

INSURANCE

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INSIGHTS

A Newsletter for Clients and Friends of
MOUNTAIN STATE INSURANCE AGENCY, INC.

Distracted Driving, More Crashes Drive Rates Up

Auto insurance rates are climbing due to a sudden escalation in the cost of claims.

The amount insurers are paying out in claims is due to many factors, including more accidents due to distracted driving.

Also, repairs cost more as vehicles have become more high tech and replacement parts get more expensive.

The scope of the increasing outlay for claims was evident when State Farm Insurance reported a \$7 billion loss on its auto insurance portfolio for 2016.

Other major companies, like Travelers Co., Allstate Corp. and Geico, have said they were increasing their auto premiums because of higher claims outlays.

“Loss costs throughout the auto-insurance industry have been increasing at an unexpected pace,” Berkshire Hathaway chairman Warren Buffett said in his letter to shareholders. Berkshire owns Geico.

The driving force that’s led to the boom in accidents is distracted driving, insurance companies say.

A report by the AAA Foundation

for Traffic Safety found that about 87% of young drivers had engaged in at least one risky behavior while behind the wheel within the past month of being surveyed.

These dangerous behaviors – which increase crash risk – include texting while driving, red-light running and speeding.

This new scourge is wiping out years of steady declines in traffic fatalities. In 2015, U.S. traffic deaths rose to 35,092, an increase of more than 7% and the largest single-year spike in five decades.

From 2005 to 2013, the average cost per paid bodily injury liability claim increased 32%, from \$11,738 to \$15,506, according to the Insurance Research Council. In 2014 it had reached \$16,600, up 7% from the year prior.

What kind of rate increases?

Rate increases vary among insurers. Some have anticipated the rise in accidents and costs and are slowly lifting rates.

But others have reacted late and are now increasing their premiums to account for the increases.

The average rate of increase has been around 5% to 10%.

WHY CLAIMS COST MORE

- More accidents. Insurers point in particular to claims related to distracted driving from the use of smartphones.
- Higher repair costs.
- Higher costs for replacement parts.
- Higher medical costs.
- More vehicles on the road.



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Hopefully you are finding our *Insurance Insights* newsletter informative. Our purpose is to inform our clients, prospects and friends about personal risks faced in everyday life and how insurance might apply to those risks. If you have friends or family members that could benefit from our newsletter, please send us their contact information. We are always looking for more great clients like yourself.

It is our pleasure to be of service to you.

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Four Thefts That Show Not All Thieves Are Stupid

While the majority of people live their lives honestly and don't steal and cheat, unfortunately there are plenty of unscrupulous people in society that have no qualms about stealing from you.

And while many people think that overall, thieves are stupid, many of them are calculating and know when to strike. Often, these are crimes of opportunity, and below are some common ploys smart thieves have been employing recently.

1. The long-term parking trick

Thieves regularly cruise the long-term parking lots of airports, to not only steal things from the cars, but also to get ahold of car registrations in the glove compartment. They then drive to the owner's home and rob them.

The robbers will often stake out the property first for a day to make sure nobody is actually home, and then they strike.

What to do: Don't leave your registration and insurance cards in the car if you are leaving it in long-term parking. Also, you may also want to consider leaving the garage door opener at home.

2. The GPS home robbery

Here's another disturbing tactic. When people are parked at a long-term event, like a concert or fair, thieves cruising the parking lot look for vehicles with a GPS in plain sight. They break into the car and steal the GPS, plug it into their own car and have the GPS provide the directions to the victim's home, which they then burgle.

The thieves know that the owner of the car is at the event and likely won't be home for a few hours, so they can take their time and make off with the victim's valuables.

What to do: Instead of programming your home address into the GPS, instead program a nearby location, like your regular grocery store or gas station. Also, you should stash your GPS out of sight so that it's not such a tempting target.

3. Stolen phone, drained bank account

One of the worst things that can happen to someone is to have their purse stolen. What do most people keep in their purses? Wallets, cell phone and keys to their home, along with a number of sundry other items.

One woman whose handbag was stolen with those items in it had her husband's phone number under "hubby" in her phone contacts. When she called him from a pay phone, he told her that he'd received a text from her asking about their ATM card PIN number, which he sent. They checked their account and found out that the thief had withdrawn \$400.

What to do: Use people's names in your contacts lists and not designations like Mom, Dad or Sweetie. Also, if you receive a text from a loved one asking for sensitive information, call them back instead of sending a text message.

4. Stolen purse, burgled home

Sometimes people are careless about their purses when shopping. They leave them in the shopping cart while walking a short distance to grab something from a shelf.

One woman had her purse stolen from a cart when she'd left it sitting there unattended. She reported it stolen to the store management and when she got home, she got a call from store security, saying they had her purse and wallet, although it had been emptied of its cash.

But, when she got to the store, she was told they hadn't called her. Suspecting something was amiss, she hurried home only to find out that her home had been burgled. The thieves had made the call knowing she'd leave to get her purse back.

What to do: If you find yourself in a similar situation and get a call from a store, you should look up the store number and call them back. Better still, never leave your purse unattended while shopping.

Eight Insurance Hazards to Watch for This Spring

While most Americans welcome spring with its warmer, sunnier days, seasoned homeowners know that it can also bring several problems.

These are some of the most common spring insurance hazards.

1. Flooding

When a region experiences storms with substantial amounts of snow or ice during the winter, spring flooding often ensues as the water melts. As the water runs into rivers and creeks, they may rise beyond their banks. If there are spring showers, the added floodwaters can cause major problems for residential areas in flood zones.

A homeowner's policy covers water damage but not flooding. Flood damage is caused by rain or flooding bodies of water. Regular water damage comes from broken pipes, roof leaks and similar home-related problems.

If you live in flood zones you should purchase flood insurance from the National Flood Insurance Program.

2. Potholes

When spring approaches, it is common to see more potholes in the road. These can ruin tires and damage the wheels on some cars. Drivers who have collision insurance are usually covered for pothole damage.

3. Ice dams

If snow or ice accumulates on the roof and only partially melts, additional snow or rain can cause an ice dam to form. Ice dams often result in water leaking into the home and down the walls. A home insurance policy usually covers the water damage, but the insurer will not pay for removal of the ice dam from the roof.

4. Hail damage

Hailstorms are common in spring and can damage, crack or dent the roof of your car if it is left outside. Damage to the roof of your home is usually covered under a home insurance policy. If the hail breaks a window and causes rain to leak into the home, the broken window and resulting water damage are both usually covered as well. Check your coverage to find out if you are covered for hail damage.

5. Driveway cracks

Extreme temperature changes and the pressure from snow, ice and vehicles can cause a driveway's surface to crack. You should check your policies to see if you are covered for cracks.

If the damage was caused by a neighbor using sand or salt, the neighbor's insurer is liable.

6. Rust

When spring arrives, vehicle owners should wash their cars at a drive-through carwash that also sprays the undercarriage. This helps remove salt residue that accumulates on the vehicle from the roads.

Salt can damage a car and cause rust or worsen existing rust problems. Rust is not typically covered on an auto policy.

7. Damaged landscape

Heavy snow or ice storms may flatten trees, bushes and landscaping. It is important to remove dead tree branches every spring. This is especially true if they are hanging over the home itself.

Rotting mulch and other hazards should be removed. Home insurance policies do not cover snow-damaged trees, bushes or grass.

8. Snow plows

Snow plows often knock over mailboxes or hit cars on residential properties. If a city snow plow was to blame, first contact your city to see how to file a claim. If a neighbor was operating a private snow plow, the claim must be filed with the neighbor's insurer. If the culprit is unknown, contact us to learn how to proceed.

The takeaway

Make a habit of watching for these hazards as temperatures start to rise and snow piles start to diminish. It is important to address issues immediately and take preventative measures.

To learn more about preparing for hazards and updating insurance, call us.



How New Tax Law Affects Mortgages

At the end of 2017, President Trump signed into law the Tax Cuts and Jobs Act. The good news for most Americans was an overall reduction in marginal tax rates, together with a substantial increase in the standard deduction.

Specifically, the new law increased the standard deduction for single taxpayers from \$6,350 to \$12,000, and for married couples from \$12,700 to \$24,000.

However, it also restricted taxpayers' ability to deduct home mortgage interest, moving expenses, state and local taxes and certain other related costs. Here are some of the most significant changes and how they may affect you.

Home mortgage interest deduction

The old law: You were allowed to deduct the interest on mortgage debt of up to \$1 million. You could take advantage of this cap on up to two homes – your primary residence and your second home. (The cap on principal that qualified for the deduction was \$500,000 for married couples filing separately, but an unmarried individual could still deduct the interest on up to \$1 million per property.)

The new law: For all homes bought on Dec. 15, 2017 or later, you can only deduct the interest on up to \$750,000 of mortgage debt. If you are married and filing separately, the cap is \$375,000 per spouse.

The cut-off: The more favorable tax treatment under the old law applies to all mortgages dated prior to Dec. 15, 2017.

If you refinance a mortgage that was dated prior to Dec. 15, 2017, you will still get the benefit of deducting the interest on up to \$1 million in principal.

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Home equity loan interest

The old law: Prior tax law allowed you to deduct interest on up to \$100,000 in home equity loans. For married individuals filing separately, the cap was \$50,000.

The new law: Home equity loan interest is no longer tax deductible in any amount.

Limits on state, local & property tax deductions

The Tax Cuts and Jobs Act restricts individuals' ability to deduct property taxes and other state and local taxes against their incomes.

The old law: For 2017 and prior, you could deduct an unlimited number of state and local taxes from your federal taxable income – subject to some limitations under alternative minimum tax rules.

The new law: You can only deduct up to \$10,000 in total in state and local income taxes. This provision will have the most effect on those in states with high state and local taxes, as well as those who have expensive properties that generate significant property taxes. For those who are married and filing separately, the deduction is capped at \$5,000.

Moving expenses

The old law: Until 2017, you could deduct certain relocation costs if you moved for a new job located more than 50 miles away. There were a series of complicated "time and distance" rules that governed the deductibility of moving expenses.

The new law: Only active-duty military personnel and their families may deduct moving expenses.

