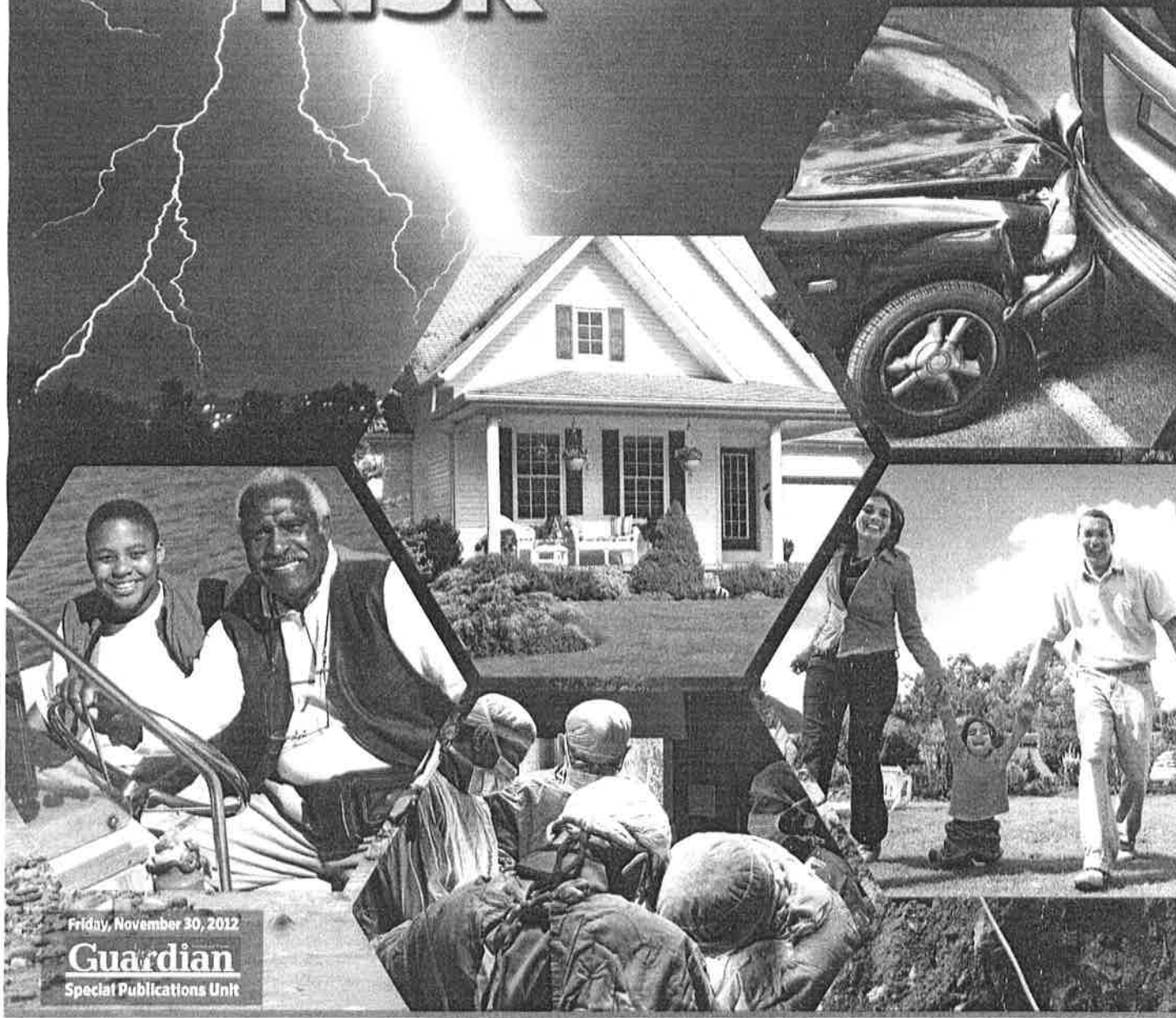




MANAGING RISK



Friday, November 30, 2012

Guardian
Special Publications Unit



Pinnacle Claims Services Co. Ltd
Claims Adjusters and Investigators



MANAGING RISK ATTIC

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ATTIC Committed to Excellence

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Established in 1966, The Association of Trinidad and Tobago Insurance Companies (ATTIC) is an association of insurance companies including all life insurance companies, the majority of general insurance companies as well as brokers, adjusters and other companies with a bona fide interest in the well-being of the industry. Constantly evolving to ensure the

growth of the industry, ATTIC seeks the best interests of its members. It has helped advance the propagation of learning in matters relating to insurance among its members and the public and works closely with regulators to ensure that members develop and adhere to sound and prudent practices. ATTIC provides the industry with a 'voice' in times of change.



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Helping You Understand Insurance

If you understand what you are buying you should not feel cheated or robbed by an insurance company.

When a claim is made on your motor policy the economic effect for you in relation to the actual amount the claim costs is infinitesimal. You read that more than once didn't you? Looked up 'infinitesimal' didn't you? Are you now wondering what morphological processes are involved for such a "big" word to mean "small"? Don't you just hate when insurance companies use "big" words and fancy phrases to confuse you like that? Okay here's what; no more "big" words will be used. If you read to the end I guarantee you that a lot of what you never knew until you got into a vehicular accident will make at least a little more sense.

Insurance people love to throw around the word 'indemnity'. In simpler terms they give you back what you had just prior to the accident. Stay with me on this one: would you buy a Blackberry or iPhone over a year old for the same amount it originally cost? I imagine you would not. I'm guessing you won't because neither will be worth the original cost price after a year has passed. So yes if your 2007 car that was in excellent condition got severely damaged in an accident it would be nice to get it replaced with a brand new model just like it. Well we're back to who would pay the original cost price for something bought in 2007, five years later. I don't know of an insurance company that would but you already agreed that you wouldn't. Not so? Okay let's say you just needed to replace your bumper in a minor collision and the company paid you for a new bumper then they would have placed you in a better place because you would be getting a brand new bumper to enhance your 2007 car. A used bumper that is maybe just about the same age can replace what you had before. The only trouble with that is sometimes the only part available is a new part. There is a solution through negotiation and settling on a percentage of the new price but I'm open to hearing another suggestion. Now remember you are not going to pay the original price for something that is more than a year old.

"So what am I really paying for with Fully Comprehensive coverage?" customers always ask. This is a very valid question but why is it always asked at the time of making a claim? As consumers we are guilty of buying stuff and not getting all the details until we actually use the product and have a bad experience. You buy insurance for many reasons, the main one being peace of mind knowing you have protection when a claim happens. It just may be a wise thing to either read the contract that you enter into with a company or ask all the questions to find out exactly what is entailed in 'full coverage'. Reading up front and asking questions when buying is how you would know all the things that are covered and for how much.

Ask about the company's stance on depreciation. Even simpler ask "I have to claim and it is coming up to ten thousand would I just get a cheque for ten thousand?" The response may very well be "yes you will, minus the excess". Then this is your chance to say "yes explain excess to me". Some people understand excess to be a deductible. Even simpler an excess is the amount that the insured would have to cover before your insurer pays a claim. What your insurer is saying is "I will cover your loss but, before I indemnify you, the amount that you are responsible for is the excess." The excess is usually a percentage of your sum insured and varies depending on the driver's age and experience. You can even remove an excess by paying a higher premium or accept a high excess by paying a smaller premium.

"So let me get this straight: I am not at fault for the accident and I still have to pay?" is another frequently asked question and the answer to this would be "yes". Initially you will have to pay an excess but once you were not at fault or not liable your company will try to get it back for you from the liable company or person. You may ask if there is a way to have this amount waived and at that point the company may offer a benefit to attach to your policy to give you that extra coverage or explain company to company negotiation practices when it comes to excesses.

Excess and depreciation are only two of many things that a motor insurance policy may not cover. The things that are covered and not covered are all written down in the policy. This is part of the contract between the insurer and insured so it would be wise to become familiar with the contract you agree to. If you understand what you are buying you should not feel cheated or robbed by an insurance company. You know exactly what you need and you can also exercise your right to shop around. If you simply go along with someone

else's experience of a claim settlement chances are the situation may be different so you should find out first hand, maybe aided by an expert like a broker or agent, what is available on the market that matches your needs. On the surface, insurance may seem like the biggest rip off ever, but when you get all the facts and get to the bottom of it all you would understand and realise its benefits.

— Dale L. Brooks

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Understanding Property Insurance

The purpose of property insurance is to assist you in restoring your home and/or property if damaged by natural disasters or other perils. As a property owner, it is advisable that you purchase homeowners insurance.

Once you have borrowed funds under a mortgage arrangement to purchase your home, the lender will insist that you (the borrower) buy, as a minimum, fire and other perils insurance to cover your property in the event of any disaster. Under such arrangements, the proceeds of any claim are assigned to the lender. If your home is completely destroyed, the proceeds are paid directly to the lender to be applied to the outstanding loan amount. Any surplus funds are then paid to you, the borrower.

Once you own a house, it is advisable that you purchase homeowners insurance to cover your home. If a mortgage exists, but the value of the property increases in keeping with the existing market, the home owner should arrange to upgrade the sum insured so that in the event of a total loss, compensation would be adequate.

Helpful Hints

- Exercise due care in safeguarding your assets, such as your home or household contents.
- Minimize the risks of loss or damage to your home e.g. by installing security systems (including 'burglar-proofing') and fire extinguishing devices.
- Carefully examine the terms and conditions of the policies of various providers before choosing an insurer that best meets your needs.

Homeowners Insurance

Insured Property

The insurer considers the insured property to be the actual building, walls, gates, fences and any fixed carpets and air-conditioning equipment. Any building attached to the main building that is deemed to be part of the location will also be covered. Swimming pools and retaining walls are not normally included under this policy and the homeowner must declare its existence to the insurer and set a value to be used as a 'sum insured' to obtain coverage.

Insured Perils

Some of the main perils that can cause loss or damage to the insured property include:

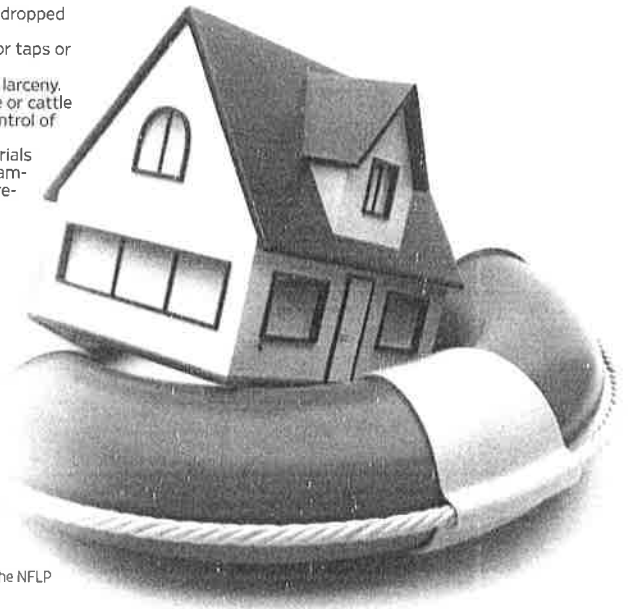
- Fire, including underground fires, lightning bolt, explosions, thunderbolts.
- Riots, strikes, lock-outs and/or labour disturbances and/or persons of malicious intent (this is commonly known as the riot strike and malicious damage extension).
- Aircraft or other aerial devices or any article dropped from them.
- Water damage resulting from busted pipes or taps or overflowing water tanks.
- Theft including burglary, house breaking and larceny.
- Impact on property by a motor vehicle, horse or cattle (must not be owned by/or in the care and control of the policyholder).
- Breakage or collapse of radio or television aerials or antennae masts. What is covered is the damage caused to the home by these items not replacement of the aerial or antenna.
- Falling of trees or branches (covers damage to the home)
- Smoke
- Catastrophe perils such as earthquakes, volcanic eruptions, cyclones, windstorms and floods.
- Floods that result from other causes beside hurricanes or wind-related perils.
- Collapse due to subsidence or landslip.

Uninsured Perils

Some perils that can cause loss or damage to the insured property but which are not covered under the policy include:

- War
- Radioactive and nuclear risks.
- Malicious damage caused by someone lawfully on the property.
- Terrorism and consequential loss.

"Swimming pools and retaining walls are not normally included under Homeowners Insurance and the homeowner must declare its existence to the insurer and set a value to be used as a 'sum insured' to obtain coverage."



Courtesy the NFLP

Property Insurance Case Study

The complainant's home was covered under a homeowner's protection policy when her house was damaged by an earthquake. She stated that she noticed cracks and breakage in the walls close to the roof of her patio and immediately made a report to her insurers. She was directed by them, to someone else, later identified as a loss adjuster who worked for the company, to have the damages reviewed.



Some time after the adjuster visited the premises, the damaged portion of the roof collapsed, causing the complainant to again contact the adjuster who then advised her to proceed with the necessary demolition work. He further advised her to submit an estimate for her costs to demolish and rebuild her patio. The complainant proceeded to repair her home, at her own expense and await reimbursement from her insurers. To her surprise, her claim was denied on the grounds of 'construction inadequacies tantamount to poor workmanship'.

The insurance company, supported by the report produced by their loss adjuster denied the complainant's claim on the basis that the damage was due to poor workmanship and this was strictly excluded under the policy. In his report, the adjuster also stated that the porch was added subsequent to the initial construction of the building and perhaps improper fastening of

the porch roof, coupled with inadequate support columns were jointly responsible for the collapse.

However, after the intervention of the Ombudsman's office and considering the long relationship with the customer, the company offered an ex-gratia payment. This recommendation was then reviewed by an independent investigator appointed by the Ombudsman's office who concurred that the calculation of the settlement was accurate and that the complainant should be advised to accept same. The complainant however, declined to accept same and the OFSO closed their files.

LESSON TO BE LEARNT FROM THE CASE:

Any additions to your building should be brought to the attention of the insurer to have same covered by way of an endorsement on the policy.

Courtesy Office of the Financial Services Ombudsman

What is the Sum Insured?

It is important that you take a detailed inventory of the contents of your home in order to arrive at a realistic sum insured. More often than not, buyers of insurance select a sum insured that is less than the market value of the property which is therefore inadequate for any loss that may be incurred. Any claim will therefore be subject to the application of the Average Clause.

In addition, if not specifically listed, insurance companies normally place a limit of liability on valuable items of 5% of the sum insured; for example, items of jewellery, television and electronic equipment. In most cases, the 5% limit will not cover the cost of replacing these items. You should therefore itemize and report them to the insurer to avoid the application of the Limit of Liability.

Courtesy National Financial Literacy Programme




MANAGING RISK ATTIC

Claims •

HOW UNDERINSURANCE AFFECTS YOUR CLAIM

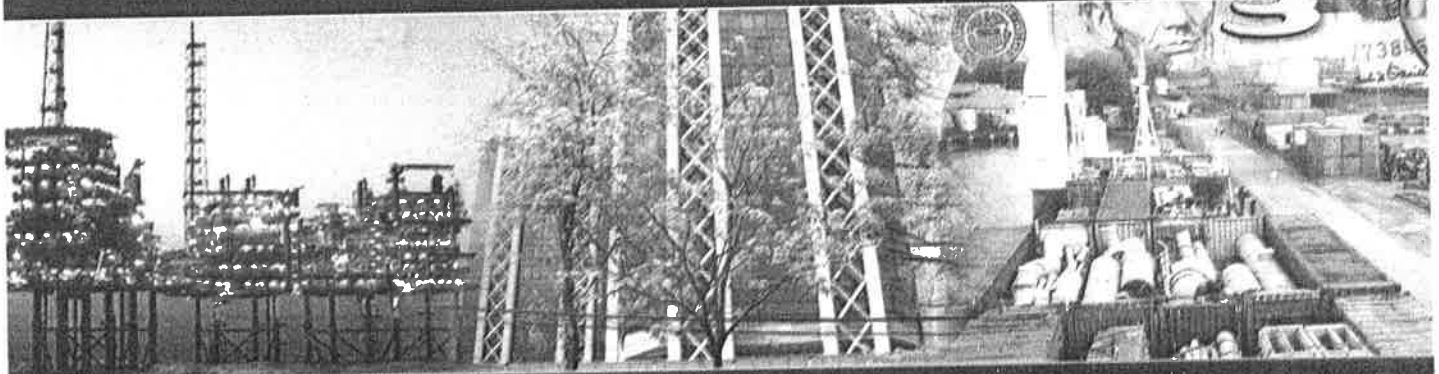
Manny Doe decides to insure his 1,500 sq ft house. His contractor friend, Shawn gave him an average rebuilding cost of \$500 per sq ft. Manny does not want to pay the full premium to insure his house so he decides to only pay what he can afford. However his mortgage lender intervened and told him that he had to insure for at least an amount to cover the outstanding mortgage. Later that year, he has a fire.

Here's how underinsurance affected Manny's claim:

	How Manny should have insured	Manny's Outstanding Mortgage Loan	What Manny Did
			
Rebuilding Cost	\$750,000.00	\$750,000.00	\$750,000.00
Sum Insured	\$750,000.00	\$500,000.00	\$100,000.00
Premium Cost (4.25 per thousand of sum insured)	\$3,187.00	\$2,125.00	\$425.00
Cost of Repairs for fire damage	\$100,000.00	\$100,000.00	\$100,000.00
Insurer pays	\$100,000.00	\$66,667.00	\$13,333.00
Additional money Manny has to find to make repairs	\$ 0.00	\$33,333.00	\$86,667.00

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ATTIC MANAGING RISK

Home Owners' Contents GUIDE

• MASTER BEDROOM (ESTIMATE)

	Cost (new)
Jumbo Chest of Drawers	\$ 2,300
2 Drawers Wardrobe	\$ 3,900
Queen Size Divan	\$ 4,000
9 Drawers Night Stand	\$ 1,000
2 Side Lamps	\$ 500
Luggage	\$ 2,000
Handbags	\$ 1,000
Shoes (male & female)	\$ 5,000
Clothes (male & female)	\$15,000
Jewellery	\$ 5,000
27" Television	\$ 1,700
Bed Linens	\$ 1,500
Towels	\$ 1,000
Curtains	\$ 6,000
A/C Unit	\$ 4,000
Laptop	\$ 5,000
Desk & Chair	\$ 1,500
TOTAL	\$60,400

MY MASTER BEDROOM Replacement Cost

• DINING ROOM (ESTIMATE)

	Cost (new)
7 Piece Dining Set	\$9,000
Ceiling Fan	\$2,000
Hutch	\$4,000
Plates and Silverware	\$1,000
TOTAL	\$16,000

MY DINING ROOM Replacement Cost

• LAUNDRY ROOM (ESTIMATE)

	Cost (new)
Ironing Board	\$ 200
Iron	\$ 250
Washer	\$4,500
Dryer	\$4,000
Tools	\$2,000
TOTAL	\$10,950

MY LAUNDRY ROOM Replacement Cost

• KITCHEN (ESTIMATE)

	Cost (new)
Gas Stove 6 Burners	\$5,700
Microwave	\$1,200
Refrigerator	\$7,000
Kitchen Table and Chairs	\$3,000
Plates and Spoons	\$ 700
12 Piece Pot Set	\$2,000
Food	\$2,500
TOTAL	\$22,100

MY KITCHEN Replacement Cost

• CHILDREN'S ROOM (ESTIMATE)

	Cost (new)
Full Size Bed	\$1,000
Chest of Drawers	\$2,000
A/C Unit	\$4,000
Clothes	\$2,400
Computer	\$4,000
Desk & Chair	\$1,500
TOTAL	\$14,900

CHILDREN'S ROOM Replacement Cost

Know Your Contents

Christmas is around the corner and it is a time that many people purchase new household items. Have you ever taken the time to actually calculate the value of your possessions? If you have not, here is your chance to review your values.

Most items we purchase are assets. Did you know these possessions should be covered by insurance?

A prudent person should know the value of the contents of his or her home and should have an itemized list of high valued items such as jewellery, electronic equipment and art.

ATTIC has prepared an estimate of some of the contents of a home, for you to use as a guide.

Take a look at our guide and compare to your actual home contents using the blank spaces provided. Keep your estimate with your other valuable documents in a waterproof container, give your insurer a copy and send a spare to a family member to keep safely.

• LIVING ROOM & PATIO (ESTIMATE)

	Cost (new)
3 Piece Living Room Set	\$7,500
Rug	\$1,000
Ornaments	\$ 800
42" LCD Television	\$8,000
5 Piece Porch Set	\$4,000
Clay Plant Pots	\$2,000
TOTAL	\$23,300

MY LIVING ROOM & PATIO Replacement Cost

• REPLACEMENT VALUE OF MY CONTENTS

	Cost
MASTER BEDROOM	\$60,400
DINING ROOM	\$16,000
KITCHEN	\$22,100
LIVING ROOM & PATIO	\$23,300
LAUNDRY ROOM	\$10,950
CHILDREN'S ROOM	\$14,900

Total Replacement Cost \$147,650

MY TOTAL Replacement Cost

Insurers pay \$26.7 Million in August Flood Claims

East, West, North, South or Central, at least one community was affected by flooding this year.

After a flood you need to contact your Insurance Company, agent or broker as soon as possible to notify of any potential claims, by phone or via email and include the policy number. Claim forms for most companies can be downloaded from the company's website.

Please present bills, photographs or some proof of ownership of lost items to support your claim if possible.

If your building or vehicle has been damaged, please submit two estimates for repairs and submit these to the company with a claim form.

Expect to hear from the Insurance Adjuster who will visit the location where the loss occurred to verify the particulars and cause of such damage.

Policies require the policyholder to bear the first part of a loss (excess or deductible) normally either one per cent or two per cent of the sum insured for building and contents and three per cent to five per cent of the sum insured for motor vehicles.

Please note that companies do not all cover the same perils, so you must review your policy to ensure that hurricane, earthquake and flood are included.

