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There Are Good Reasons Why Your Insurance Doesn't Cover That Loss

Every insurance policy has a section popularly known as “the fine print,” though its actual title is “Exclusions.” Exclusions are provisions in an insurance policy describing losses that the policy will not cover. For example, a homeowner’s policy does not cover losses caused by the use of cars, and a business auto policy does not cover injuries caused by a bulldozer on a construction site. While it may appear at first glance that the insurance company includes these provisions to get out of paying claims, the reasons are more complex and less insidious than that. There are very sensible reasons why no insurance policy covers everything.

First, not every person or business has the same exposures to loss. Most homeowners do not own a dump truck used in a business; the owner of the dump truck might not have employees to insure for jobsite injuries; the employer with a dozen employees might not own the building it occupies. Imagine if

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Insurance Insights

A NEWSLETTER FOR CLIENTS AND FRIENDS OF BANCORPSOUTH INSURANCE SERVICES, INC.



Take Steps to Winterize Your Home Now

When preparing for winter’s arrival, most people immediately think of snow tires and protection from wet and icy roads. But what about your home? Although you may take great care in winterizing your car with snow-tires, anti-freeze, wiper fluid, flashlights, and blankets, what kind of prevention have you taken regarding your house? If your home is not properly winterized, it can easily become a source of both property and liability claims. Take steps to bring your home up to par before the first snowflake falls.

First, make sure your coverage is adequate to minimize the risk of a wintertime claim:

Winter Insurance Checklist

- Is your homeowner’s coverage sufficient? If your house was recently upgraded, it may not be.
- Is coverage on your vacation property adequate? What if someone uses the property in your absence and is injured? Will your coverage pay for damage that may occur while it is unattended all winter?
- Do you own a snowmobile? Many high-end snowmobiles require insurance above and beyond what most homeowners think about.
- Are you planning a winter vacation that requires expensive items such as fine jewelry for a trip to France, or snow skis and equipment for Vail? Be sure your personal property endorsements measure up.
- How about your college student? Are they renting an off-campus townhome? If so, you should think



about liability insurance for that dwelling.

Next, think about minimizing wintertime hassles, and avoiding needless claims that can be easily avoided.

Winterizing Checklist for Your Home

- Take time to clean or replace heating filters before turning the systems on. Make sure your units have been professionally serviced. If you don’t have smoke alarms, install them now. You may also want to consider carbon monoxide alarms.
- Inspect storm doors and windows. Cracked gaskets or cracked glass? Make the repairs.

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Insurance Services, Inc.

To locate an office near you, please visit us online at www.bxsi.com or contact us at info@bxsi.com.

Welcome to the BancorpSouth Insurance Services, Inc. Newsletter! ● ● ● ● ●

I hope that you find these articles of interest. If you have a topic for future discussion, please let us know. Please contact us at info@bxsi.com anytime we can answer questions or be of help with your business or personal insurance needs.

Teens Drinking At Parties = Insurance Issues

Every winter brings with it holiday celebrations and each spring brings with it the prom and graduation party seasons. Unfortunately, these events often become occasions for teens to drink alcohol. Teens at unsupervised parties risk harming themselves and others when they drink. Parents who host these parties may bear responsibility for what happens there and for injuries or damages occurring after the guests leave. While their liability insurance may cover any financial damages, the circumstances of the accident determine which policy will respond, and this will affect how much coverage the parents have.

Assume that a guest consumes several beers at the party, drives off in their car, and gets into an accident, injuring a passenger and themselves. The parents of both injured teens sue the parents who hosted the party, who in turn notify their homeowner's insurance company.

However, the policy's personal liability coverage does not apply to an insured person's legal liability for:

- The occupancy, operation, or use of a motor vehicle by any person
- The entrustment of a motor vehicle by the insured person to anyone else
- The insured person's failure to supervise or negligent supervision of any person using a motor vehicle
- The actions of a minor involving a motor vehicle.

Because of this, the homeowner's policy will not cover the parents'

liability or defense costs. Their personal auto insurance policy may cover them even though the parents were not actually operating the vehicle involved in the accident. In addition, the auto policy that applies to the car involved in the accident (the guest's insurance, or, more likely, his parents') will also cover the hosts' liability for the passenger's injuries. The hosts' policy will step in if the owners' policy either does not apply or pays out its maximum limit of insurance.



“While their liability insurance may cover any financial damages, the circumstances of the accident determine which policy will respond, and this will affect how much coverage the parents have.”

the two policies provide. Most homeowner's policies provide personal liability coverage of at least \$100,000 for each occurrence; many provide limits of \$300,000 or \$500,000. Auto policies may provide much less coverage. Most states have laws setting the minimum amounts of liability coverage that an auto policy may provide, but those limits are relatively small.

Now assume that the guest consumes the beer, but a sober guest gives him a ride home. Rather than going straight to bed, the young man goes for a swim in his parents' pool and drowns. His parents sue the hosts, alleging that his judgement was impaired because the hosts allowed him to drink. In this situation, the homeowner's policy should pay for the the hosts' liability and legal defense. Because this accident did not involve a motor vehicle, and no other policy provisions that would remove coverage apply, the policy would cover this claim.

While one policy or the other may apply to a liquor liability claim, there could be significant differences between the amounts of coverage

For example, New York law requires minimum limits of \$25,000 for injuries to one person and \$50,000 for injuries to two or more people (higher amounts apply for death claims). Should a person become seriously injured or killed, the damages claimed could well exceed these amounts. Parents should consider buying as much liability insurance as they can afford; they should also think about buying an umbrella policy, which pays for damages that surpass the amounts payable under homeowner's and auto policies.

Of course, the best course of action is to properly supervise parties, so that everyone has a good time and lives to have another one someday.

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- Remove or cover and seal window air conditioning units until spring.
- Examine the sidewalk in front of your house and all walkways and handrails to make certain they are in good repair. Maneuvering through snow and ice is hard enough without having to step gingerly on broken pavement or remembering not to grasp shaky handrails. Also, having everything in good repair may help limit your liability in the event of a mishap.
- Is your snow blower and other snow removal equipment in good working order? Hire neighborhood help to clear your walkways if you are unable to do it yourself. Keeping walkways clear will help ensure that no one is seriously injured on your property by winter weather conditions.
- Check around doors and windows for cracks. If you find small gaps, fill them in with caulk. Consider hiring a contractor if bigger problems surface.
- Remove leaves, acorns, sticks, and

other debris from gutters before the first freeze. This will ensure that heavy winter rains and snow melt can flow freely and not damage your roof or walls. You may also wish to install gutter guards to keep debris from getting into the gutters next year.

- Survey your plantings. If snow covered branches would endanger any part of your house or cars, trim them back. Consider the walkway, too, so pedestrians will not risk injury while walking in front of your house during or after a storm.
- Examine the insulation in attics, crawl spaces, and basements. If too much heat is escaping, it can cause ice and snow to melt too quickly to be properly carried away. If the melt-off seeps into the roof, it can cause significant damage or even collapse. If the insulation in your basement or crawl space is sufficient for your climate, you can avoid the inconvenience and damage of frozen or burst pipes. In unfinished spaces with pipes running through them, such as garages, wrap the pipes with heating tape.

- During the winter, set interior temperatures to at least 65 degrees. Letting indoor temperatures drop below 65 degrees could risk pipes freezing behind the walls.
- Learn where shut-off valves are for all plumbing. Include both the valves within each room and the main valve. If your pipes do freeze, the more quickly you turn off the water, the less chance of pipes bursting.
- And last but not least, take similar precautions with your vacation home. Make sure all pipes are drained and toilets are emptied so expanding ice cannot crack the porcelain.

Where winterizing your home is concerned, the effort to prevent problems before they occur is well worth the expense!



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there were one insurance policy that covered all of these exposures -- it would be hundreds of pages long and very complex. Therefore, over time insurance companies have developed different policies for different exposures -- auto, home, business liability, and so on. The homeowner's policy excludes losses that the auto policy should cover, personal policies exclude losses that business policies should cover, and vice versa.

Related to this are the issues of cost and choice. Standard insurance policies contain coverages that apply to large groups of households and businesses, but they do not cover every possibility. Those with additional needs have coverage options to choose from. For example, homeowner's policies do not cover damage caused by water backing up from an overflowing sump or drain, but households that have basements with sumps or drains have the option of buying this coverage. Households without a basement do not have to buy it. This affords the buyer choices

but does not force coverage on those who do not need or want it.

Furthermore, exclusions reduce the cost of the insurance policy. Every coverage comes with an associated cost -- the company must factor in the costs of potential claims, expenses, and profit for that coverage. The more coverages a policy provides, the higher its premium will be. Without exclusions, people and businesses would be forced to pay for coverages they do not need. Exclusions help keep the premium affordable.

Finally, certain types of losses are uninsurable. Insurance companies cannot accurately predict when certain types of losses will happen and the potential loss amounts are too large for them to absorb. For example, almost all policies exclude losses suffered as the result of a war or a nuclear accident. These events would cause massive losses beyond the abilities of insurance companies to pay. Other losses are not insurable as a matter of common sense. Because

the purpose of insurance is to pay for losses from accidents, it will not cover most losses that a person intentionally causes.

Because every household or business's circumstances are different, standard policies might not provide all the coverage necessary for proper protection. Properties in flood-prone areas, businesses that have a lot of contracts with other businesses, and individuals who post to online message boards may all lack important coverage. Consultation with your BancorpSouth Insurance Services, Inc. agent will help determine whether more coverage is needed, whether it is available, and how much it will cost. The time to find out the availability and cost of coverage is before the loss occurs.



Homeowners Policies & Jewelry

After receiving valuable jewelry, it's important to contact your BancorpSouth Insurance Services, Inc. agent immediately. It's important to keep in mind that most homeowners policies place limitations on coverage for personal valuable items. This means that owners of these valuable items may not receive the full value if any of the items are stolen or lost. As a general rule, most homeowners policies provide coverage for possessions up to 50 percent of the total coverage amount chosen. This means that a person who has a \$600,000 policy would enjoy coverage as much as \$300,000.

However, most policies place limitations on certain types of personal belongings. For example, a policy provider may offer to cover \$1,500 or more for all jewelry if theft occurs or the jewelry is damaged. There are several other categories of personal belongings that have limited reimbursement terms. Firearms, stamps, furs, coins, and silverware are examples of such items. Homeowners

should be sure to read the section of their homeowners policies regarding contents and additional coverage. It's important to remember that accidental loss is not usually covered. This means that a woman who loses her engagement ring will not receive payment from the homeowners insurance company.

Homeowners who want to raise their coverage limit to ensure protection for loss and theft cases should contact their BancorpSouth Insurance Services, Inc. agent immediately. It's best to ask your agent to schedule the particular jewelry item or add a special rider to an existing policy. In some cases, a written appraisal may be required, so it's best to ask your agent if this will be necessary. Usually a detailed receipt is sufficient proof for the value of the item. After a value schedule is assigned to the item, the owner has full protection for the total amount if the item is lost, destroyed, or stolen. This makes the claims experience more simple since there isn't a need for an investigation about the item's value. In



addition to this, there is no deductible assigned to the items.

Since additional coverage is so affordable, it's best for all homeowners who have valuable jewelry or other special items to speak with their BancorpSouth Insurance Services, Inc. agent. Agents are able to make an assessment of what should be insured and provide valuable advice. As a general rule, homeowners policies don't assign specific limits on electronic devices aside from the overall limit for possessions. It's best for homeowners to insure their valuable items in such a way as to ensure that replacement-value coverage is in place. To learn more about the various types of riders and affordable coverage options, contact your BancorpSouth Insurance Services, Inc. agent today.

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