



# Inside Insurance

## The Midwest is a Bargain for Auto Insurance

Over the last decade, Ohio's average auto insurance rates have ranged between the 44th lowest average premium to the current 49th lowest average premium in the nation.

With an average auto insurance rate of \$2,510, Louisiana has the distinction of being the most expensive auto insurance state in the nation. Many consumers believe the highest rates are in states with large urban populations involving traffic gridlock and high theft rates, which are considerations. You would think Louisiana's position at number one might be because of the devastating Gulf Coast hurricanes. Hurricanes haven't helped, but Florida, with a terrible hurricane history, only ranks at number 25. Setting insurance rates is a complicated task. Regional rate-making depends on a combination of elements from a history of natural disasters, to local economic factors and state laws and regulations.



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The specific state laws and regulations shape how a particular state's claims are settled. In Louisiana for instance, only claims in excess of \$50,000 go to jury trial, so out of court settlements tend to be high. Michigan, with the second most expensive auto insurance in the country, mandates unlimited medical benefits for accident victims for life. Regulations, no matter how well meaning, usually translate into additional costs an insurer has to pay. The money has to come from somewhere, which requires a higher premium to cover these costs.

## Auto Insurance Basics

States have laws requiring drivers to carry auto insurance, sometimes referred to as financial responsibility laws. There are a number of ways a driver can show his ability to pay for injuries and damages. By a wide margin, auto insurance is the most common form of financial responsibility compliance and is the most frequently purchased form of insurance.

The two basic components of auto insurance coverage are liability and physical damage coverages. Liability coverage will pay for your negligence resulting in bodily injury and/or property damage. Claims for bodily injury could include claims for medical expenses, lost wages and consequential damages including pain and suffering. Property damage coverage pays for the damage you may do to the property of others. Liability coverage includes the cost of defending yourself against liability claims. A companion coverage that is of great value is uninsured motorist coverage. This coverage protects you if you are injured by an uninsured driver.

Physical damage coverage can provide collision and/or comprehensive coverage. Collision coverage provides payment for damage to your automobile as the result of collision with an object. Comprehensive coverage pays for damage to your auto by causes other than collision. Collision and comprehensive coverages are optional and not required by law. If you have a lien on the automobile, the lender will require you carry these two coverages.

### Inside:

- Usability of Passwords
- Water Backup Coverage
- NFPA Fire Prevention Week
- The State of Retirement Savings in the U.S.



# Inside Insurance

## Usability of Passwords

Security companies and IT people constantly tell us we should use complex and difficult passwords. However, some research has shown that simple passwords can be used more effectively. If the password is something easy to remember but multiple words, it can be more successful.

The work involved in hacking passwords is pretty simple. There are five typical ways used.

1. **Asking:** Amazingly the most common way to gain access to someone's password is to simply ask for it, usually in connection with something else.
2. **Guessing:** Most people choose a password that is easy to remember and typically relates to them as a person. Passwords like last name, spouse and children's names and dates of birth, which are easily developed, are common mistakes.
3. **Brute-Force Attack:** A hacker simply attempts to sign in using different passwords. He will use a program that runs a series of letters until the system eventually breaks your password.
4. **Common-Word Attack:** This is a simple form of brute-force attack. The hacker will attempt to sign in using a list of common words.
5. **Dictionary Attack:** This is the same concept as the common word attack using a full dictionary program of nearly 500,000 words.



Automated programs can handle around 100 sign-in requests per second. This means a simple word like sun could be hacked using the brute-force or common-word attack in less than three minutes. However, if your password includes two common words, hacking time increases to two months. Add a third word and the time increases exponentially to more than 2,000 years.

Some websites require a combination of upper case and lower case letters, while others want you to also add a number. These are effective, but sometimes difficult to remember, and experts don't advise that you allow your browser to always remember your passwords.

## Water Backup Coverage



Water can enter your home in ways other than actual flooding. The most common water-related loss occurs when water backs up through sewers, drains or sump pumps. The damage can be devastating, easily amounting to tens of thousands of dollars in damage. You can lessen your chance of flooding by not living near a body of water, and you can reduce your risk of basement water with proper drainage, including landscaping and gutters.

If your attempt to avoid or lessen the impact of water damage falls short of what you think is prudent, you can purchase flood insurance. This federal program provides insurance only for the peril of flooding. Your property policy does not provide this coverage. For damage caused by water which enters through

a sump pump or drain, you can buy sewer and drain backup coverage by adding an endorsement to your homeowner policy. These endorsements do vary substantially from company to company, and are rarely automatic.

The sewer and drain backup coverage endorsement covers water damage and cleanup. The coverage is activated by water that backs up through your sump pump, or backup from a sewer.

# National Fire Prevention Week Focuses on Smoke Detectors



Established in 1896, the National Fire Protection Association's (NFPA) mission is to reduce the worldwide burden of fire and other hazards on the quality of life. Each year in October, the NFPA sponsors a fire prevention campaign. This year, the theme of Fire Prevention Week is smoke alarms.

In 2008, the most recent year with complete data, U.S. fire departments responded to nearly 400,000 home fires, resulting in 2,755 fatalities and more than 13,000 injuries. The leading cause of home fires and injuries is cooking-related; heating is the second leading cause, and is exceeded only by smoking-related fires in fatalities.

According to the NFPA, smoke alarms cut the risk of dying in a fire by 50 percent. In more than half of the reported home fires, where a smoke alarm was present, the detectors were either disconnected or the batteries were removed. Detectors powered by only batteries were found in the majority of reported fires. A 2007 survey reported that of the homes with smoke alarms, 67 percent were battery-operated. Hardwired alarms are reported to be more effective than battery-only alarms. Alarms that are interconnected throughout a house are most effective.

While 96 percent of homes reported having at least one smoke alarm, there is a rising concern that improper maintenance renders many alarms useless. Experts advise smoke detectors need regular maintenance. Test your smoke detectors once a month and change the batteries at least every six months. When changing the battery also vacuum the detector to remove dust or cobwebs that can reduce the alarm's effectiveness. This will cut down on false alarms. Most battery-powered smoke detectors will make a chirping or beeping sound when the battery is weak, alerting you to replace the battery.

To learn more about fire safety for the whole family, visit [www.nfpa.org](http://www.nfpa.org).

## The State of Retirement Savings in the U.S.

Many of us are concerned about the condition of our retirement savings after the roller coaster ride we have been on for the past two years. In 2008, Americans saw their retirement assets drop by 22 percent on average.

Fortunately, those folks who stayed the course saw their retirement assets jump back up by two trillion dollars, or 14 percent, largely driven by investment returns. Nearly two-thirds of America's retirement assets are held in employer-sponsored plans.

The financial crunch of 2008 has no doubt changed retirement plans for many Americans. The values in retirement accounts are rising slowly. If you have a short-time horizon until retirement, a conservative investing approach is advised. Diversification is also very important.



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## A Couple of Dummies Move to Washington



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A couple of American icons are finding a new home at the Smithsonian Institution in Washington, D.C. Vince and Larry, the crash-test dummies whose numerous bangs, bruises and breaks helped usher in safer highways, are moving to the Smithsonian. The most significant contribution made by Vince and Larry was convincing the public of the importance of wearing safety belts.

It was 25 years ago that the National Highway Traffic Safety Administration (NHTSA) introduced the American public to a series of public service announcements starring Vince and Larry, crash test dummies, who talked to us and gave us warnings about what could happen if we failed to buckle up. The campaign continued for 13 years using slapstick humor to spread the safety message about utilizing seat belts.

The NHTSA tells us we now have a record-high rate of seat belt usage hovering around 84 percent.

The information in this newsletter is meant as a guideline only. There is nothing in this newsletter that alters the coverage or interpretation of any specific policy. Because some statements are generalizations, and because different companies' policies contain slight differences, please refer to your specific policy. Call our office before making any judgments or decisions concerning your particular situation and coverage that may, or may not, apply.

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