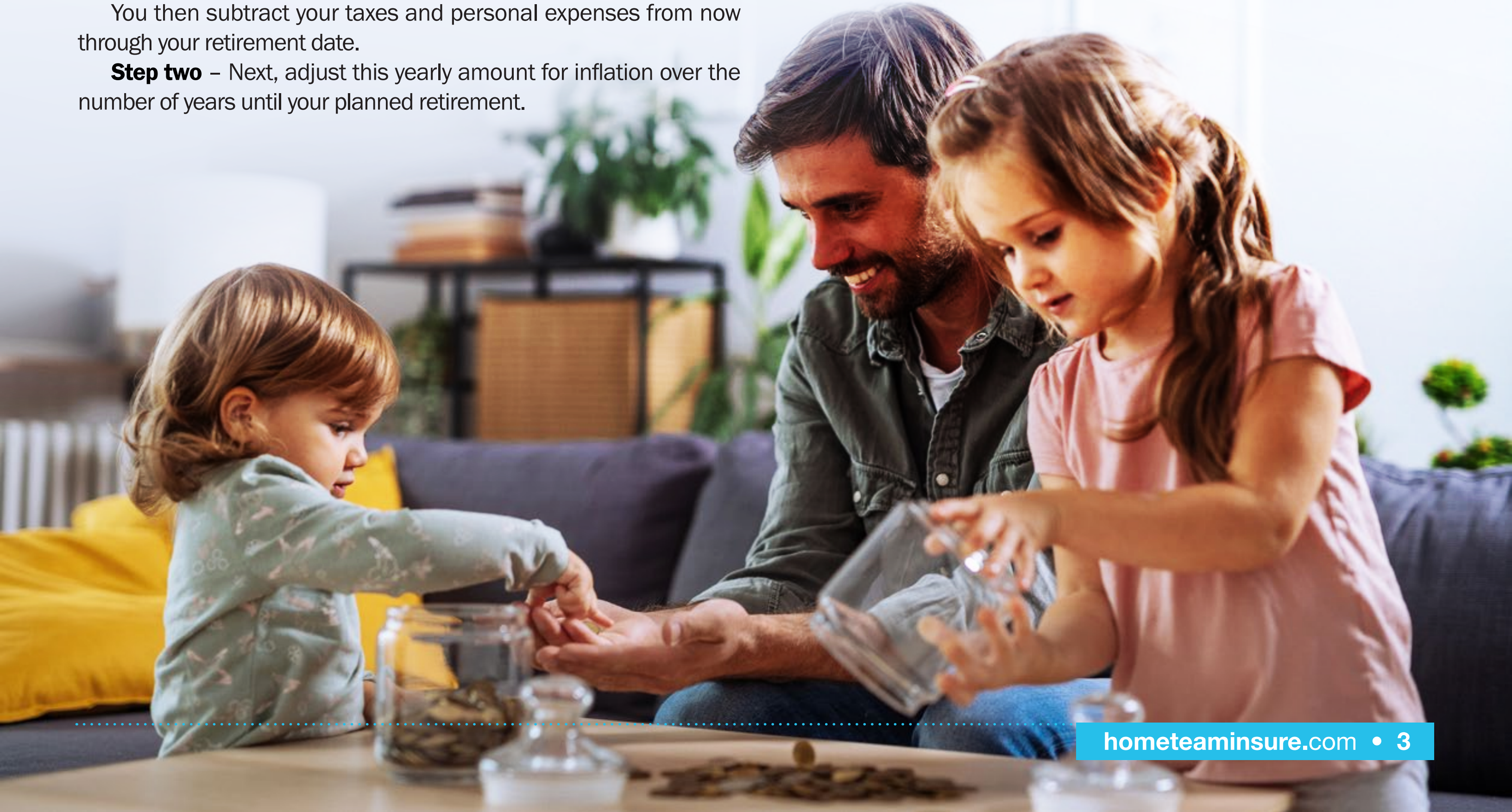
Therefore, Tom's total current annual value to his family comes out to $52,000 (80% of his $65,000 salary) + his non-wage value ($14,000) = $66,000.

Next, Tom needs to adjust his value for annual inflation. At a 3% rate of annual growth, his value will increase to $121,363 by the time he reaches his projected retirement age of 60.

Finally, Tom applies the discount rate to each year's projected value to represent the time value of his money. At a discount rate of 4%, the total present value of his projected value through age 60 is a little more than $1 million.

Based on these calculations, Tom needs $1 million of life insurance coverage to adequately protect his family if he were to die.

Obviously, calculating your Human Life Value can be a complex process. You may want to meet with us to determine how much life insurance coverage you need. ❖



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Liability Coverage

Umbrellas Are Not Just for Rainy Days Anymore

ONE OF THE most important insurance policies you can buy is the personal umbrella policy, but many people are unaware they need one.

Consider that lawsuits happen every day and if you were sued, would you have enough money to cover your attorney's fees and possible judgments?

Most homeowner's and automobile policies offer protections to cover legal liability, but is it enough? If you are concerned about your ability to cover all possible expenses of a lawsuit, you should consider purchasing an umbrella policy.

This insurance will cover you if you cause bodily injury, property damage or personal injury to another party.

Umbrella policies also offer protections that traditional homeowner's or auto policies do not, including:

- False arrest
- Libel or slander
- Invasion of privacy
- Wrongful entry
- Eviction

While an umbrella policy offers additional protection, not all claims are covered. Most umbrella policies do not cover punitive damages.

Additionally, some umbrella policies are only available to policyholders who carry both their homeowner's and auto insurance policies through the same insurer.

Since umbrella policies are tapped only after the liability limits on your homeowner's or auto policies are exceeded, they are usually inexpensive. The premium on a policy with a million dollar limit is usually $200-300 per year. ❖

YOU MAY NEED AN UMBRELLA POLICY IF...

- Your total assets exceed your underlying liability limits.
- You are financially responsible for the actions of a young, inexperienced driver.
- You live in an exclusive and affluent neighborhood.
- You have a high-profile career or high income.
- You frequently host guests on your property.
- Your residence includes a swimming pool.
- You own waterfront property, a farm or a ranch.
- You own watercraft, aircraft or off-road vehicles.
- You own numerous rental properties.
- You engage in extensive international travel for pleasure.