

Insights & Updates

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16 West Elizabeth Avenue ♦ PO Box 1100 ♦ Linden, NJ 07036
(908) 862-4047p ♦ (908) 862-0308f

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Auto policies and step-down provisions

When you purchase an auto insurance policy, you purchase certain monetary limits for various coverages including liability, which covers damage you may do to somebody else and their property. A limit is the highest sum your insurance company will pay for a claim covered by a policy. For example, if you purchased an auto insurance policy with \$100,000 of liability coverage per person, in the event of an accident the insurance company would be obligated to pay damages up to \$100,000, but it would not be obligated to pay more—even if damages exceeded \$100,000.

However, there are some circumstances in which an insurance company might be obligated to pay less than the policy limit. Insurance companies utilize exclusions to reduce or exclude certain types of coverage in an insurance policy. For example, most auto insurance policies contain a livery exclusion that excludes or reduces coverage if you use your personal vehicle to transport people for money. Another common exclusion is referred to as a step-down provision, so-called because it reduces coverage from the amount an individual purchased to the state minimum limits. **In New Jersey, the liability limit would be reduced to 15,000 per person.** There are few

varieties of step-down provisions, but one that is especially tricky is the intra-family step-down provision. This provision acts to reduce the coverage available to a policyholder or his or her family members when the policyholder is at-fault for an accident and there are family members in the vehicle. For example:

Tom purchases an auto policy with \$100,000 limits per person. While driving his daughter and her friend to softball practice, Tom is involved in an accident—in which he is at-fault. If Tom's policy does not have an intra-family step-down provision, each person in Tom's vehicle could be entitled to up to \$100,000 in liability coverage (subject to the aggregate limit). However, if there is an intra-family step-down provision, Tom and his daughter only would be entitled to \$15,000 each. While the daughter's friend would be entitled to up to \$100,000, since she is not a policyholder or a policyholder's family member.

Insurance policies can be complicated, especially with all the different exclusions—including step-down provisions. If you have questions about the coverages in your auto insurance policy, we can help you find the answers. Give our agency a call.



Driving drowsy should not be a part of your road trip

37% of U.S. Workers get less than the recommended minimum of **7 hours of sleep.**

1-in-every-25 adults falls asleep behind the wheel **each month.**

Sleepy drivers cause up to **6,000 crashes every year**—21% of which are fatal.



Sleep: It helps keep you alert and ready to take action, which are two essential components for safe drivers.

According to the National Highway Traffic Safety Administration, car crashes caused by drowsy drivers happen because:

1. A driver falls asleep, and he or she runs off the road or into another car or object;
2. A drowsy driver is less attentive and has slower reaction times for breaking or steering. In fact, if a person goes for 24 hours without sleep, it's the equivalent of having a blood alcohol content of 0.10%.

It should go without saying, but if you're tired, don't drive. Once you're on the road, if you do get sleepy, get yourself a jolt of caffeine—but even better pull off the road (when it is safe to do so, a rest area is best), and nap for 15-30 minutes. The only true cure for drowsiness is sleep, so minimize the chances of drowsy driving by planning your trip accordingly. Also, try not to travel alone—a companion can help you stay alert.

But, what about the drivers around you? Stay alert and give a wide berth to drivers who are behaving recklessly.

Notify the police (from your hands-free device) if you think a driver is truly a danger.

Our agency can help you protect you and your car. We can review your auto insurance policy to help you make sure you have enough auto coverage, including: collision insurance, which will cover your vehicle if it is involved in a collision with another vehicle or stationary object. Additionally, we can look at your liability coverage to help you pay for property damage and/or injuries to another person.

Don't forget about uninsured/ supplemental underinsured motorist insurance. While your personal injury protection (no-fault) coverage will protect you and the people in your car for medical bills, lost wages, and pain and suffering—regardless of who is at-fault for the accident—UM/SUM will provide coverage if the injuries are serious, or if the other driver is at-fault, and he or she either doesn't have insurance or if his or her limits are low and he or she cannot pay when the injured party sues.

Homeowners policies: Are you covered or not?



You know the value of your homeowners insurance policy. It's comforting to know that if your home is damaged, you can submit a claim and you will receive money to restore it to its original condition.

Standard homeowners insurance policies cover losses due to disasters, theft and accidents. **The essential coverages protect the house's structure; cover your belongings; offer liability protections; and cover additional living expenses.**

With a standard policy, you can repair or rebuild your home for damage caused by fire, hurricane, hail, lightning or other listed disasters. Most policies will pay for damage to a detached structure (e.g., a garage, tool shed or gazebo)—usually about **10%** of the amount of which your house is insured. However, you need enough coverage to pay to rebuild your house. Review your current policy—the price of building materials has been increasing, and you want to make sure your limits are adequate.

A standard policy will not pay for damages caused by flood, earthquake or basic wear-and-tear. While trees, plants and shrubs are covered, it's generally for

about **\$500 per item**. Also, a standard homeowners policy may not have coverage for damage caused by vermin and rodents. If you want to purchase additional insurance to cover these losses, call us.

Traditionally, insurance to cover your belongings includes your furniture, clothes and your personal items. The coverage can be between **50%-70% of the limit on the main house**. Your policy should cover your belongings when you are away from home (e.g., on vacation). Conduct a home inventory, and give us a call. We can review your inventory and ask questions to see if you have anything not covered by a standard policy (e.g., jewelry, furs, art or collectibles may need a scheduled item floater).

Liability insurance offers coverage against lawsuits for bodily injury or property damage that you or family members (including your pets) cause. It will cover your defense in court and any money you may have to pay up to the purchased limit.

A standard policy should offer no-fault medical coverage, which will protect you if someone is injured in your house.

Review your current policy—the price of building materials has been increasing, and you want to make sure your limits are adequate.

We can advise you on whether your current liability amounts are appropriate for your needs.

Lastly, if the damage to your house makes it unlivable, your additional living expenses coverage will cover the additional expense of living elsewhere while your home is being repaired. If you rent out part of your house, this coverage should pay for the loss of rent. However, you may have time and monetary limits.

No nightmares this Halloween

You've spent weeks preparing for Halloween. Pumpkins are carved. Bowls of candy sit near the front door. Costumes are donned. But, is your homeowners insurance ready? Do you know the answers to the what-ifs?

What if a child falls on your walkway and the parents sue you for medical costs? You may be held liable.

What if your house is vandalized? Most policies cover vandalism, but do you know your deductible?

What if your dog gets overexcited and bites a particularly litigious individual's child? Let's talk about an umbrella policy, which provides protections beyond your existing insurance coverages.

What if you throw a party and an intoxicated guest crashes his or her car on the way home?

You could be held responsible. Some states have laws that hold a host responsible for any injuries or property

damage done by a guest who has left a party drunk, while other states hold hosts responsible if a minor is found in possession of alcohol—so, verify your young guests are of age before you serve them an alcoholic beverage. If guests become intoxicated, it is the host's duty to oversee their transportation arrangements. Halloween can pose problems for property owners.

Here are a few tips to make sure you don't get tricked this holiday:

- Turn on all outside lights. And, to deter vandalism leave them on all night.
- Make sure walks and pathways are clear of debris.
- If a pumpkin gets smashed on your walkway, clean it up.
- Motorists should drive slowly and with caution all evening.



If you have any questions regarding your homeowners insurance and the coverage—such as personal property, personal liability, medical payments, loss of use, dwelling, other structures—call us, we're happy to provide the answers you need.

News from our agency

Year-round protection, and advice

Did your fall to-do list get longer during a summer of vacations and events? Time to tackle it.

Did you have any significant changes to your lifestyle this summer? Did you move or buy a new home? Or make an extensive home renovation? Did you get married? Did your child go off to college? Did you buy any fine art or jewelry?

Any time you make a change in your lifestyle, it could mean a change in your insurance needs and coverages. We are here all year long to answer your questions—even the what-if ones.

