



REWARDING
RESPONSIBILITY

Perspective

NEWS AND INSIGHT FROM PEMCO INSURANCE



HERE'S WHERE YOUR PREMIUM DOLLAR GOES

When it comes to setting rates for auto insurance, the cost of fixing crumpled fenders tells only half the story. A host of other factors including medical care, liability awards, theft rates, and even fraud determine how much you pay to insure your car.

According to national figures from the Insurance Information Institute,* here's how each dollar of your auto-insurance premium is divided. And the numbers include a surprise. They wouldn't cover all expenses if it weren't for earnings on insurance companies' investments!

For each \$1 in auto premium paid ...

50 cents goes toward fixing or replacing cars:

- 19 cents for property damage liability (including stolen cars)
- 19 cents for collision claims
- 9 cents for comprehensive claims
- 3 cents for miscellaneous costs of settling claims.

34 cents goes toward paying claims for injuries:

- 13 cents for lawyers' fees
- 10 cents for medical payments
- 6 cents for pain-and-suffering awards
- 2 cents for lost wages
- 3 cents for miscellaneous costs of settling claims.

24 cents covers the cost of doing business:

- 16 cents for commissions and other selling expenses
- 5 cents for company operations
- 2 cents for state premium taxes, licenses, and fees
- 1 cent for dividends to policyholders.

\$1.08 TOTAL

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We'd love your feedback!
Drop us a note or send your
comments via e-mail to
perspective@pfcenter.com

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DANGER LURKS IN YOUR REFRIGERATOR

OK, so that headline *does* sound like a "B" movie. But each year, thousands of homeowners suffer inconvenience and costly damage when the water connections to their refrigerators' ice-makers loosen and leak.

The problem occurs when copper-pipe connections grow weak either from improper installation or too much strain placed on the pipe when homeowners move their refrigerators to dust and vacuum. Leaks range from slow, insidious drips to catastrophic gushers. Any leak can lead to floor warping, rot, or mold. And costs escalate quickly. By the time it's caught, the average leak has already caused \$4,000 in damage!

While new refrigerators sometimes have problems (be sure to check for leaks 24 hours after installation), older refrigerators are more likely culprits. Here are some easy things you can do to make sure there's nothing funny

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Leaks range from slow, insidious drips to catastrophic gushers

POOR CAR MAINTENANCE CAUSES ACCIDENTS

Here's a cautionary tale straight from PEMCO's claim files. Last September, a driver noticed her car starting to smoke on Interstate 5 near Fife. Moments later, the 1992 Mercedes Benz conked out and traffic started backing up.

Although a state trooper pushed the car off the road before anyone could plow into it, it was bad news for the Benz. Its engine had seized up as a result of poor maintenance — no oil changes, no fluid top-offs, no preventive services. And while the owner filed a claim for a "car fire," we couldn't pay. There was no fire. The lack of fluids simply caused the engine to become extremely hot, putting everyone on the freeway in danger that day.

Your safety can hinge on seemingly mundane car maintenance. Avoid these common lapses:

- **Forgotten fluids.** Checking fluids is the least expensive and easiest preventive maintenance you can do. Check your engine oil at every other fill-up and change it according to your owner's manual specifications. Look at transmission, brake, power-steering, and wiper fluid monthly. At the same time, check antifreeze/coolant levels to ensure a proper mix of antifreeze and water.

- **Treadless tires.** If you can stick a penny in your tire tread and still see the top of President Lincoln's head, your tires are probably illegal and a safety hazard. Replace them. Also, check your owner's manual to make sure your tires are inflated to the pressure recommended for that particular vehicle. Check the pressure monthly and, for the most accurate reading, do it when the car has been parked awhile.

- **Worn wipers.** After toasting against your windshield during our hot summer, your wiper blades may be cracked or warped. Replace them now for the best visibility. Also, consider treating your windshield with a water repellent, available at most variety and auto-parts stores.

- **Weathered windshields.** This time of year, your windshield faces "thermal shock" — that is, the temperature stress of a warm interior against a freezing exterior. Thermal shock can quickly turn a window ding into a major crack. Repair rather than replace damaged windshields whenever possible, leaving the windshield's factory seal intact.

- **Defunct defrosters.** Each year, we see collisions where drivers back into objects because their rear defrosters weren't working and they couldn't see clearly. Fix them. Frosty windows cause similar claims.

- **Beleaguered brakes.** Ask your mechanic to inspect your brakes at least twice a year. If your brakes squeak when you stop, make an appointment to get them checked. Chances are, your pads need replacing.

- **Bum batteries.** The average car battery lasts 3.5 years. If yours is older, ask your mechanic to test the charging system. While he or she is at it, ask if the cables are loose or corroded. Remember: Cold weather puts extra strain on batteries, so problems may show up now.

- **Ragged rubber.** Ask your mechanic to check all belts and hoses for cracks, bulges, splits, or signs of wear. In some cars (certain Honda models, for example), you'll want to replace timing belts routinely — even if they look OK — since failure could cause major engine damage.

- **Lame lights.** The Car Care Council says there's a 50/50 chance your car has a burned-out light. Ask a friend to help you check running lights, emergency flashers, turn signals, high- and low-beam headlights, and brake lights. Also, ask your mechanic to make sure your headlights are aimed properly so they don't blind oncoming drivers.

If you'd like more car-care tips, check the American Automobile Association's Web site at www.csaa.com/home/ and click "Your Car," "Car Care and Repair," then "Maintenance Basics." ■



Checking fluids is the least expensive and easiest preventive maintenance you can do

REFRIGERATOR LEAKS (cont.)

going on behind your refrigerator.

- **Keep an eye on your floor.** If it's bumpy or discolored (or you just notice unexplained water), check your refrigerator's water connection right away. If you suspect trouble, turn it off and call us. A claims specialist can check your floor with a moisture meter.

- **Take care when moving** your refrigerator to dust and vacuum. Avoid straining the connection

when you pull the refrigerator out or pinching it when you push it back. After moving your refrigerator, shine a flashlight under it to make sure no leaks have sprung.

- **If you're buying a home,** ask your inspector to check the connection and the floor on your walk-through.

For more home-smart tips, be sure to visit www.pemco.com. ■



PEMCO PROVIDES YOU WITH LEGAL HELP

*We put years of expertise
into getting you the best
defense possible*

If you injure someone in an accident or someone gets hurt on your property and sues you, did you know that in a covered loss, PEMCO will hire an attorney for you? It's part of the peace-of-mind protection that comes with every PEMCO policy.

Not only will we pick up the tab, we'll make sure the defense attorney you get understands your type of situation. We work with attorneys who specialize in areas like soft-tissue injuries, road-design flaws, tractor-trailer cases, arson, fraud, and vehicle crashworthiness just to name a few.

But PEMCO's legal-representation coverage doesn't stop there. We may hire experts — from road engineers to toxicologists — to support your case. In especially difficult situations, we'll even hire a jury and conduct a test trial to understand a jury's reaction to the kind of allegations being made against you. We'll put years of expertise — not to mention significant financial resources — into getting you the best defense possible.

To help ease the stress of a potential lawsuit, PEMCO also will assign you a litigation specialist — an advocate who can help you work effectively with your attorney, answer questions about the process, and shield you from unnecessary worries. You'll also receive a step-by-step, plain-language guide we created exclusively for PEMCO customers called, "You've been sued. What happens now?"

Thanks, in part, to our legal team's meticulous attention to detail, very few PEMCO customers ever find themselves in court. Less than 5% of accidents result in a lawsuit, and we're able to settle more than 90% of those without a trial.

Your PEMCO Insurance contract sets out what we'll do for you. A successful outcome can hinge on getting us involved immediately. Not only will we hire an attorney who specializes in your type of loss, we'll save you the cost of hiring your own attorney and preserve all your best legal strategies.

Nobody wants to imagine getting sued. But if you do, take comfort knowing you're backed by an expert team of independent attorneys and PEMCO employees who are on your side. ■



QUESTIONS YOU ASKED US

Recently, I saw a news story about a guy who totaled his new car and wound up owing more on his loan than his insurance would cover. Why?

It's sad but true — the minute you drive a new car off the lot, it becomes a "used" car and its value drops dramatically. That means if you put little or no money down (popular now with all those 0% financing offers), or if you chose to go with lower monthly payments over a longer time, you could owe more on your car than it's actually worth.

To protect consumers, PEMCO offers an optional Loan/Lease Endorsement that would pay off your loan if you wreck your new (or nearly new) purchased or leased* vehicle, regardless of the car's actual value.

Prices are based on the rate you pay for Collision coverage, so you'll want to check with a PEMCO representative or your local agent for a rate quotation.

If you decide to buy the endorsement, keep a close eye on the value of your car (used-car prices in local newspaper ads will give you a rough idea). Once the value of your car and the amount left on your loan are about equal, you might consider removing the endorsement.

Where does PEMCO stand on the national Do-Not-Call Registry to stop unwanted phone solicitation?

We support and honor it wholeheartedly. While PEMCO does provide rate comparisons by phone, we respect a consumer's right to choose whether or not to participate in such offers.

We're aware of court rulings that created some uncertainty about the national Do-Not-Call Registry. We believe the uncertainty will be short-lived, and we've continued with our plans to comply because it's the right thing to do. Respecting the wishes of our customers and consumers is part of being a responsible company.

To learn more about the Do-Not-Call Registry, visit <https://www.donotcall.gov/FAQ/FAQConsumers.aspx>. ■

*Some restrictions apply to leases such as overdue payments, excess mileage charges, extended warranties, and nonrefundable security deposits.



*PEMCO respects the
wishes of our customers
regarding phone solicitation*



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

Read current and past issues of Perspective at www.pemco.com

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PREMIUM DOLLAR (cont.)

When you do the math, costs exceed every \$1 taken in by 8 cents. Historically, insurance companies have relied on gains from their investments to make up that 8-cent difference. Since the stock market's decline from its March 2000 high, some insurers have raised rates to make up the difference, and most insurers have been cutting expenses.

"We've done a lot to streamline our processes, and we've learned how to work more efficiently," said Rod Brooks, PEMCO vice president and chief marketing officer. "That's significantly reduced some of our operating costs."

The Insurance Information Institute ranks North Dakota as the cheapest state to insure a car (averaging about \$497 a year) with New Jersey as the most expensive (about \$1,027). Washington pegs 15th at about \$749. ■



*Insurance Information Institute figures were compiled using 2001 data (the latest available) from sources including A.M. Best Company Inc., Insurance Services Office Inc. (ISO), National Association of Insurance Commissioners, and the Insurance Research Council. State or regional figures may vary from these national averages. To see the full report, go to www.iii.org/media/facts/statsbyissue/auto/.