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# THE DG ADVISOR

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DECEMBER 2013 EDITION

OFFICIAL NEWSLETTER FOR DELAND, GIBSON CUSTOMERS & FRIENDS

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Happy Holidays! As 2014 arrives, we at DG have put together this special year-end edition of our newsletter, which summarizes key information from the past year, updates you on Deland, Gibson's new capabilities and gives you insight into how we believe 2014 will play out.

While we can never truly guess what will happen we have some ideas and theories on why we believe things may happen.

## 2014 PREDICTIONS

In our **personal risk department** we find it hard to believe that there would be anything as quiet as '13 in our region. Personal Insurance is typically brought to the national spotlight with natural disasters and as a regional agency there were not many significant events in the North East. The US outside of the North East was affected by tornados, most recently in the Midwest, severe forest fires in California and violent flooding in Colorado. There were no hurricanes that hit the United States but the lingering after-effects from Super-Storm Sandy and the Typhoon Haiyan that devastated Southeast Asia are a reminder of what damage and devastation such storms can bring. Please remember if you have questions on how any of the aforementioned events could affect you and how your insurance policy may respond, please connect with DG so we can help you understand while best protecting your family and assets.

In the next 12 months we do not anticipate any significant pricing increases but rates have been ticking up overall and companies are trying to better underwrite their coastal exposures so if you have property near the coast those rates are the most likely to increase.

As we mentioned in our Flood Reform Blog, flood insurance will be a huge factor in '14: either its'

implementation or delay. Eventually there will be a point where the government finalizes changes on how to fund this program. In the short term, this may be a moving target.

The **commercial market risks** are changing dramatically. Emerging risks such as data security and increasing employment practices claims are hot topics. One of the top claims we have seen on the commercial side are employment claims. If you are not familiar with employment practices insurance or how to lower this risk in your firm, please contact DG to learn more. Data security is also a huge issue – and it's something in the news daily! (most recently Target) While you can purchase an insurance policy the protection may be insufficient to deal with the reputation damage, and lost business opportunities resulting from such an event. DG is planning a second quarter webinar on the subject and how to protect you and your firm so stay tuned for more details.

As for predictions with rate changes – it depends – the rate changes have been very industry and line of business sensitive. Pricing generally is slightly higher (3%-5%) but Property and Management Liability products have been significantly more volatile. Property insurance has been going up mostly because of the natural disasters we have faced. Countrywide it seems that the storms are getting more frequent and more severe - potentially due to climate change and this has made the insurance industry unsteady.

We anticipate '14 to mirror '13 in this respect. The good news for rates is that there has been an unprecedented flow of Wall Street money into reinsurance. You may or may not be up to speed on reinsurance but the reinsurance carriers set the market for the insurance companies as far as pricing. This may be an area that could help keep rates from rising so dramatically through all of the natural disasters.

As Far as **DG News**, it was a great year for DG as we were able to add more services to help lower risk for businesses and individuals. If you would like to learn more

please connect with your DG rep or you can check out our website: [www.delandgibson.com](http://www.delandgibson.com) for more information.

Some of the DG additions include:

## Travel Guard

### TRAVEL GUARD

Top of the line travel insurance that can be custom to your trip and preferences of coverage.



## HR That Works

A supplemental HR platform to aid firms with human resource practices from audits to training



## PURE Insurance

Insurance for homes over 1 million in replacement cost at very competitive pricing.

We have also been developing content on our website. If you have not already perused our blog or our white paper download area please do. The following articles are highlights of '13 and while these have already been posted on our website we wanted to send a paper version:

## About Deland, Gibson Insurance

Established in 1900, Deland, Gibson has thrived working as a trusted advisor for its client base. A family business since 1900, DG works with clients to lower their Total Cost of Risk through its signature program, the Deland, Gibson Difference. This process is used to identify the unique risks of you and/or your business and ultimately offer strategies to transfer, mitigate, prevent, finance or assume these risks.

Learn more at [DelandGibson.com](http://DelandGibson.com)

## WHITE PAPERS



### A Buyer's Guide to Condominium Insurance Coverage

Whether you are a condominium unit owner, on a condominium association board of directors or a property manager of a condominium association, living in or working with a condominium association can include many variables. There are many issues that need to be addressed while living in a condo, but one of the more important variables is insurance coverage. Some of the questions that may arise while dealing with insurance are:

- Which parties are responsible for insuring the various areas within the condominium?
- How much coverage should be purchased?
- Why type of coverage should be purchased?
- How do the bylaws read?

Each one of the above questions are the topic of discussion for every condominium and throughout this article we will shed some light on how to handle these issues and offer a few tips as well.

[Read The Rest At DelandGibson.com in the White Papers Section.](#)



### Remodeling & Renovation

Insurance companies state that renovations are a leading cause of loss. Because of this it is important to do things the right way to make sure that your coverage will be there when you need it. There are also other smaller factors that can affect pricing of your policies so if you are planning a renovation please consult with DG to review the risks and proper risk management. That way the process can go as smoothly as possible from the hazard risk standpoint.

[Read The Rest At DelandGibson.com in the White Papers Section.](#)

## BLOGS

2013 was a contentious year for politics; Obamacare took over virtually all headlines and government shut down as no budget could be agreed upon. Because of this chaos many key insurance issues were overlooked that could have a drastic impact on consumers. Forgive our relaxed grammar and style – it's a blog! Just the quick and dirty on interesting topics:



### Terrorism Risk Insurance Program is Expiring

Will Congress Extend TRIPRA? A topic known within the industry but not by the everyday citizen is the impending expiration of the Terrorism Risk Insurance Program. The bottom line is that the private sector will not insure this risk alone and this coverage is necessary to sustain the economy.

Instead of recreating the wheel, the insurance company, Greater New York, summarized this issue with a terrific letter to their agents. We recommend you read excerpts from the letter to be informed on the issue:

*As you know, the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) will expire on December 31, 2014 unless Congress extends or renews the Act. At this point it is uncertain whether this program, which has been extended twice before, will be extended again, and, if so, in what form and on what terms. One thing, however, is certain: without a government program that limits the exposure of insurers to acts of terrorism carriers will be forced out of the market for terrorism coverage at a great cost to insured's who wish to purchase the coverage.*

*TRIPRA keeps the terrorism market open by allocating the terrorism exposure between the Federal government and the private sector when (1) the act is declared to be a "certified act of terrorism"; (2) the losses exceed \$100 million in a single calendar year; and (3) the insurers have met their deductibles under TRIPRA. TRIPRA not only enables insurers to meet their obligations across all economic sectors and product lines after a terrorist*

*attack, but, even more importantly, serves our nation's vital national-security interests by allowing commerce to regain its footing after a terrorist attack.*

*Congress will introduce an unacceptable level of instability into the insurance market and the economy as a whole if it does not extend TRIPRA on at least substantially the same terms that exist now. Without TRIPRA real-estate owners and developers will have great difficulty obtaining terrorism insurance. Construction will be seriously impaired, and business start-ups will be slowed, because, among other things, banks may stop providing loans. In addition, the price for terrorism coverage will spike, making terrorism coverage unaffordable to many.*

*Whether it was testifying, four times, before Congress in support of TRIPRA, or meeting privately with Congressman Michael G. Grimm, a major supporter of TRIPRA, GNY has supported, and will continue to support, TRIPRA in the strongest possible terms.*

*But even with strong industry and Congressional support, GNY, like other insurers, will face difficult choices leading up to, and beyond, TRIPRA's expiration date, if, one, Congress does not extend or renew TRIPRA, or adversely alters its terms, and, two, states prohibit insurers from excluding terrorism...*



### Flood Insurance: Deep Changes

Vast changes to the National Flood Insurance Program (NFIP) are starting to take place and this is going to have a large impact on consumers. The bottom line is that almost all flood insurance is underwritten – backed up – by the Government. Yes, you may have a policy that shows an insurance company, but that is merely a company "fronting the paper" or administering the product for the government and collecting a transactional fee. After Katrina the Government was slowly making progress to break even – then Super Storm Sandy hit... This threw the program for an enormous loss, now one of the reasons for sweeping changes. The anticipated public's discontent is expected to be so substantial insurance companies that are currently administering the NFIP are already pulling out as they foresee public relations issues not worth the revenue generated from administering the program.

Enter the Biggert-Waters Flood Insurance Reform Act of 2012. An email directly from the FEMA details the overview of what is happening concisely:

*"In July 2012, the U.S. Congress passed the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) which calls on the Federal Emergency Management Agency (FEMA), and other agencies, to make a number of changes to the way the National Flood Insurance Program (NFIP) is run. Some of these changes already have occurred, and others will be implemented in the coming months. Key provisions of the legislation will require the NFIP to raise rates to reflect true flood risk, make the program more financially stable, and change how Flood Insurance Rate Map (FIRM) updates impact policyholders. The changes will mean premium rate increases for policyholders over time. Homeowners and business owners are encouraged to learn their flood risk and talk to their insurance agent to determine if their policy will be affected by BW-12."*

In October the rate changes will begin. This may affect you positively or negatively depending on the new mapping.

### What that means for you?

Attached is the summary of changes from the NFIP in accordance with the Biggert-Waters Flood Insurance Reform Act of 2012 (aka BW 12) and below only a few of the listed changes:

- 1) Flood premiums will increase an average 10% ranging from 1% to 25% (depending on coverage, risk and zone) for policies written or renewed on or after October 1, 2013. Increases will be most severe for:
  - a. Non- Primary Homes
  - b. Severe Repetitive Loss Properties (SRL)
  - c. Properties with previous loss experience that cumulatively is more than the value of the property.
  - d. Business Properties
  - e. "V" Zones – (Coastal high-velocity zone)
  - f. "A" Zones – (Non-velocity zones, which are primarily riverine zones)

- 2) The federal policy fee will increase from \$20 to \$22 for preferred risk policies (PRPs); and from \$40 to \$44 for all other policies.
- 3) The NFIP will no longer allow renewals for certain Pre Flood Insurance Rate Map (pre-FIRM) buildings in a special flood hazard area (SFHA) or Zone D to receive subsidized premium rates (see table 2A).
- 4) The NFIP will no longer provide any extension of premium rate subsidy to new or lapsed pre-FIRM properties/policies, which will be subject to full-risk rating.
- 5) PRPs issued under the Eligibility Extension-with a newly revised map showing the property as being located in an SFHA effective on or after October 1, 2008-will see annual increases averaging 20% beginning with new business and renewals effective on or after October 1, 2013.
- 6) In accordance with Section 100212 of BW 12, a reserve fund ratio will be applied to each NFIP policy, except PRPs and group flood insurance policies (GFIPs), effective on or after October 1, 2013. The reserve fund for policies effective on or after October 1, 2013 is 5% of the total premium.
- 7) Effective January 1, 2014, the premium for non-principal/non-primary residences increases 25% per BW 12. This includes an increase in the reserve fund load to 5%.

And More.

We are providing this information as a way to help budget for future insurance renewals and acquisitions. Below is the full report from FEMA. Much of this is very confusing, if you have any questions or concerns on how these changes may and will affect you please contact Deland, Gibson.



### The Bling Ring

I was sitting down watching NBC's Dateline with my wife and the show was about the "Bling Ring". If you have not heard about this – from Wikipedia:

*The Bling Ring, sometimes called the "Hollywood Hills Burglar Bunch", "The Burglar Bunch", or the "Hollywood Hills Burglars", were a group, mostly of*

*teenagers based in and around Calabasas, California, who burglarized the homes of several celebrities over a period believed to have been from around October 2008 through August 2009. In total, their activities resulted in the theft of about \$3 million in cash and belongings, most of it from Paris Hilton, whose house was burglarized several times. However, over 50 homes were reportedly targeted for potential burglary.*

With my insurance and risk management perspective I was most interested in the simplistic ways they identified their targets, how they researched the break-ins and when they decided to do it. It was fairly simple:

- 1) They identified high profile people and celebrities in the area.
- 2) The next step was to perform a simple internet search to locate the home of the targets. The latest online software such as google maps can zoom in to see great details of almost any property in the US. They were able to see any side streets, back entrances and details of the entire property and back yard to properly plan for the break-in.
- 3) When determining when to make their move it was simple – they used social media. As celebrities were the targets they were able to find out when the home was vacant due to the highly publicized schedule of the victims.

Unfortunately the victims did not help their security as many times the homes were open, the keys were under the doormats and the alarms were off.

The simplicity of everything amazed me. It also prompted me to write this blog and to hopefully educate people to realize think differently about risk. My thoughts:

- 1) You don't have to be high profile to be a target – if you are in the news or in the public's eye it is even more important to be extremely careful regarding what information is public.
- 2) Install and consistently utilize alarms and video – insurance companies don't offer a discount on this for nothing!
- 3) Again, be cognizant of what information is public – set up a google alert on yourself for some help identifying what is being said about you online. Think about everything from a company press

release to a child's social media post – if it can be seen online it can be seen and be a risk.

Other measures can be taken to protect you and your home. Contact Deland, Gibson for more information and vendor options on protecting against these risks.



## Hazards of Social Media

While it might seem that our primary role as your insurance agent is to protect your physical property, one of the most important things that we protect, is you. More and more social media sites are popping up all over the place, all of which at least a handful of people can admit are as addictive as chocolate. And while you or your kids are posting pictures, blogs, or a favorite recipe, there are a lot of threats out there that we forget are lurking around in the World Wide Web.

We will address a couple of different things to look out for, but always keep in mind, the hazards of social media can be limitless and it is extremely important to be cautious and aware of everything.

- 1) Crime is something that can affect you as a result of social media publicizing. Think of how many people you know that post pictures while they are on vacation, or who post their plans or status on a regular basis. If you are advertising that you are not home, you are making yourself very vulnerable to burglary or theft. Another point that arises from this issue is who your kids are accepting friend requests from. Most, if not all, kids are less aware than their parents of the dangerous types of people that misuse the internet. Nowadays, it can become a competition with kids on who has the most "friends." Accepting a friend request from a random stranger that looks harmless could be inviting a potential thief to monitor your family's activities.
- 2) Keep your personal information PRIVATE. You could be setting yourself up to be a victim of identity theft. And while most carriers do offer coverage to assist in the expenses that could be incurred, recovering your credit after being a victim of identity theft can take years.
- 3) What you post on the web will be there forever. These days' prospective employers and schools will do a web search on you, and this could

certainly affect the outcome of a decision to make you a part of their organization. Pictures are not the only potential issue here, what you post on other peoples pages or on your own can reflect quite a bit on your character as a potential employee or student, even if it isn't who you "really are."

- 4) Know what you are liable for. In this example we will use parents and their minor children. Vicarious liability is a type of liability in which a parent can be held legally liable for the acts of their children. For the purposes of social media, we will focus more on personal injury and less on liability caused by physical harm. Kids have the potential to post things about other kids, this can make you susceptible to liability claims for things like libel, slander, defamation of character, and even cyber bullying.

Of course social media is a fun instrument to have, whether it be to keep in touch with friends or to advertise your business. Just make sure you are using it safely and responsibly! And if you are ever concerned about potential dangers to your home or liability, we are always here to advise you on the best actions to take.

## SOCIAL RESPONSIBILITY

We at DG have committees for different aspects of our business. One of the most important committees is the Giving Committee. This committee meets monthly to run philanthropic work Deland, Gibson participates in. If you look at our core values you will notice that all aspects of these values relate to "Our Clients, Community and Coworkers". This committee embodies and exceeds our values by the work they do annually to help our community. The past year alone was a busy time for the committee as many events occurred that were cause for a change of strategy that we had outlined at the beginning of the year.

The backbone of the committee is "Jeans Friday". Every other week as a pass to our more conservative dress code people are allowed to bring a donation of money or donation that relates to the current drive. Below is an outline on the past year.

### Food Bank

Donations were made to The Wellesley Food Pantry and the Natick's Vi Tutuny Food Pantry

### Cotting School

Deland, Gibson fielded a team to participate in the Chubb Charity Challenge and we played to earn donations for the school. DG also collected books throughout the year to donate to Cotting as they have a program to resell books on Amazon.com.

### Blood Drive

We were inspired by the good will that took place after the Marathon Bombings and connected with the Red Cross to host a blood drive with our landlord, Haynes Management. They advised us that the summer months are the most desperate so we had over 40 people come in to donate blood on August 8th. Thank you to all that stopped by!

### Toys for Tots

Every Holiday Season we participate with Service Master by Gilmore as a Toys for Tots drop off location.

We urge our community and friends to join in. Please sign up for the email newsletter or check back to our website and we will update for ways to get involved.


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