



# Perspective

NEWS AND INSIGHT FROM PEMCO INSURANCE



## WE'RE LISTENING TO YOU

*We'd love your feedback!  
Drop us a note or send your  
comments via e-mail to  
[perspective@pemco.com](mailto:perspective@pemco.com)*

When we talk about "rewarding responsibility," we mean more than just giving you a competitive price on your insurance. We seek customer opinions on everything from phone courtesy to claims service. Research is one way we strive to make each customer feel valued, cared for, important, and respected as part of the PEMCO experience.

One day, we may ask for *your* help in making PEMCO an even better company:

**Customer surveys.** We mail surveys to randomly selected customers asking for their candid feedback on service, claims-handling, and problem-solving. We compare that data with additional research done on our behalf by one of the nation's largest and most respected research firms. All responses are strictly confidential.

You may have participated in a survey last year asking you to rate this newsletter. We took readers'

suggestions to heart, and now *Perspective* and our Web site routinely include tips on how to cut your insurance bill. At your request, we've also included tips on what to do if you're ever in an accident. (Tear off and save the flap in this issue.)

### In-depth interviews.

Each month, an independent research firm calls groups of PEMCO customers, including those who have had an auto or home claim, made a policy change, or purchased a new policy during the past 30 days. In 15-minute interviews, callers gently probe the fine points on everything from

*cont. on page 4*



## WINTER 2005:

*Aftermarket upgrades  
may need special  
coverage ..... 2*



*Graduated licensing  
is saving lives ..... 3*



*Questions you  
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## COVERAGE MUST BE SUFFICIENT TO DO ITS JOB

If you haven't thought about your homeowners insurance since you signed your mortgage papers, insurance experts across the nation say it's time to think now!

According to Marshall & Swift/Boeckh, a leading insurance consulting firm, two out of three American homes are underinsured, with the typical homeowner underinsured by 27%. That means if a disaster on par with the Florida hurricanes or California wildfires struck our area, many Washingtonians would find themselves paying thousands of dollars out of pocket to rebuild their homes.

Many factors — from changes in building codes to rising lumber prices — have created the gap between rebuilding costs and insurance coverage. So has a change in the way insurers define "replacement-cost coverage."

*cont. on page 2*

*Two out of three  
American homes  
are underinsured*

## AFTERMARKET UPGRADES MAY NEED SPECIAL COVERAGE



"If only I'd known."

Too often, drivers who add high-end wheels, DVD players, custom paint, canopies, or campers to their vehicles find themselves uttering those four woeful words of regret after filing an insurance claim for theft or damage.

Like most insurance companies, PEMCO excludes coverage under its standard policy for some aftermarket upgrades. Unless policyholders tell us about them, we're unable to offer the extra coverage needed to protect their cars' most-appealing attributes.

Fortunately, with the exception of performance engine parts, PEMCO can tailor coverage for virtually any upgrade at a cost lower than you might think.

If you're unsure whether or not you need special coverage, call your PEMCO representative and describe the equipment. (You may be surprised to learn that we automatically cover any stereo – no matter how sophisticated – as long as it's permanently installed.) If we don't cover your item under our standard policy, you'll have the option of adding it for an extra charge. ■

### COVERAGE (cont.)

Twenty years ago, many replacement-cost homeowners policies fully covered the costs of rebuilding homes from scratch, regardless of the value stated on the policy. Today, faced with skyrocketing costs, most insurers cap that coverage. PEMCO offers an Extended Replacement Shield that adds up to 25% of the declared value of the structure of your home. That coverage is included in some policies and is available as an endorsement for others. For the Extended Replacement Shield to give you the peace of mind intended, your home should be insured for 100% of its replacement value.

To help policyholders avoid the underinsurance epidemic, PEMCO has stepped up inspections in recent years and contacted longtime policyholders to ensure we have accurate information about their homes. Often, we found unreported remodeling projects and upgrades that left the homes falling short on coverage.

We also adopted a "reconstruction cost" rather than "replacement cost" model in helping homeowners calculate the amount of coverage needed. It determines the cost to rebuild your home at current rates using the same kind of materials, construction standards, design, layout, and quality of workmanship used originally. It also factors in debris removal. PEMCO also automatically increases coverage each year to account for inflation.

**Still, updating insurance coverage is an ongoing responsibility for homeowners.** After all, nobody knows your home better than you. Your home could be underinsured if:

- You used your home's purchase price or market value to determine coverage.

- You've remodeled, added or expanded rooms, finished a basement, or added a porch or deck.
- Your most-recent home appraisal doesn't reflect high-end materials like decorative crown moldings, specialty hardwood floors, or granite countertops.

If you're a condo owner, you face special concerns. First, you must learn precisely what your condominium association master policy covers. For example, some policies cover all original surfaces and appliances. However, once homeowners replace something (like a carpet or refrigerator), they assume full responsibility to insure the item (not just the difference in value between the replacement and the original).

Also, condo owners are subject to assessments by the condominium association for damage to their own or adjoining units. Experts recommend you carry minimum limits equal to the amount of the master policy's deductible, plus the value of any changes you've made to your unit. As a rule of thumb, carry at least \$500,000 in liability coverage if your building has six or more units. Given its relatively low cost, consider an excess personal-liability (umbrella) policy. Why? If you're negligent, you could be held responsible for damage to other homes in your complex.

If you suspect you might be underinsured or are struggling to determine your home's replacement value, we urge you to call your PEMCO representative today. ■



### QUICK TIP

The older your home,  
the more it would cost  
during rebuilding to bring  
it up to current codes.  
  
Consider increasing limits for  
"Ordinance and Law" —  
an inexpensive endorsement  
that provides additional  
coverage to your policy.

## GRADUATED LICENSING IS SAVING LIVES

Though the data is classified "preliminary," its implications are hard to dispute: Since Washington's graduated licensing law took effect, crashes involving 16-year-old drivers have dropped by *more than one-third* on state highways. That's 990 fewer accidents in the 18 months *after* the law (1,629) compared with the 18 months preceding it (2,619).

**What the law requires.** Since July 2001, newly licensed teen drivers must not drive between 1 a.m. and 5 a.m. unless supervised by someone with at least five years of driving experience; carry no passengers under age 20, except for immediate family (for the first six months); carry no more than three passengers under age 20, except for immediate family (after the first six months); and stay collision- and violation-free. Failure to do so could mean they won't receive an unrestricted license until age 18.

**What the law intends.** Even though teens comprise only 7% of all drivers in Washington, they make up 15% of drivers in fatal crashes. Studies show the best way to improve skill is to give new drivers more behind-the-wheel experience — time (free of distractions) to develop the attention, judgment, perception, and decision-making to drive safely.

**What you can do to help.** If your teen is about to start driving, the graduated licensing law makes a great starting place for setting your own rules of the road.

Just as kids learn to walk, talk, read, and write at different ages, their readiness for driving varies, too.

Get involved. Make an honest assessment of your teen's skill and maturity to decide how soon you'll allow him or her to drive:

- with the radio or stereo on
- when it's raining, snowy, or icy
- at night
- with a teenage passenger
- on rural roads
- with food
- with a cell phone.

You also might start an "ABC" — Activity-Based Curfew. Rather than setting your child's curfew at the same time, base it on what your teen is doing. Going to a movie that ends at 9:30 p.m.? Be home by 10 p.m. Going to a dance that ends after 10 p.m.? Be home by 11 p.m. That eliminates aimless driving.

Partner with your teen as he or she hones driving skills. Model safety in your own driving and take the passenger's seat as often as possible. Keep an eye on his or her skill in maintaining a safe speed, changing lanes, anticipating the actions of other drivers, and wearing seat belts. Track your teen's driving experiences (in rain, fog, city traffic, etc.) and practice together to fill in gaps.

The Web offers great tips on helping your teen navigate the bumpy road of first-time driving. For more ideas, try the Washington Traffic Safety Commission's site at [www.wtsc.wa.gov/teens\\_wheel.html](http://www.wtsc.wa.gov/teens_wheel.html), and be sure to visit [www.pemco.com](http://www.pemco.com) for more on teen drivers. ■



*Make an honest  
assessment of your teen's  
skill and maturity*

## QUESTIONS YOU ASKED US

### Does PEMCO cover me if I rent a truck or RV that exceeds 10,000 pounds gross (loaded) weight?

PEMCO *does* cover you for liability — that is, if you hit something and damage property or injure someone — up to the limits you carry for your own vehicle.

However, your PEMCO policy *does not* cover the truck itself and its contents. Specifically, it excludes coverage for comprehensive, collision, towing, auto rental, and travel-expense reimbursement. For that, you'll need to purchase coverage from the truck or RV rental agency. The price will depend on the size of the vehicle and distance you drive.

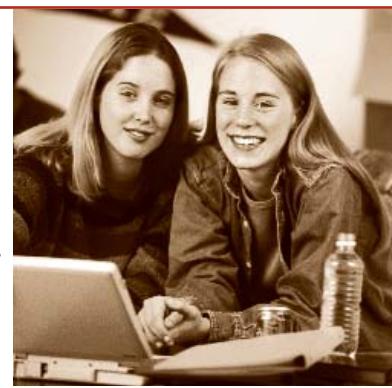
### Are my daughter's belongings covered when she's away at college?

That depends. They're covered as long as she still uses your home as her permanent address, keeps some belongings there, returns during school breaks, and receives financial support from you.

Your policy covers belongings away from home up to 10% of Coverage C, Personal Property. For example, if you had \$170,000 in coverage, your daughter's property at the dorm would be covered up to \$17,000. If she needs more, you could buy an endorsement called "Increased Limits on Personal Property in Other Residences" for \$6 per \$1,000 of coverage.

There are limits for certain items, including \$200 for cash and \$1,000 to \$3,000 for jewelry, depending on your policy. If that's not enough, you can insure a particular piece of jewelry for \$1.15 per \$100 of coverage.

When a child goes away to college, it's a good idea to inventory his or her belongings and save receipts for major purchases. You can use the list if you need to file a claim, plus it will show whether or not your policy's automatic coverage is enough. No time to make a list? Then use a camcorder or camera to document those belongings. ■



**R E W A R D I N G  
R E S P O N S I B I L I T Y**



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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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*Many of PEMCO's decisions owe their success to customer input*

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## WE'RE LISTENING (cont.)

employees' courtesy and knowledge to the speed and fairness of claims settlements. Open-ended questions allow customers to offer suggestions or talk about details of a specific experience.

More than half the people surveyed consistently report "there was nothing PEMCO could do" to improve its service. And in areas where improvement is suggested, many comments center on reducing premium costs or increasing communication. Results are shared with everyone from front-line employees to senior managers.

Recent interviews revealed that we could boost customer satisfaction by improving communication about the claims process. In response, we created a new line of plain-talk brochures that customers receive when they report an auto claim. (Similar brochures are in the works for home and other claims, too.)

**Polls and focus groups.** PEMCO doesn't just make assumptions about what consumers want. With the help of an independent research firm,

we ask groups of customers and non-customers to evaluate our products and services. Many of PEMCO's major tactical and strategic decisions owe their success to customer input.

"It's not that we ask consumers to create our messages, products, or images," said Research Manager Jerry Shaw. "We craft something we think is on the mark, then let consumers validate it — or not — rather than just assuming they'll accept our ideas."

"If they could, I think the people at PEMCO would love to talk individually with every one of their current and potential customers," said Lea Knight, owner of FBK Research, the company most often used for PEMCO's research projects. "They genuinely listen and use their information to guide their product and communications strategy."

"That approach," she added, "strengthens PEMCO's partnership with customers." ■

## MAKE A FAMILY FIRE-ESCAPE PLAN

If your home caught fire tonight, would everyone in the family know how to get out safely? They would if you had a fire-escape plan and practiced it at least twice a year as recommended by organizations like the National Fire Protection Association.



### AS PART OF YOUR PLAN:

- Be sure all family members know at least **two ways to get out**, especially from bedrooms.
- Make sure **windows can be opened** quickly and ladders are accessible.
- Establish a **safe meeting place** outside (like the mailbox or a streetlight) so you can account for all family members.
- Tell everyone **NEVER to go back** inside a burning home.

### IF YOU'RE FACED WITH A FIRE:

- **Don't open doors** if they feel hot. Stop, look, and listen for fire.
- Smoke rises. **To escape a smoky fire, crawl instead of walk.**
- In high-rise buildings, escape the flames **using the stairs**. Don't use the elevator.
- If your clothes catch fire, don't run. **Stop** where you are. **Drop** to the ground. **Roll** until you smother the flames.
- **Call 9-1-1** from a neighbor's house.

### TO IMPROVE FIRE SAFETY:

- **Install smoke alarms** on every level of your home and in each bedroom. Test alarms monthly and change the batteries every year.
- Sleep with **bedroom doors closed**. (Fire takes 10-15 minutes to burn through a wooden door, adding extra time for you to escape.)

To learn more about protecting your home from fire, visit the U.S. Consumer Product Safety Commission Web site at  
[http://www.cpsc.gov/cpscpub/pubs/fire\\_sfy.html](http://www.cpsc.gov/cpscpub/pubs/fire_sfy.html)

## WORDS YOU SHOULD KNOW

The following words appear in this issue of *Perspective*:

**Deductible** — the amount a customer pays out of pocket on a claim before insurance coverage kicks in.

**Endorsement** — a document added to the policy that broadens or restricts coverage. Sometimes called a "rider."

**Premium** — the price a customer pays for an insurance policy. ■

## ACCIDENT TIPS

A fender-bender can rattle the coolest of heads! If you're in an accident, there's important information to gather. Keep this in your glovebox to walk you through the process.

**Safety first.** Stop. Determine if there are any injuries. Call 9-1-1 for help, if needed.

**Move your car to the side of the road**, if possible. You'll reduce the chances another car will run into you, and you'll minimize traffic back-ups. Step away from traffic.

**Watch your temper and limit statements.** Exchange insurance information, but don't discuss responsibility for the accident with anyone except the police.

**Don't block traffic. From a safe location, report the accident to the police.**  
**Then call PEMCO: 1-800-GO-PEMCO, option 4.**

### Information about the other car

Year \_\_\_\_\_ Make \_\_\_\_\_ Model \_\_\_\_\_

License plate number \_\_\_\_\_

Driver's name \_\_\_\_\_

Driver's license number \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_

Hm phone \_\_\_\_\_ Wk phone \_\_\_\_\_

### Registered owner (if different)

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_

Hm phone \_\_\_\_\_ Wk phone \_\_\_\_\_

**Insurance company** \_\_\_\_\_

Policy number \_\_\_\_\_

### Passengers

Name \_\_\_\_\_ Ph \_\_\_\_\_

Name \_\_\_\_\_ Ph \_\_\_\_\_

Name \_\_\_\_\_ Ph \_\_\_\_\_

### Witnesses

Name \_\_\_\_\_ Ph \_\_\_\_\_

Name \_\_\_\_\_ Ph \_\_\_\_\_