

WE'RE A LOT LIKE YOU.
A LITTLE DIFFERENT.



Perspective

NEWS AND INSIGHT FROM PEMCO INSURANCE



CLIMATE CHANGE MAY EXPOSE YOU TO FLOOD RISKS

"I would never sleep again if it rains."

That's what one Chehalis-area homeowner told *The Seattle Times* when asked why she had no plans to return to her two-month-old dream home, which was submerged to the gutters during last December's floods.

Of course, rebuilding wouldn't be much of an option anyway.

With a half-mile setback from the river, she never dreamed she'd need flood insurance. Consequently, her home had none.

Freak loss or cautionary tale? It depends on who you ask. The Government Accountability Office reports that the National Flood Insurance Program's exposure rose to \$875 billion in 2005 compared with \$207 billion in 1980. Inflation aside, some climate-change experts pin the increase on global warming. Others say it has more to do with

land-development practices, aging levees and dams, and a trend toward more people living in flood-prone coastal areas.

Regardless of the reason, you might want to revisit the idea of carrying flood insurance. Much of Washington is being "remapped" by surveyors to better reflect flood-prone areas. More than 25% of flood claims occur in low-to moderate-risk areas.

Getting the coverage you need. Roughly one in three people believe their homeowners policies cover the kind of flooding that ravaged Lewis County last year, according to the National Association of Insurance Commissioners. Sadly, they're wrong. Homeowners policies cover only the kind of water damage you get if, for example, a washing machine hose unexpectedly bursts inside your home.

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IMPORTANT CHANGES IN EARTHQUAKE INSURANCE

PEMCO no longer offers earthquake insurance. For years, it's been available as an add-on to our homeowners policies for an extra charge. Now, after months of study, we've realized that managing earthquake risk is a full-time concern requiring technical precision and scientific expertise that are very different from our strengths in auto, home, boat, and life insurance.

In February, PEMCO stopped selling its earthquake add-on for new homeowners policies and began referring customers to GeoVera Insurance Company, a national company that focuses 100% on residential earthquake insurance.

As their homeowners policies renew, we'll offer to help the 15% of customers who had earthquake coverage with PEMCO transition to a stand-alone policy from GeoVera. The company offers many price and coverage choices. Plus, it has the experience needed to quickly help customers get their homes and lives back together if The Big One hits our region.

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Buying earthquake insurance is a smart, responsible choice.

EARTHQUAKE INSURANCE (continued)

If you're thinking about getting earthquake insurance, it's not too late! Our brokerage professionals at PEMCO Insurance Agency can help you work with GeoVera (or other insurers) to find the right policy, just as they can help you with flood, motorcycle, antique car, and other specialty coverage. Call weekdays 1-800-GO-PEMCO, ext. 4007, or contact your local PEMCO agent.

Buying earthquake insurance is a smart, responsible choice. And it's not the only thing you can do to prepare for an earthquake. Here are easy, low-cost tips for almost every room in the house:

Kitchen. Install childproof latches on cupboard doors to keep them closed. In homes without small children, move cleaners and chemicals to lower shelves so they can't tumble out and spill.

Bedrooms. Scoot your bed away from the window and remove pictures hanging over the headboard. Keep a pair of sturdy shoes and a flashlight under the bed.

Living and family rooms. Apply safety film to sliding glass doors and picture windows. Add ledge barriers to display shelves and move heavy items to lower shelves.

Home office. Anchor file cabinets and bookshelves to the wall with sturdy straps. Ditto for display cases and grandfather clocks.

Garage. Post signs showing where and how to shut off utilities, like natural gas. Strap your water heater to the wall.

For more tips, visit www.pemco.com and search "earthquake" to link to our downloadable booklet, "How to Survive Washington's Next Earthquake." ■



FAST FACT

69% of pedestrians killed in 2006 were males, a proportion that's changed little since 1975. Nearly half of all fatal accidents occur on weekends.

Source: Insurance Information Institute



SHORT DAYS ARE RISKIER FOR PEDESTRIANS

While Julius Caesar would have done well to "beware the Ides of March," the rest of us ought to worry about the first Sunday in November.

That's when the United States returns to standard time and, according to researchers from the Carnegie Mellon Institute, pedestrians walking during the evening rush hour are nearly three times more likely to be killed by cars than in the weeks before the time change.

Researchers suspect that both drivers and pedestrians simply haven't adjusted to the earlier darkness.

The study looked at pedestrian fatalities from 1999-2005 and found an average of 37 more U.S. pedestrian deaths around 6 p.m. in November compared to October – an increase of 186%.

The Highway Safety Research Center and Washington State Department of Transportation remind drivers:

- All corners are crosswalks — painted or not. Be prepared to stop.

- Stop well in front of crosswalks. You'll help other drivers realize a pedestrian is crossing.
- Don't overtake a stopped vehicle. Chances are, it's stopped for a pedestrian.
- Slow down in dark or wet conditions, particularly around schools.

And for people on foot:

- Make sure traffic has stopped before you enter a crosswalk, even though the signal has changed.
- Beware of cars making right turns. Drivers looking left for traffic may not notice that you've entered the crosswalk on their right. Stay on the curb until you've made eye contact.
- Dress in light colors and put a reflector on your backpack. Fashion faux pas aside, consider a flashing headlamp.
- Opt for routes with sidewalks. If none are available, walk facing traffic. ■

REMOVE VALUABLES FROM YOUR CAR — BEFORE A THIEF DOES

GPS navigation units have replaced laptops and iPods as the new darlings among smash-and-grab car prowlers. The devices – which retail for about \$200 to \$800 – can fetch \$100 on the black market.

They're so tempting, say law enforcement officers, an empty GPS holder or even a suction cup ring on the window is enough of a lure for thieves to smash a window in hopes of discovering the unit hidden inside.

The best advice: Remove all traces of the system from your vehicle, even if you're leaving your car for just a few minutes.

That's consistent with what crime-prevention experts have said for years: Never leave valuables in your car or, if you must, stow them in the trunk out of sight.

Even a bag or coat tossed innocently on the back seat can mark buried treasure to a crook. "We see otherwise empty cars broken into because a thief assumed there was something valuable hidden under a coat," said PEMCO Claims Analyst John Karp.

To avoid turning your car into a thief magnet, always lock up, park in well-lit areas away from trash bins and other potential hiding spots, and clear your car of valuables, particularly some of these filcher-favorites named by Baitcar.com:

- **Stereo equipment** – CD players, amps, and speakers.
- **Compact discs.**
- **Personal items** – clothes, sunglasses, bags, briefcases.
- **Coins** – parking change.
- **Garage door openers.** When combined with your address, perhaps gleaned from documents in your glove box, thieves use the opener to gain entry to your home.
- **Cell phones and MP3 players.**
- **iPod docks or connecting lines.** Like GPS holders, they encourage thieves to break in and search.
- **DVD players.** Many are designed for vehicles, but still portable.
- **Work tools.**
- **Tires and wheels.** ■



FAST FACT

FBI statistics show that "gadget theft" from cars is the fastest-growing category of larceny in the United States.

HOW TO LESSEN RISING INSURANCE COSTS

After remaining flat or even declining in 2007, auto insurance rates are on the rise nationwide, according to a new study released by Insurance.com. Analysts expect the trend to continue at least through the end of the year and, perhaps, into 2009.

The study pointed to increases in the average amount paid on bodily injury claims (fueled by rising medical costs) as the single largest reason for the uptick. It noted that market conditions now are similar to those between 2001 and 2004, which were characterized by increasing rates across the industry.

PEMCO has somewhat bucked the national trend with recent rate adjustments that actually reduced premiums for many policyholders or kept increases to a fraction of the amount that costs are rising. However, with an increasing portion of everyone's transportation budget glug, glug, glugging down the gas tank, you'll



want to make sure you've done everything in your control to cut the costs of car ownership. Among them:

Check insurance costs before buying a new car. Some cars cost significantly more than others to insure because of their sticker value, varying repair costs, safety features, and likelihood of theft.

Raise your deductible. Bumping it from \$300 to \$500, for example, could cut your comprehensive and collision costs by 10% to 25%, while a \$1,000 deductible could save you 40% or more.

Grab all the discounts you can get. You'll save if you insure both your car and home with PEMCO, have air bags and alarm systems,

take a defensive driving class if you're over age 55, or ride the bus or carpool to work. And, of course, you'll save if you keep a clean driving record. If you think you qualify for a discount, ask! ■

*PEMCO has
reduced premiums
or kept increases
to a minimum.*

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*For more helpful information, visit
Consumer Tips at pemco.com*

*Read current and past issues of
Perspective at pemco.com/perspective*

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FLOOD RISKS (continued)



True flood insurance is available through the National Flood Insurance Program. Prices, which are set by the federal government, run anywhere from \$250 to \$4,000 a year (with most homes costing about \$400) depending on your community's risk for flood, the elevation of your home, your crawlspace's venting, and other factors. Up to \$250,000 is available to rebuild homes and, when you select that maximum, you get an additional \$100,000 in replacement-cost coverage for personal belongings.

Your local PEMCO agent can help you get federal flood insurance, or you can call 1-800-GO-PEMCO and ask for PEMCO Insurance Agency. You'll want to have this information handy:

- Age, square footage, and value of your home (structure only, not land).
- Your (and your spouse or partner's) full legal name exactly as it appears on your mortgage documents.
- The reason you're asking about flood insurance. (Unless your lender requires it, coverage won't take effect for 30 days.)
- For borrowers, your lender's contact information and, ideally, a binder request and flood determination form from the lender.

Homes built in low-risk areas can be insured the same day with just your signature and a credit card number. If your home was built after 1974 and sits in an area with greater potential for flooding or has no elevation certificate on file with the county, the process could take weeks. (Tip: If you're re-financing or buying a new house, ask the lender up front about flood insurance requirements. You don't want to miss out on locking in the best interest rate because you don't have flood insurance in place.)

PEMCO can help you set up flood insurance at no additional cost, a real plus since our experienced agents know the ins and outs of determining flood zones, getting elevation certificates, and working with lenders. You'll pay your first year's premium in advance with a credit card. After that, you can set up payments through your lender (like you might do with property tax) or pay directly.

For more information about the National Flood Insurance Program, contact your local PEMCO agent, PEMCO Insurance Agency, or visit www.floodsmart.gov/floodsmart/, the official Web site of the National Flood Insurance Program. ■

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To subscribe, simply go to <http://perspective.pemco.com>.



QUESTIONS YOU ASKED US

I've seen those TV ads selling life insurance plans for kids. Are they a smart investment for my child's future?

We believe the No. 1 reason to buy life insurance is to replace lost income and provide financially for survivors after a breadwinner's passing. In the case of a child, who normally doesn't earn income, that reason doesn't apply.

Nor do the ads' appeals of "guaranteeing a child's insurability" or "building a nest egg for college."

Thanks to advances in treating life-threatening conditions and improved actuarial data, 98% of people who want life insurance can find it. And as for college savings, you'd come out ahead by putting the money you'd pay in premiums into a tax-deferred investment.

PEMCO's advice: While buying a permanent life insurance policy for a child can make

sense in some cases, parents should consider it only after they've made sure they have adequate coverage themselves and that they're saving for college or other goals in more appropriate investments.

Most insurance companies, including PEMCO, allow policyholders to add a "child rider" to their own policies. For about \$50 a year, it provides \$10,000 in coverage for each child in the family. That would take care of the final expenses a parent might face, and it's cheaper than a stand-alone policy. ■

FAST FACT

Thankfully, the odds of a child passing away before age 18 are extraordinarily low – about 3,000 to 1.

Source: *CNN Money.com*



BUTTON UP YOUR VACATION HOME FOR THE WINTER

Vacation homes face greater risks for everything from wind, fire, and water damage to assault by vandals. To help your cherished home away from home survive the off-season unscathed, PEMCO's loss-prevention experts recommend you follow this checklist during your last-of-the-season visit:

PREVENT WINTER WOES

- Assuming you don't have an automated fire-sprinkler system, shut off your main water valve and drain water lines. (If you're not sure how, enlist the help of a plumber the first time you do it.)
- If you'll be leaving the water on, shut it off to individual fixtures (toilets, sinks, ice makers, washing machines, outdoor faucets).
- Drain toilet tanks and add vegetable-based antifreeze to the bowls. Also, pour a bit down sinks (so it stays in the P-traps).
- Disconnect garden hoses from outside faucets.
- Insulate pipes in the crawlspace, attic, and along outside walls.
- Check the home's sump pump to see that it's working.
- Turn off your water heater – essential to avoid the risk of a steam explosion if the water is turned off – as well as your air conditioner.
- Clean gutters to prevent ice damming. During rapid snow melt, plugged gutters can cause water to seep back into the roof (causing leaks) or overflow near the foundation, causing leaks and settling.

UNPLUG, UNPLUG, UNPLUG

- Virtually all electronics are vulnerable to power surges. Unplug things like TVs, computers, appliances, toasters, and coffee makers.

KEEP IT (BARELY) WARM

- Set your thermostat high enough to keep pipes from freezing. Open cabinet doors to help warm pipes under sinks.
- If you heat with oil or propane, make sure the tank is full.

PROTECT AGAINST WIND DAMAGE

- Trim dead limbs from trees near the house.
- Store patio furniture indoors so it won't become a window-shattering missile in high winds.

MAKE IT LOOK LIVED IN

- Install timers on outdoor and indoor lights.
- Hire someone to maintain the property by periodically mowing or raking the lawn and plowing snow from the driveway.
- Consider installing a monitored security alarm.
- Let a trusted neighbor and the local police know your house will be empty.

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