



# Straight to the Point..

A Newsletter Designed to Help Clients Understand Asset Preservation

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## After the Fire: Enough Insurance?

### **MANY OF THOSE WHO LOST THEIR HOMES FOUND COVERAGE INADEQUATE**

One big question looms in the aftermath of the worst firestorm in California's history: Will insurance carriers pay homeowners the full cost of rebuilding the 3,700 dwellings incinerated in Southern California this October?

Industry experts say many homeowners were significantly under-insured because they did not update their policies. Some insurers have neglected to increase coverage to keep pace with higher costs of labor and construction materials. To make matters worse, insurance carriers in California no longer guarantee to cover the entire cost of a new home. Instead they offer an "extended replacement" provision – a maximum increase over the face value, usually 10% - 25%.

As a result, many Southern California homeowners will be left in dire economic straits as they struggle to rebuild their homes, purchase necessities, refurbish and pay off their mortgages.



Chronicle / Michael Macor  
Southern California homeowners salvaging remnants of their home

Chubb, AIG and Firemen's Fund are the only carriers to offer an "extended replacement cost" at 200% of the face value of the policy in California. This is, by a wide margin, the broadest coverage in the industry. On top of that, each carrier sends a representative to meet with clients, inspect their home, noting special features and safety recommendations. In a few weeks, clients receive a hard-bound appraisal showing the exact replacement cost.

The Bay Area is vulnerable to an identical financial catastrophe as well. All over the

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## Prevent Vacation Home Damage from Frozen Pipes this Winter

In an effort to save money, many vacation home owners and ski-share renters may be tempted to turn the heat down or even off this winter. They could find a nasty surprise when they return -- thousands of dollars in damage and untold mental stress from damage caused by water pipes freezing and bursting. In some cases even tenants of a ski-share may be responsible

for damages to the property they are renting.

Even an eighth-inch crack in a pipe can send more than 260 gallons of water cascading onto your carpets, hardwood, furniture and personal belongings in one day.

As winter arrives and temperatures dip below 20 degrees, water pipes in homes without adequate insulation may freeze and break. Homes in warmer climates are

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## Did Santa Bring New Jewelry or Collectibles this Holiday Season?



*“Many home-owners policies don't cover valuable items that are lost or misplaced, especially when they disappear away from the home. A valuable articles policy provides coverage in these situations.”*

### WE UNDERSTAND

Whether your collection started with a deliberate plan or simply because an object caught your eye, you realize that managing and caring for your treasured items means more than just deciding where to put them. Regularly, you are faced with decisions that impact your collection. Perhaps you want to move some objects to another home, place part of your lot into storage to make room for new additions or learn how to safely display your piece.

We understand your passion and the challenges that accompany it. Our knowledge of art, antiques, jewelry and other collectibles differentiates Fort Point Insurance Services from other insurance organizations. Whatever the collection; photographs, decorative arts, wine, fine arts or memorabilia - more likely than not, something like it is already insured by Fort Point Insurance. This expertise and experience, along with a general desire to better serve our customers, has enabled us to provide coverage with their needs in mind.

### Are you covered? Probably not...

How much is your jewelry worth? Your collectibles, furs, wine collection, silver, china, antiques and artwork? Chances are, your home-owners policy isn't nearly enough to replace your valuables if they are ever lost, stolen or damaged. Every homeowner policy limits the amount of “unscheduled collectibles” from \$1,000 to \$5,000.

Owners of jewelry and growing collections rely on valuable articles insurance from Fort Point Insurance. It is remarkably easy to obtain, and provides features that you won't always find in typical policies.

A “valuable articles” policy through Fort Point Insurance helps you protect your financial investment in jewelry, collectibles, china, crystal, silver, artworks, furs, antiques and virtually any other type of valuable. It offers you:

- **Itemized coverage.** This option allows you to determine the insured value of each of your possessions. In the event of a total covered loss of an item, you will receive 100% of the insured value. There is no deductible, no depreciation and no surprises.
- **150% replacement cost.** (Only available through Chubb and AIG valuable articles policies) Provides safeguards for items that appreciate. If the market value of an item (before the loss) is greater than the itemized amount listed on the policy, you will receive the market value up to 150% of the itemized coverage amount for the item.
- **Breakage protection.** Coverage for breakage or damage to fragile items is automatically included. This coverage is typically restricted or excluded in home-owners policies.
- **Coverage for “mysterious disappearance.”** Many home-owners policies don't cover valuable items that are lost or misplaced, especially when they disappear away from the home. A valuable articles policy provides coverage in these situations.
- **Worldwide coverage.** Your valuables are automatically covered wherever you take them—anywhere in the world.
- **Hassle-free appraisal requirements.** Unlike many other insurance companies, AIG and Chubb do not require an appraisal for every piece that you itemize. For most possessions, a description of the item and a value is all that is needed. In general an appraisal (or suitable documentation) is only required for fine art worth more than \$100,000 and jewelry worth more than \$50,000.
- **Coverage for pairs and sets.** If a piece of an itemized pair or set (like earrings or a set of silver) is lost or damaged in a covered loss, you have the option to provide us with the re-

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## Don't Get Burned this Holiday Season

COURTESY OF TRAVELERS INSURANCE



### ONE OUT OF THREE MAJOR LOSSES CAUSED BY FIRE

Fire is the second most frequent cause of large home-owners property claims, according to a recent analysis of claims incidence at Travelers Property Casualty. "In our experience, one of every three losses over \$10,000 is fire-related," says Peter McMurtrie, Vice President of Claim Services.

Overall, fire is the cause of one out of every 25 home-owners property claims at Travelers, demonstrating that fire results in some of the most extensive losses. "In the winter, and especially at holiday time, people tend to increase their use of candles, fireplaces, wood stoves, and electrical decorations that can lead to fires in the home," adds McMurtrie. "We'd like to remind everyone of a few simple precautions they can take to protect their families and homes from a fire-related loss."

### Candles

- Be aware of the placement of candles, keeping them away from walls, window treatments, papers and other flammable materials. Place candles on heat-resistant surfaces.
- Before lighting, trim the wick to approximately one-eighth of an inch.
- Store matches and lighters in a secure location, out of the reach of children.
- Do not leave lighted candles unattended; they should be within your sight at all times.

### Fireplaces/Wood Stoves

- Be sure that ashes are completely cool before removing them from your fireplace. Use a metal pail or can to transport ashes. Where available, use the clean-out chute located in the fireplace to dispose of ashes.

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## Frozen Pipes

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typically at greatest risk because pipes are often not well-insulated in crawl spaces and attics.

Since uninsulated pipes are the most vulnerable to cold temperatures, homeowners can prevent damage caused by frozen pipes by wrapping exposed pipes with insulation.

### Some tips for preventing your pipes from freezing:

- Don't turn off your heat and don't set the thermostat below 55 degrees.
- Let the hot and cold faucets drip overnight and open cabinet doors to allow heat to get to uninsulated pipes under sinks on exterior walls.
- Insulate pipes in your home's crawl space or attic.
- Seal leaks that allow cold air inside. Look for air leaks around electrical wiring, dryer vents and pipes. If practical, use an indoor valve to shut off and drain water from pipes leading to outside faucets.
- If you're going away for an extended period of time, it makes sense to shut off and drain the water system.

## Enough Insurance?

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state, the per-foot costs to erect a home from the ground up have soared far above the replacement cost limits in most policies.

In 1999, replacing the average home in the Bay Area priced between \$85 and \$125 per square foot. According to building industry estimates and published new home construction costs, today's average home replacement cost has jumped to \$175 to \$325 per square foot.

"Our policy is for \$150,000 - I'm not sure that will cover it. I doubt it with today's prices for lumber," said Paul Benzo, a Harbison Canyon resident whose two-story 1929 home was reduced to a few concrete foundation walls and a pile of ash. – *SF Chronicle 10/03*

Moments after the fires, insurance firms such as Chubb, AIG and Travelers mobilized adjusters authorized to write checks for thousands of dollars for short-term needs. While that helped their clients, others worried whether their insurers would be as generous as these insurers when the sums needed for actual replacement of their houses soar higher. The damage from the wildfires, which claimed 20 lives and burned more than 1,200 square miles, is estimated at \$4.5 billion.

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## Enough Insurance?

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One homeowner, who did not wish to reveal her name for fear of retribution from her insurer (State Farm), said her policy limit may be \$80,000 short of the amount needed to rebuild her 2,200-square-foot home in the upscale Scripps Ranch neighborhood.

"It's a huge discrepancy, and it affects everything, including how much you receive for your personal belongings," she said, referring to the fact that coverage of a home's content is usually a fixed percentage of the dwelling's replacement cost.

Most policies include coverage for "additional living expenses" -- costs for rent, temporary supplies and other items. Under most policies, those costs are covered up to a certain dollar limit or for a certain amount of time -- for example, nine or 12 months. That may not be adequate for victims of the Southern California fires because so many homes need to be rebuilt.

*Chubb, AIG and Travelers are some of the few carriers to offer "additional living expenses" without a maximum time element. In many cases, the policy reads "unlimited," further differentiating these carriers from the rest of the pack.*

The insurers say the onus of adequate coverage lies with both the firm and the policyholder.

"Those customers that maintain a dialogue with their agent aren't going to be underinsured, and they won't be under-prepared," said Sid Menendez, an insurance industry spokesman.

Despite the discrepancies, most insurance companies are unlikely to increase their payouts above the policy limits because of the wide-ranging implications for their businesses, said Dreyfus Neenan, an insurance analyst with stock research firm Morningstar.

### ***If your house burned down, could you replace it?***

Some tips on how to find out:

- Find the exact replacement-cost limit for your home spelled out in your homeowners insurance. (Remember, replacement cost is not the same as fair market value or sales price.)
- If your policy's replacement cost seems low, ask your insurance agent about increasing your limit.
- If necessary, get several per-square-foot estimates on the cost of rebuilding your home from reputable contractors.
- Owners of older homes may want to explore building code upgrade coverage, which protects you in case rebuilding your home after a fire would require extensive work to comply with recent code changes.

## New Jewelry

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maintaining piece(s), and you will receive the coverage amount for the entire set.

- **Cash settlement.** Unlike other insurance companies, you are not required to replace itemized valuables in the event of a loss. You may choose a settlement in cash, or replace your valuables at the dealer of your choice. The decision is yours.
- **Coverage for newly acquired items.** If you acquire a new item and already have similar articles insured with itemized coverage, your new item is automatically covered for 90 days for up to 25% of the total itemized coverage for those similar articles (maximum \$50,000).

Superior protection and our carrier's unsurpassed claims service have made Fort Point Insurance one of the leading insurance agencies of valuable articles in the United States.

## Holiday Fire Prevention

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- Have your chimney professionally cleaned annually.
- Before lighting a fire, check that the flue is open to avoid smoke damage.
- Keep a fire extinguisher nearby.

### ***Holiday Decorations***

- Check all electrical decorations for frayed wires or loose connections.
- Do not overload outlets, extension cords or surge protectors.
- Check location of lights to ensure they are not in contact with flammable materials.
- Carefully read decoration instructions regarding maximum voltage.
- Use UL-approved electrical decorations and accessories.
- Regularly water your Christmas tree.



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