# Insights and Updates

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## Insurance and storm preparedness

When the threat of severe weather is on the horizon, everyone's focus becomes preparedness—homes and businesses are boarded up, generators are purchased, bottled water is snatched from store shelves. However, too few people examine their insurance policies or call their agent ahead of time to make sure they possess adequate coverage in the event a storm damages their home or possessions. Year after year, with storms like Irene and Sandy, people still get caught without coverage and end up paying a harsh price.

One of the most tragically common misunderstandings related to storm damage is that homeowners insurance does not cover losses from flooding. A separate flood policy must be purchased instead. Do you know if you have flood insurance?

It's also important to be aware of the difference between standard homeowners policy deductibles and "hurricane deductibles." Standard deductibles for covered losses are usually a flat dollar amount, such as $500 or $1,000, while hurricane deductibles are usually between 1 to 5 percent of a home's insured value, which could mean thousands more in recovery costs if the storm qualifies as a hurricane. In New York, there is no standard criteria for whether a storm qualifies as hurricane or not. Different insurers apply different standards to the deductible in their polices. If you don't know what your insurer's standard is, contact us and we can review your policy.

Some people assume that if the worst does occur, there will be a financial safety net in the form of recovery aid from the Federal Emergency Management Agency. What is often overlooked is that this aid comes in the form of loans that must be repaid with interest. Furthermore, not everyone qualifies to receive it.

When storm damages make it necessary to leave your home temporarily, your homeowners policy will cover the additional costs necessary to maintain your normal standard of living for such things as meals, lodging, laundry, transportation, entertainment, etc. However, you must present receipts for all of your expenses to be reimbursed.

There are many other wrinkles in insurance policies when dealing with storm damage and recovery, such as food spoilage, power loss and debris removal. The conditions are not always as clear as they may seem. Call us and we can go over your policy with expert eyes, so you can know what you need, what to expect, how to best prepare.

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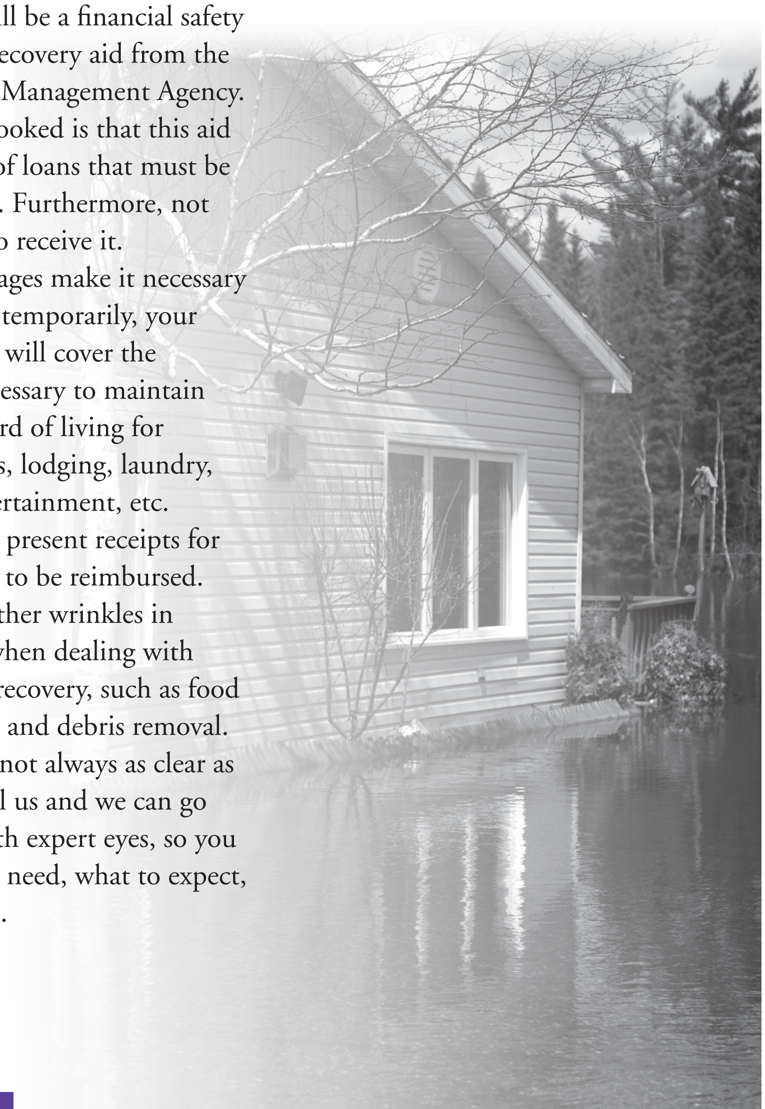

## Roofing with radiant barriers

When summer returns, cooling becomes a leading expense for many households. Installing a radiant barrier is an attractive tactic to reduce costs.

Heat from the sun hits the roof of a house. A radiant barrier is a thin, reflective foil adhered to a paper layer, installed underneath the outer surface of the roof (shingles, slate, etc.). It reflects up to 95 percent of the sun's heat that reaches the roof. What's more, it similarly works to keep the cool air inside. A radiant barrier can reduce summer cooling costs by 25 percent.

However, recent research by forensic engineering firm McDowell-Owens found, "potentially serious, negative side effects involving the installation of the product …." Their research indicates that a radiant barrier has the potential to become grounded through incidental contact with a home's electrical wires, plumbing lines, vents, HVAC system and more. Once grounded, it can conduct electricity throughout an entire attic space, opening the household up to the risk of an electrical fire that can spread quickly. Unfortunately, nature is all too ready with a source of electricity: lightning.

On the other hand, this is a new line of research. In fact, some municipalities even require all new homes have radiant barriers installed. Nevertheless, if you are building a new home or replacing the roof on an existing house, you'll want to weigh the potential savings against an emerging risk, and of course always call us before you begin such a project to ensure you've considered all the insurance-related issues.

# Be ready if disaster strikes

Floods and other natural disasters can happen anywhere. Are you ready?

Flooding and other disasters are not covered by a standard homeowners insurance policy. Our insurance agency can help you review your current homeowners, auto and other insurance policies to help make sure you have the coverage you need now to provide you with peace of mind later. Give us a call today—some coverages, such as flood insurance, have a waiting period (e.g., 30 days) before they become active.

### Have a plan

Do you and your family know what you would do if you needed to evacuate your home in a hurry? Sit down with your family and make a plan. Have a designated spot so everyone knows where to go if you can't meet up at your home. Make sure all your local and family emergency contact information is in an easy-to-access location.

Create your own disaster kit, include the following:

- Three gallons of water per person
- Three-day supply of nonperishable food per person
- A portable, battery-powered radio or television and extra batteries
- Flashlight and extra batteries
- First aid kit and first aid manual
- Supply of prescription medications
- Credit card and cash
- Personal identification
- An extra set of car keys
- Matches in a waterproof container
- Signal flare
- Map of the area and phone numbers of places you could go
- Special needs (e.g., diapers or formula, prescription medicines and copies of prescriptions, hearing aid batteries, spare wheelchair battery, spare eyeglasses, or other physical needs)

As the saying goes, no one knows when the next disaster will strike, but you and your family can be ready to respond to it. And, our agency can help you prepare, so that should the worst happen, you can rebuild, fix or restore what you've lost.

# Tax implications of Sandy

Superstorm Sandy affected hundreds of thousands of people and caused billions of dollars in damages to personal property. As victims submit claims and receive payments from carriers, it's important to consider the tax implications of your insurance policy's proceeds. If damages are covered by insurance you may run into a scenario in which you actually owe taxes.

This occurs when the amount your policy pays out exceeds the tax basis of the damaged or destroyed property. Generally speaking, any taxable gain from the proceeds of an insurance policy must be reported, unless the repair or replacement of your property reaches a certain cost, or you make a special tax election to defer the gain. If you decide to defer, then only the money left over after repairing and replacing your property will be taxable.

Unfortunately, as people submit their claims, some are finding that their losses may not be covered entirely. If you have a loss that is not covered by insurance, there is a small silver lining. Losses caused by a storm that are not covered by insurance can be written off on your federal income taxes as personal casualty losses.

**"If damages are covered by insurance you may run into a scenario where you actually owe taxes."**

However, before you can make your deduction you will first have to do two things: First, you will have to reduce your personal casualty loss by $100.

Second, you also must reduce the loss by an amount equal to 10 percent of your adjusted gross income for the taxable year. That means if you have an adjusted gross income of $50,000 any personal casualty loss must be reduced by $5,100 (a 10 percent AGI reduction of $5,000 plus the $100 reduction.)

So, let's say your basement is flooded causing $10,000 worth of damage. Before taking a deduction you would have to subtract $5,100 from the $10,000 loss, leaving you with a $4,900 write-off. Since the loss was caused by a disaster in a federally declared disaster area you would be able to make this deduction either on your 2012 tax returns or by amending your 2011 tax returns. By deciding to amend your 2011 tax returns you will be able to gain some tax saving right away as opposed to waiting to file your 2012 returns.

Taxes and insurance are both tricky. Contact us if you have any questions.

# Flood insurance premiums changing under new law

The government's National Flood Insurance Program defines special high-risk flood hazard areas as those with at least a 1 percent chance of annual flooding. Under a new law (known as Biggert-Waters), premium rates on many properties in these special flood hazard areas will increase. Rates for nearly all buildings located in special flood hazard areas will be revised over time to reflect full flood risks. Subsidies and grandfathered rates will be eliminated for most properties in the future.

Starting Jan. 1, 2013, premium rates for subsidized policies insuring nonprimary residences began increasing. Rates will increase 25 percent per year until they reflect the full nonsubsidized rate.

Later in 2013, premium rate increases will take effect for additional categories of subsidized properties, including business properties, substantially damaged or improved properties, severe repetitive loss properties, and any property that has incurred flood-related damages where claim payments exceed the fair market value.

Beginning in 2014, premium rates for other properties, including nonsubsidized properties, will increase as new or revised flood insurance rate maps become effective and full risk rates are phased in. These premium rate increases will include areas that have received new or revised flood insurance rate maps since July 6, 2012 (the date of enactment of the new law).

Additionally, even if you build to minimum standards today, you will be subject to significant rate increases upon remapping if your flood risk changes in the future. For example Freeboard is a safety factor requiring buildings to be constructed higher than the calculated flood level to provide better protection and reduce damages. About half the 21,000 flood prone communities in the NFIP require 1 to 3 feet of freeboard for buildings. Based on the current premium rates for NFIP flood insurance, premiums can generally be reduced 50 percent or more if buildings use 2 feet of freeboard. Given the impact of sea level rise, subsidence on some areas of the coast, and changing flood conditions, a 3-4 foot freeboard in coastal areas is not unreasonable.

# News from our agency

## Coverage when renting a car

You may not need the extra insurance offered by the rental car company. First of all, as long as the rental car will not be driven out of the U.S., its territories and/or possessions, Puerto Rico, or Canada, then the "liability" insurance is unnecessary. However, if your travel plans include another destination such as Europe, then you should touch base with us.

When you have a New York personal auto policy, you automatically receive rental car protection with that policy. This is not typical of policies issued in other states, which is why a rental car company in Florida may attempt to convince you that you need the extra protection. However, in most cases, you don't need it. So spend the cost savings on extra fun instead of extra insurance.

When in doubt, call our agency before you reserve a rental car. Just give us the details of the trip you've planned and we'll help you determine what's best for you.