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# WINTER 2011

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## Market Forecast 2012

The headlines of 2011 mark the worst year ever recorded for insured losses across the globe. World-wide natural disasters - earthquakes, tsunamis, tornadoes, hurricanes, flooding, winter storms, and unusual freakish weather. Nearly \$100 billion in insured losses in 2011 means the insurance industry is providing the money to rebuild homes, buildings, critical infrastructure, and lost revenues for the tens of thousands devastated by natural disasters. This is a reminder that a core mission of the insurance industry is to reserve large sums of ready cash to rebuild, stabilize economies and ease suffering after disasters strike. **How will these unprecedented claims effect your own insurance pricing in 2012?** Read more in "Market Forecast 2012" on page 4.

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AMERICAN INSURANCE will be celebrating our 90<sup>th</sup> year in business in 2012. Since 1922 we've seen every type of business and financial cycle come and go. You can count on us to provide you sound advice about insurance and always the best pricing and coverage available. We appreciate your business and look forward to serving you. We wish you a Happy New Year and have enclosed our gift of a 2012 American Scenic Appointment Calendar. ***Happy Holidays to you and your family from the Sullivans – John, Shawn, Philip and the entire staff***

## Enter to WIN

2012 Grand Prize



**\$ Referral Rewards \$**

Details on Pg 4

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## \$ REFERRAL REWARDS \$ We Have A Winner !

**Congratulations to Stephanie Cuddihy of Lewiston**

She won the Grand Prize drawing for the 2011 "Referral Rewards" and received a new iPad 2. Stephanie is Executive Assistant for the Nez Perce County Commissioners. We surprised her at her office and she was excited to win. Stephanie told us, *"This is perfect. I will take this iPad 2 on my vacation which starts tomorrow. American Insurance is so great to deal with. I happily make referrals for insurance to my friends and family ."*



### **REFERRAL REWARDS WINNER!**

2011 Grand Prize - 32 Gb iPad2  
Shawn Sullivan awards prize to Stephanie Cuddihy



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Comments or Questions ?  
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**News You Can Use**  
**Insurance News that Affects You!**

**Supreme Court To Decide Health Care Law's Fate In 2012**

The US Supreme Court has agreed to decide the constitutional issues of the Affordable Care Act. The court will hear oral arguments in March and then is expected to render a decision in June 2012. So, President Barack Obama's hard fought first-term landmark legislation will be decided at the height of a heated re-election campaign.

The central issue to be decided is whether the mandate forcing all Americans to participate in the health care system is constitutional. Conflicting rulings have come from four lower courts – 3 upholding the law and 1 striking down the insurance mandate. Even if the US Supreme Court rules the insurance mandate unconstitutional other provisions of the law would remain in effect. The full implementation of the law is set to take effect in 2014 including the state-based health exchanges. Read more at [www.Am-Ins.com](http://www.Am-Ins.com).

**2012 Health Care Changes**

There are four (4) new provisions of the Affordable Care Act that will be implemented in 2012. New incentives for physicians to join together to form "Accountable Care Organizations"; a new federal health program to collect and report data to identify and reduce racial and ethnic disparities; new rules to implement electronic exchange of health information to reduce paperwork and admin costs; and, a new hospital "value-based purchasing program" (VBP) that links payments to quality outcomes.

**Drugs Losing Patent In 2012-Generic Options Coming**

The following brand name drugs have patents that are expiring and less expensive generic drugs should become available: By year-end 2011 – Concerta (May), Levaquin (Jun), Zprexa (Oct), Lipitor (Nov) and Protonix. In 2012 – Lexapro (Mar), Seroquel (Mar), Plavix (May), Tricor (Jul), Singulair (Aug), Actos (Aug), and Enbrel. You will want to contact your doctor to obtain the generic substitute when available.

*Expanded information on these and other stories are available at [www.Am-Ins.com](http://www.Am-Ins.com).*

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**Need help choosing the right Medicare supplement?**

**What prescription drug plan is best for me?**

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11" DMSRZE

# FAQ Frequently Asked Questions Questions? We Have Answers!

## WATER DAMAGE ~ Am I Covered?

Understanding which losses are covered and which are not will help you take the necessary precautions to avoid uninsured water losses. The damage from water can be devastating, expensive and always unexpected!

The typical *Homeowners* policy (HO-3, Special Form) covers all risks of direct physical loss to your home including water damage but with **significant exclusions and limitations**. Generally speaking, your *Homeowners* policy will pay for sudden and accidental water damage from inside water sources but does not pay for losses caused by water that finds its way into your home from the outside. Where the water originated ultimately determines whether a loss may be covered or not.

There are three main water exclusions in a *Homeowners* policy. We can plug the exclusions with endorsements or separate policies. Detailed answers to the following questions are found in FAQ at [www.Am-Ins.com](http://www.Am-Ins.com).

- [Water Damage ~ is flood excluded in a Homeowners policy?](#)
- [Water Damage ~ if water backs-up through my sewer or drain am I covered?](#)
- [Water Damage ~ if waters leaks through my foundation am I covered?](#)

So, unless excluded or otherwise limited, water damage is a covered loss when caused after an inside water pipe leaks or breaks (like behind a wall or under a sink); or leaks from appliances (like hot water tanks, washing machines, or dishwashers). The covered loss is subject to your property deductible.

**LOSS SETTLEMENT:** It is important to note that it is the "damage" to your home from the water loss that is covered; NOT the repair to the actual item that failed. The cost to repair the broken pipe or appliance itself remains your responsibility.

### Savings Tip The missing 15% Discount!

Our companies provide a **multi-policy discount** with savings of up to 15% on each policy. So, whenever possible, you should combine your auto and home or renters insurance with the same insurance company. Savings of over \$200 per year are common. Call us for a quote to find out how much you can save!

**Auto + Home = More Savings**



Phillip Sullivan - Agent  
Personal Lines Asst Mgr

### FAQ ?

#### Frequently Asked Questions

Get answers to these & other recently posted FAQs at

[www.Am-Ins.com/faq](http://www.Am-Ins.com/faq)

- ◆ *Life Insurance - who needs it?*
- ◆ *Insurance Scores - what are they?*
- ◆ *Can my home-based business be covered by my Homeowner's policy?*
- ◆ *Does my Personal Auto Policy exclude "business" use?*



## Remembering Dee

We lost Edith (Dee) Sullivan on June 21, 2011 at age 93. Dee and Frank (Sully) Sullivan were married for 45 years. She was an extraordinary homemaker and cook. She was well known in the community because of her many civic activities and she supported Sully's business and community activities with poise, grace and class as they chaperoned Lewiston Roundup Royalty, attended Insurance conventions and Shrine functions, and hosted countless parties and dinners. She loved to dance, play bridge, card games, golf, travel and had a great sense of humor. Dee listened to thousands of Sully's jokes so here are few more in Sully's Sillies. Sully and the family all miss her very much.

## Sully's Sillies



Q: What do elves learn in school?

A: *The Elf-abet!*

Q: What do you get when you cross a snowman with a vampire?

A: *Frostbite.*

Q: How do sheep in Mexico say Merry Christmas?

A: *Fleece Navidad!*

*Frank "Sully" Sullivan, retired President of American Insurance has been handing out jokes and smiles his entire life. Enjoy!*



**Enter to Win!**



Apple iPad

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\* Visit [www.Am-Ins.com](http://www.Am-Ins.com) for complete rules.

## MARKET FORECAST 2012

In 2012 it appears we are seeing an end to the insurance soft market cycle and rising prices are on the horizon. Even with the record financial hit in 2011 the insurance industry remains strong. But, 2012 may bring more of the same or even worse natural disasters. So, the industry must look to replenish reserves to stay healthy. This signals an end to the insurance "soft market" which over the last six years has seen business insurance pricing discounted up to 40%, and personal insurance has seen some reductions or held steady in the face of rising costs. Now, three factors are putting upward pressure on insurance premiums in 2012.

- Following an unprecedented string of natural disasters, reinsurance pricing (the cost insurance companies pay to cap their catastrophe loss exposure) is increasing up to 15%.
- Prolonged low interest rates & low earnings on reserves provides less revenue to offset loss experience.
- Claims – lots of claims, particularly property losses, have caused underwriting losses for most insurers.

**How does all this effect insurance pricing for the average consumer and business owner?** Fortunately, only small, modest price increases are expected here in the Pacific Northwest, while changes will be more dramatic in other parts of the country. Here is what you can expect in 2012...

**Homeowners / Property** – expect general pricing increases from +5% to +10%. The homeowners line of insurance is the hardest hit by claims.

**Auto Insurance** - expect pricing changes from 0% to +5%. Only small changes are expected.

**Small Business** – pricing changes from 0% to +10%. Many small business owners can expect no change in rates depending on claims.

If you notice anything other than a small price change please contact us first so we can find a solution for you.

**THE AMERICAN ADVANTAGE:** We monitor the insurance marketplace to find you the best coverage and pricing. We represent dozens of America's best insurance companies each competing for your business. During periods of rising prices you may not be able to avoid modest increases but we can shop for you to find the best pricing available. Please call us first with any pricing concern.



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