

*Lynn's Top Five***CASUALTY INSURANCE MISTAKES WE MAKE****- A Financial Planner's View**

One of the least glamorous but most important aspects of setting up a sound financial plan involves a thorough review of your casualty insurance. Particularly your home and auto policies. I know, I know, you are already yawning!

But look around you --- we live in a very beautiful, but very fire hazardous area. Recent news about the unfortunate folks in Tahoe who lost their homes reminds us that in a matter of moments much that we hold dear can vanish.

In my many years of private practice I see a theme of issues often neglected in these coverages --- coverages that when neglected or omitted can have tragic or simply expensive consequences. So, let me share my top five with you here.

1) House not covered to be rebuilt in today's dollars and today's code: Most of us simply give the renewal that comes in the mail every year a cursory review, groan about the increase in costs, pay the premiums, stick the policy in a drawer and give it no more thought. But if we learn nothing from recent news about devastating home losses, it's that the cost to rebuild to current code is frequently not reflected in our policies. In today's market in Lamorinda, you should generally estimate \$250 - \$350/square foot to rebuild your home --- or more if you have a lot of upgrades. You can talk to your agent about how to get an accurate appraisal.

2) Liability coverage is too low: Your liability coverage should be high enough to more than cover your net worth, or the amount of it you cannot afford to lose. For many of us, the biggest asset we have is the money we haven't earned yet! So be sure to increase what you carry to take that into account as well. Luckily most of us can buy one umbrella liability policy to cover the high amounts of coverage we hold, rather than carrying a huge amount of liability insurance on our auto policy and again on our home. Don't forget to include vacation homes, boats, and other recreational vehicles as well. Liability insurance is not expensive: \$250 - \$300 should buy you \$1 million in coverage.

3) Deductibles that are too low: We humans are a curious species. We seem to have no problem agreeing to buy coverage for the things we KNOW are going to happen, but we have a huge reluctance to buy insurance for things that we think won't happen to us. Insurance should be purchased with the opposite reasoning in mind: Self-insure for the small risks in life that you can afford to handle, and buy insurance for the large risks that would be devastating to you. Deductibles are the perfect example. Why have a \$500 deductible on your homeowner's policy? Are you going to put in a claim for \$600? Probably not, because you'd only get \$100 back and then you'd have a claim on your record. Better to increase that deductible to \$1000 - \$2500. This

can often provide big savings on your premiums, which you can then use to buy the higher liability coverage you really need. Same with your car --- talk to your agent about breakpoints on pricing with deductibles.

4) It's not always about the price: A lot of the agents we talk to are very concerned that their clients are too obsessed with the pricing on the policy, and less focused on the quality of the contracts, the actual coverages and the service. Our insurance agent, Lana Artemoff at Marina Associates, recently told me that the increasing trend of buying policies on-line based on pricing has resulted in consumers buying policies with really poor internal legal language in the contract. One example: "drop down" liability limits on cheap car insurance if someone else drives. As she points out "unless you are an insurance pro, you cannot compare all the legal language in these contracts --- if something is cheaper, it often gives less." A modern day example of "let the buyer beware!"

5) Schedule a yearly review with your agent: Okay, this sounds like a no-brainer. But it's amazing to me how few of us actually meet with our agent annually at the review date. And it doesn't have to be in person: it can be by phone or even a good e-mail conversation. I actually blame the insurance industry for this one as much as us the consumer. A good agent will contact clients annually to service the account, see if you need any changes to your policy, if things have changed in your life, discuss whether or not some of your collectibles need extra protection, and keep you abreast of current trends in the industry. But if your agent doesn't automatically do that for you, then YOU should pick up the phone and do so yourself. You are paying for this service, and the small amount of time you need to spend on this is well worth it.

So, even though I am not a licensed Casualty Insurance Agent, but instead viewing this topic from the eyes of a Certified Financial Planner™, I truly hope that this column will spur you into making a call to your agent today for a thorough review and check-up. It will really be worth the time and energy. And the good news: once you've put a good insurance policy portfolio in place with a reputable agent and firm, it will be far easier for your and your insurance professional team to stay on top of it!

Lynn Ballou is a Certified Financial Planner™ (CFP®) and co-owner of Ballou Plum Financial Advisors, LLC, a Registered Investment Advisory (RIA) firm in Lafayette. Lynn is also a Registered Principal and Branch Manager with Linsco/Private Ledger (LPL). As such, she is required by securities regulations to add the following information to this column: The opinions voiced in this material are for general information only and not intended to provide specific advice or recommendation for any individual. Securities offered through Linsco/Private Ledger, member NASD/SIPC.

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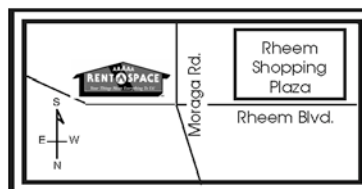
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