



*We're There When
You Need Us Most!*

Fall/Winter 2002

PEACE ON EARTH, GOODWILL TOWARD MEN...

More than a year has passed since the world stood still on September 11, 2001. There was no peace on that day. Now, we pray for peace while the war against terrorism continues. Last year I wrote to you about the predicted economic impact of 9/11 on the insurance industry and how it would likely affect you. Those predictions became a reality during 2002. Here's a review of what happened and a look at trends for 2003.

The property/casualty insurance industry recorded its first-ever net loss after taxes in 2001 of \$7.9 billion according to Insurance Services Office Inc. (ISO) "Insurer Financial Results:2001". So, in 2002 it was back to basics for the very survival of many property/casualty insurance companies. During the first half of 2002 many national insurers were placed on "Credit Watch" and had their financial ratings downgraded.

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Significant disruptions occurred in business insurance as insurers stopped writing policies in entire classes of business, tightened underwriting and placed coverage restrictions on others, while raising premiums for everyone.

The cost of property and casualty insurance for businesses large & small on average rose about 25% in 2002. Congress and the insurance industry continue to struggle with legislation to cap losses related to terrorism that any individual insurer must bear. Insurance consumers for personal lines auto and home insurance also saw premium increases in 2002 but usually under 10%. However, in some states homeowners insurance rates are taking huge increases (up to 100% in WA State!) causing a crisis of both availability and affordability (see "Mold" article inside this issue for more details).

This new Homeowners Insurance crisis is a very real problem for some insurance companies here in Idaho and Washington but fortunately our companies are maintaining the lowest pricing at American Insurance.

There is better news on the horizon for 2003. The Insurance Industry as a whole should end the year 2002 about even - no loss / no gain. The economy in general seems to be improving too. Prices on most business insurance should be more stable with premium increases of around 10%. Personal auto insurance rates are expected to take a modest 5% inflation increase but homeowners should prepare for premium



increases between 10 & 20%.

During these tougher economic times it has been really great watching how Americans pull together. "United We Stand" is not just a slogan, it is a reality! Even though we have had to deliver bad news to some of our customers this year, you have all have been incredible! Together we have solved coverage problems, made changes to reduce premiums and have come through with only minor difficulties.

At times like these we are particularly thankful to be independent and represent the best insurance companies.

Thank you so much for your continued confidence and trust in us. We sincerely appreciate your business.

*Happy Holidays -
The Sullivans & staff*

This newsletter is published periodically by American Insurance to bring important news about insurance and safety to our clients. The content of this newsletter is taken from sources which we believe are reliable but are not guaranteed to completely state all available information. This newsletter provides general information and is not intended as a substitute for legal, financial, or professional counsel for individuals.

QUESTIONS? WE'VE GOT ANSWERS!!!

Understanding insurance coverage is a real challenge. This is where an experienced agent really counts. Our agents are asked a variety of questions every day so we decided to publish the common questions and answers in the Lewiston Morning Tribune's special "Ask A Pro" section which runs on the 10th of each month. We hope you will find the answers useful.



American@lewiston.com or write us (P.O. Box 559, Lewiston, ID 83501) with your insurance question. We will provide you with a thoughtful answer and sound insurance advice. And, if we use your specific question in the "Ask A Pro" section we'll give you a gift certificate for dinner as our way of saying "thanks". **WE'RE THERE WHEN YOU NEED US MOST!**

Do you have a question? Just email-

INSURANCE

Q. Dave, I'm a building contractor with no insurance claims but still the insurance company is canceling me. What can I do?

A. You're not alone in your plight. Insurance companies are being hammered by claims (with many more on the horizon) related to the litigation surrounding mold damage with environmental and construction defect issues. The entire construction industry is affected with fewer insurance companies willing to offer any coverage even at higher premiums. Fortunately, I still have a few companies that will offer insurance. So, give me a call for a quote because I can help.



Dave Root, CIC
Agent 20 years

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01/16/04/11-02

INSURANCE

Q. When I tried to get homeowner's insurance for my new home I found that one national insurer isn't issuing any new policies and one other company I tried had increased rates. What's going on?

A. Some insurers have withdrawn from writing new homeowner's insurance policies or have raised rates dramatically due to higher than anticipated losses. However, not all companies are in the same boat. As an independent agency we continue to offer new homeowner's insurance policies with excellent prices from top-rated insurance companies. We can help. Just request a quote on-line at www.AmericanInsuranceID.com



Shawn D. Sullivan
Agent


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02/19/05/09-10

INSURANCE

Q. I'm going on vacation. Any tips on what I can do to protect my home and contents from losses?

A. Theft and water damage losses are the most common and devastating losses to homes and contents. Some things to do before leaving your home unattended for an extended period of time: turn off your inside water if accessible; do a final walk through before locking up to make sure no toilets are still running, doors and windows are secured and security lights are on; and the best prevention is to have a trusted neighbor, friend or relative pick up your paper and mail, monitor the sprinkler system and do a daily check of the premises. A review your homeowners insurance with an experienced agent assures you have the right coverage too. Bon Voyage!



John B. Sullivan
Agent

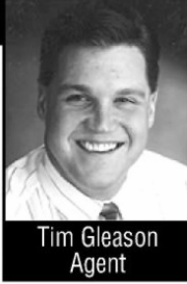
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01/17/04/11-02

INSURANCE

Q. Tim, my individual medical insurance premium rate is going way up again. Is there anything I can do? Help!

A. I'm asked this question a lot and the answer is "YES" there is definitely something I can do to help. At no cost to you I will review both the medical plan and your medical history. The review will show why your rate has likely increased and whether that rate can be improved by filing a rate appeal. Many times by providing the right additional information the premium rate has been lowered. Also, I can help investigate other plans or deductible options or help secure an alternative plan with a different insurance company. Your current insurance company is not motivated to go to extra effort to lower your rate. You must be proactive to get results. You need to seek out experienced help.



Tim Gleason
Agent

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01/18/04/11-02

MOLD - Black Death for Homeowners Insurance?

Imagine this.....a hot water pipe under your home's crawl space springs a small leak and allows hot water to mist under the house. Because the leak is small it goes undetected for months. Mold begins to grow on the floor joists and all other surfaces touched by the moist air. The mold then multiplies over and over and spreads through out the entire crawl space. Finally you notice the moldy smell and investigate. You are horrified by the black mold everywhere. You have the pipe fixed right away but how do you get rid of the mold? The mold spores are floating in the breathable air inside your home and you wonder if there is any health effect on you and the family. You call your insurance agent for help!

For your insurance company, the clean up used to be fairly simple and at a reasonable cost but now because of dubious (yet litigious) health concerns the cleanup is being handled like a bio-hazard with men in environmental suits doing demolition on the mold infested parts even to the point of tearing down entire structures! Why?

Because the question is: - is mold toxic? Can common mold cause memory loss, fatigue or brain damage?

For most people, the answer is a resounding "no." The world is filled with at least 10,000 common types of mold spores. According to Gailen D. Marshall, Director of Allergy and Clinical Immunology at the University of Texas Medical School, "We breath them, we eat them in our foods, and we drink them in our water every day with no ill effects." He added that some people do develop allergies and experience asthma or hay fever symptom when exposed to certain mold spores; however, the few mold-related diseases that can be serious are extremely rare.

Never-the-less, recent litigation and media attention are making mold the biggest single problem facing insurance companies. Headlines such as "Black Mold Plagues Local School," "Mold Infestation Turns Carmel, Ind. Family's Life Upside-

Down," or "Haunted by Mold," reflect the level of attention veering towards hysteria on the subject. A particularly stunning headline appeared on June 4, 2001, when Melinda Ballard and her family were awarded \$32.1 million by a Texas jury in a mold-related lawsuit against Farmers Insurance Group.

According to Marshall, mold lawsuits are the latest "get-rich-quick-scheme for some personal injury lawyers: and for companies claiming they can perform "health" testing to eliminate mold from homes and businesses.

The financial impact on insurance companies and now insurance consumers is staggering. Mold claims, which were virtually unheard of just a few years ago has cost insurers more than \$1 billion dollars last year. "With the growing media attention surrounding mold and its uncertain health effects, the number of mold-related claims has increased to a point where we have become concerned with the large financial impact they threaten," said Eric Nelson, Vice President of Underwriting at Enumclaw Insurance Group. "The rise in frequency and severity of mold claims hampers both the insurance industry's and our company's ability to meet the insurance needs of the public in the traditional manner." On June 21, 2002 State Farm Insurance Co. announced it would stop writing new homeowners insurance in 17 states (including Idaho, Washington and Oregon) in efforts to boost profitability. Farmers Insurance Group of Companies, with over 700,000 homeowners policyholders in Texas has announced a decision to quit the homeowners business in that state. In Washington state Farmers Insurance recently raised homeowners insurance rates as much as 100%. Some insurers will not write a new homeowners policy on a home that has ever suffered a water loss claim.

The crazy thing is - for the most part in homeowners dwelling policies, mold is not covered by insurance, with the exception of hidden mold that results from, for example, accidental discharge or overflow of water or steam that's hidden behind a wall. A homeowner cannot expect insurance coverage for

mold or dry rot as a result of not maintaining and protecting his home from water losses, not fixing leaky pipes, not repairing and re-caulking showers and bathtubs, or improper landscape drainage. So, if mold is the result of continuous seepage, surface water or water below the surface that invades the house it is not an insured loss.

Unfortunately for insurance companies (and ultimately the insurance consumer), an uninsured mold loss doesn't stop the claim expense. It simply spreads to "construction defect" lawsuits which blame everyone - the plumber, the builder, the landscaper, the gutter installer and on and on. Insurance companies then must defend each contractor named in the suit even if groundless and frivolous. And, if the plaintiff also claims to have suffered from bad health issues then the mold cases are extremely complicated and expensive cases to try. On the medical side alone, a veritable army of experts can be involved, including mycologists, microbiologists, industrial hygienists, occupational environmental doctors, toxicologists, immunologists, allergists and neuropsychologists.

What are insurance companies doing to bring reason and balance back to the mold issue?

The public will be seeing new exclusions on property and liability policies that clarify what coverage, if any, will apply to mold damage and the liability associated with it. Coverage needs to apply to the claims that make sense but not to claims fed by greed. To stop the growth of mold you need to starve it of life giving moisture. To stop mold claims you need to starve the process of the deep pocket of insurance money. In the meantime, all insurance consumers are forced to pay higher and higher premiums to support the mold claim expense until reason returns to the process.

What Does CIC Mean?



Formal Training

Credibility: The Certified Insurance Counselor (CIC) designation after your agent's name represents a significant accomplishment. Having completed over 100 classroom hours of formal insurance training, CICs are recognized among the nation's best and most knowledgeable insurance practitioners.

Proven Knowledge

Insurance Expertise: A CIC possesses proven competence and knowledge demonstrated by the successful completion of rigorous examinations in each of the five distinct areas of insurance practice. CICs are trained to ask the right questions and provide the right answers, saving you time and money.

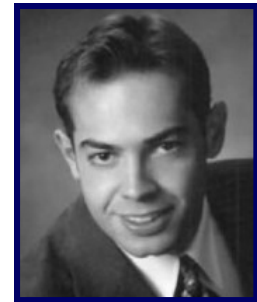
Dedication

Continuing Education: Every CIC shows a continuing dedication to profes-

sionalism by updating his/her insurance knowledge every year to stay up to date and informed about the latest insurance products, forms, procedures, and services. This commitment to lifelong, continuing education is the hallmark of the CIC Program.

Our Agent, Dave Root has had the CIC designation for over six years.

Shawn Sullivan has recently completed the required training for the CIC designation. Congratulations to Shawn on his achievement..



Shawn D. Sullivan, CIC

Your Privacy is Our Concern

We do not sell or disclose any public or non-public personal information about our current or former individual policyholders or claimants to any affiliate or any non-affiliated third party other than those permitted by law and only for the purpose of transacting the business of your insurance coverage or your claim.

For the expanded version of our Privacy Policy, please visit our website at

www.AmericanInsuranceID.com



Feel Free to Contact Us!

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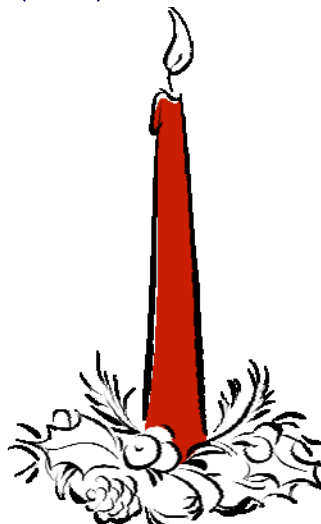
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