



# Straight to the Point...

A Quarterly Personal Insurance Publication for Families and Their Financial Advisors

## Inside this issue:

Background Investigations for Domestic Employees	1
Potential Drop in Earthquake Insurance	1
Prevent Damage from Frozen Pipes in 2nd Home	2
Beware of Cost Spikes in Building Materials	3

## Fort Point Insurance

260 California St., Suite 801  
 San Francisco, CA 94111  
 Phone: (415) 781-8800  
 Facsimile: (415) 781-8802  
 Email: info@fpins.com  
 Website: www.fpins.com  
 CA License: 0E11805

## Background Investigations for Domestic Employees

Last summer Fort Point Insurance unveiled a new loss-prevention initiative that will provide policyholders employing domestic staff with access to background investigations, at no cost. Kroll Inc.'s Background Screening Group, a leading provider of employee and vendor screening services, conducts the investigations.

Fort Point Insurance along with partner, AIG Private Client Group, which focuses exclusively on personal insurance solutions and risk management services for high net worth individuals, initiated the venture with Kroll's Background Screening Group as part of its ongoing directive to help protect the safety and assets of its policyholders.

"Our goal is to minimize threats to the families we serve while reducing their overall cost of risk," said Gary Raphael, Vice President and Director of Risk Management Services, AIG Private Client Group. "Background checks are an important step in enhancing the safety of family members and personal possessions. This new offering allows our customers to feel comfortable about the integrity of potential candidates and hire



domestic staff with confidence."

Since the program's inception, Fort Point Insurance has completed a total of fifteen background investigations for Fort Point Insurance clients. Unfortunately, six candidates/employees failed to pass our investigation due to adverse information, including but not limited to:

- Criminal sexual conduct – 3<sup>rd</sup> degree felony (*interviewing for handyman position*)
- Felony drug indictments (*pending*)
- Driving under the influence (*interviewing for chauffeur position*)

(Continued on page 4)

## California May Lower Quake Insurance Rates Post-Katrina

As federal, state and local officials grapple with the financial and physical ruin wrought by Hurricane Katrina, momentum is building to make earthquake insurance offered by the semipublic California Earthquake Authority (CEA) more affordable.

Fewer than 15 percent of California homeowners currently pay to protect their properties against earthquakes. That is about half the number who had earthquake cov-

erage in 1995, the year after the magnitude-6.7 Northridge earthquake, which with \$40 billion in losses was the nation's costliest natural disaster before Katrina. "Katrina is a wake-up call for California," Insurance Commissioner John Garamendi said. "If a catastrophe occurred, a high percentage of the homes wouldn't have insurance. I'm clearly in a mood to drive prices down."

For many California residents, foregoing earthquake insurance is simply a matter of

(Continued on page 3)



## Avoiding Frozen Pipes at Your Second Home This Winter

Each winter, millions of homes suffer costly damage due to frozen pipes. While this was once thought to be solely a northern occurrence, it is now showing up in southern states and affecting Californians on a regular basis. Many carriers limit water damage payouts to just \$10,000, especially to customers with homes built prior to 1945. The list of carriers restricting coverage includes State Farm, CSAA, Farmers, USAA and Allstate. Only a few carriers have no dollar limitation or restrictions for water damage claims, without limitations for older homes: AIG Private Client Group, Chubb Group, Fireman's Fund, The Travelers and Encompass.

We can help safeguard your properties by making you aware of the catastrophic damages that arise from frozen pipes - and offer ways to prevent losses from occurring. As part of our ongoing commitment to loss prevention, Fort Point Insurance has created a list of "tips" for preventing frozen pipes.

### **Tips for Preventing Frozen Pipes**

#### **Temporary Measures:**

- During extended periods of sub-freezing temperatures, increase the thermostat settings to a minimum of 60° F throughout the home to help ensure adequate temperatures are maintained in the coldest spots.
- Leave bathroom or kitchen cabinet doors that run along outside walls open so that warmer room air can circulate through them. If you have pets or small children, be mindful of chemicals stored in cabinets.
- To prevent exterior faucets from freezing, each faucet should be shut off from inside the home, as well as any water drained from the pipe. Exterior sprinkler systems should be winterized to prevent freezing.
- Still water freezes faster than running water. During periods of low usage and on frigid nights, turn on a faucet at the highest point in the home. Keep the water stream low, so that only a small amount can trickle through any sections of pipes running through cold spaces.
- If you will be away from home for an extended period dur-



ing cold weather months, arrange for someone to check in at least once a day. Make sure he/she knows the location of the main water shut-off valve.

- If the water meter is operating, but your water is not running, you may have a frozen pipe. Once the pipe thaws, it's possible that the pipe could burst. If you discover a frozen pipe, call a plumber immediately.
- If you are away from your home for extended periods of time, turn off the water. This may not prevent frozen pipes, but it will significantly reduce the damage to your home should a pipe freeze.

#### **Permanent Measures:**

- Install an automatic water shut-off system designed to stop leaking water when water accumulation is detected. Products include: WaterCop - [www.watercop.com](http://www.watercop.com) FloLogic - [www.flologic.com](http://www.flologic.com)
- Add several low temperature sensors to your central station alarm system. These sensors should be located in remote areas of your home.

In the event of water damage to your home, the following are steps you can take to minimize the extent of damage:

- Call an emergency service restoration company as soon as possible to facilitate emergency repairs and to start the dry-out process.
- Move undamaged items away from the damaged area.
- Contact your insurance agent.

If your agent is unavailable or, in the event of an emergency, call your insurance carrier's claims reporting hotline (available 24 hours a day/7 days a week).

Fort Point Insurance provides comprehensive insurance products and services to help meet the unique risk management needs of high net worth individuals and their families. Fort Point's portfolio of insurance products includes, but is not limited to: excess liability, homeowners, excess flood, automobile, private collections, kidnap/ransom, aviation and yacht coverage.

## Construction Costs Spike Due to Global Demand for Materials

U.S. builders are competing with emerging nations for building supplies to support commercial and industrial construction. Add that to the demand for materials to rebuild after hurricanes, tsunamis and earthquakes, and the result is rapidly escalating residential construction costs.

**Concrete** - Worldwide demand for concrete has driven up costs by **30 percent** over the past two years, according to the National Association of Home Builders (NAHB).<sup>\*</sup> This will be further affected by the shutdown of the Port of New Orleans, a major source of concrete, due to hurricane Katrina.

**Lumber** - Rebuilding after the 2004 and 2005 hurricanes has depleted supplies of rough lumber. Some suppliers believe prices will stabilize because they can mill yellow pine trees downed by the storms, but the general consensus is that all wood products will go up in price. The Bureau of Labor Statistics estimates that plywood and oriented strand board (used for roof and floor decking as well as wall sheathing) have increased by **more than 50 percent** in the past year.

**Gypsum** - The price of Gypsum products, such as plaster, cement and drywall, rose **21 percent** last year and continues to rise at double-digit rates this year, according to CNN. Because the gypsum manufacturing process requires tremendous amounts of natural gas for drying, the shortage of natural gas supplies from the Gulf storms will most likely drive the costs higher.

**Steel** - Although not a typical component of residential construction, steel is commonly used in homes of 10,000 square feet or more. The NAHB found that steel and copper prices rose by over **60 percent** after the 2004 hurricane

season.<sup>\*</sup> In addition, the NAHB cites China's appetite for structural steel as a cause of shortages in the U.S. market.

### Petroleum-based Products

**Plastic** Used for plumbing, polyvinyl chloride (PVC) plastic is a petroleum-based product that requires natural gas in its manufacturing process. Ken Simonson, chief economist for the Associated General Contractors of America, reports that PVC products **doubled in price** last year and are on track to do the same this year.

**Asphalt and Vinyl** A recent report issued by the NAHB states, "Home builders, materials suppliers and remodelers report that prices of asphalt shingles and vinyl products are going up by double digits, because of greater demand and because the raw materials are petroleum-based. Vinyl siding prices have jumped **more than 30 percent** over the last six months."<sup>\*</sup>

**Diesel** Diesel prices, up **50 percent**, are not only increasing contractor's costs to run their own equipment, but also affecting the cost for suppliers to transport materials.

<sup>\*</sup>Carliner, Michael. *Building Materials After Katrina*. National Association of Home Builders, October 19, 2005.

The current economic climate continues to present new challenges for the insurance industry. Fort Point Insurance makes every effort to help establish accurate rebuilding costs when a policy is issued, but the accuracy of our estimates may deteriorate over time unless sufficient adjustments are made. Not only do we need to account for standard inflation, but also we must consider supply and demand issues, market pressures and unreported upgrades.

## Potential Quake Insurance Rate Drop

*(Continued from page 1)*

evaluating cost and risk. While geologists say temblors as violent as the 1994 Northridge quake can occur in the state once every decade, homeowners often conclude that paying expensive premiums to guard against Mother Nature's unpredictable whims is not a worthwhile expenditure.

The California Earthquake Authority (CEA) holds 66 percent of the entire earthquake insurance market in California. If Garamendi approves the plan, more than half of CEA policy holders would see premiums decrease by \$100 per year. Quotations depend on the location and age of buildings as well as other factors, Earthquake Authority spokeswoman Nancy Kincaid said.

The remaining 34% of California's earthquake insurance market is made up of insurers that sell earthquake policies on their own policy form. Carriers including Chubb, AIG Private Client Group, Fireman's Fund and The Travelers prefer to offer this valuable coverage to clients directly, rather than seed the exposure off to the CEA. As a result, insurance with these carriers can be as low as \$1.85 to

\$2.35 per \$1,000 of home replacement cost coverage (often, much lower than the CEA's rates with broader coverage). A \$500,000 home would cost \$925 - \$1,175 per year.

The CEA based its proposal on a geological survey that predicted the risk of earthquake damage was less than previously thought. A sudden drop in rates for reinsurance, or the insurance policies taken out by insurance providers, also made officials optimistic that coverage costs can be brought down, for the majority of homeowners.

As the world's largest residential earthquake insurer, the publicly managed CEA can influence rates. The Legislature created agency after the Northridge quake left many homeowners in legal tussles with insurance companies unwilling to cover the damage to their properties.

Earthquake rates are not based on a home's value, but rather on the cost of rebuilding. So while the CEA sells policies to homeowners through participating private insurers, the insurance companies are responsible for any payout the authority cannot handle following a major disaster. Expect to see more news on earthquake this Spring. **FP**

## Domestic Employees

(Continued from page 1)

- Failure to take a chemical sobriety test (*interviewing for nanny position*)
- Reckless driving
- Unable to verify identity of candidate
- Multiple insurance claims (*housekeeper that would ultimately drive the client's automobile for child pick-ups and errands*)

These results are cause for concern as many domestic employee candidates came from Staffing Agencies and headhunters who "pre-qualified" candidates.

*The Process is Simple...*

Once written permission to conduct a background investigation has been obtained from the current or prospective employee, Kroll can offer an AIG Private Client Group policyholder pertinent information on that individual, including:

- Verification of identity and address history
- Confirmation of educational background
- Verification of employment history and professional licensure
- Federal, state and county criminal records
- The ability to screen all of their U.S.-based employees, such as nannies, housekeepers, drivers, gardeners, chefs, or home health workers.

This service is complimentary for AIG clients. Background checks with other carriers are available for a nominal fee. Please contact Dan Glunt ([dan@fpins.com](mailto:dan@fpins.com)) or (415) 781-8801 for more information. **FP**



### Fort Point Insurance Services, Inc.

260 California St., Suite 801  
San Francisco, CA 94111  
Phone: (415) 781-8800  
Facsimile: (415) 781-8802  
Email: [info@fpins.com](mailto:info@fpins.com)  
Website: [www.fpins.com](http://www.fpins.com)  
CA License: 0E11805

Daniel Glunt, Principal & CEO

James M. Corroon, Principal & Vice Chairman

Patrick C. Connolly Jr., Treasurer

### About Fort Point Insurance:

Fort Point Insurance provides comprehensive insurance products and services to help meet the unique risk management needs of affluent individuals and families. Fort Point's portfolio of insurance products includes, but not limited to: excess liability, homeowners, excess flood, automobile, private collections, kidnap/ransom, aviation and yacht coverage. Based in San Francisco, we work with clients across the United States.

### Our Principal Carrier Relationships:



### Fort Point Insurance Personal Insurance Solutions and Products:

**Personal liability** – primary, excess and umbrella limits up to \$100 million

**Dwelling** - high-value, standard, historic, multi-state, foreign, rental property and seasonal/secondary

**Automobiles** – high-value, standard, collector, RV and motorcycle

**Collections** - jewelry, fine art, wine and other collectibles

**Vineyards, Ranches and Horse Exposures** – horse mortality, liability, transportation and ranches

**Earthquake, hurricane and flood**

**Kidnap, ransom & extortion**

**Identity theft**

**Aviation** – jets, helicopters and other (private-owned, corporate and/or fractional ownership) aircraft.

**Watercraft** – yacht, small boat, sailboat and personal watercraft

**Family office** coverage

**Employment practices liability** for domestic employees

**Workers compensation** for domestic employees

**Personal Directors & Officers Liability**