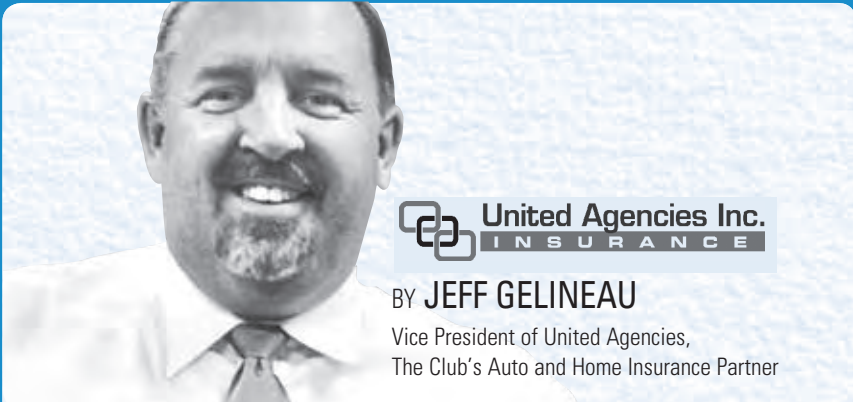


REST INSURED



United Agencies Inc.
INSURANCE

BY **JEFF GELINEAU**
Vice President of United Agencies,
The Club's Auto and Home Insurance Partner

Extended Replacement Cost Coverage

You can tell you are getting old when you begin the majority of your sentences with, "It used to be that..." My birthday is this month, so I guess I'm feeling old to begin this column like that.

It used to be that a homeowners policy had a limit of coverage for your home... say, \$200,000. If there were a fire that totaled the home, then you would get a check for \$200,000.

Then insurance companies started to realize that the cost to rebuild a home fluctuates depending on the economy and the price of materials. It might cost only \$195,000 to rebuild that home this year, but next year it might cost \$215,000. So, instead of having an upset customer who is uncovered for \$15,000, they started adding extended replacement cost coverage (ERC) to homeowners policies. For no additional charge, the insurance company would "extend" your coverage to 110 percent of its value, so if you bought \$200,000 of insurance, you would be covered up to \$220,000.

The companies started competing with each other, and the ERC grew to 125 percent, and 150 percent, and even 200 percent. Anything that can be done, can be overdone!

Eventually, insurance companies started to issue policies with *guaranteed replacement cost coverage*, which would insure that your house was rebuilt regardless of the policy limits. With coverage like this available, people started taking advantage of the insurance companies. Instead of insuring the home for \$300,000, people would insure it for \$90,000 because the replacement cost

was "guaranteed." The house might cost \$350,000 to rebuild, but the customer only had to pay for \$90,000 of insurance.

After the Oakland Hills Fire in 1991, several lawsuits arose over this practice. Customers felt cheated because they were promised "guaranteed replacement cost," and insurance companies felt cheated because they didn't collect sufficient premium for the risk.

Because of the Oakland Hills Fire, we now have clear laws that state that the insurance company has to notify you in writing what kind of coverage your policy has, and what the extended replacement cost percentage is.

One insurance company in California still writes guaranteed replacement cost, but the majority doesn't. Most all companies have extended replacement cost coverage, and the industry average is 150 percent. Beware, because some companies offer only 125 percent. On the other hand, some better companies still offer 200 percent!

As part of the agreement to receive extended replacement cost coverage, you have to insure your home for the value that the insurance company proposes, and you have to agree to increase it each year for inflation.

Remember that even if you have an extended replacement cost policy, the insurance company will not pay for you to build a better house than the one that was damaged.

Even though an extended replacement cost policy may be a bit more expensive, it offers the best financial protection against disasters for your home.

Be safe and have fun!

About United Agencies

United Agencies is the Club's partner in helping members with their home and auto insurance, and related products. We specialize in creating personal relationships with our customers, and serving their needs in a prompt, efficient and friendly manner.

Check out our City Employees Club page on the United Agencies Website at www.unitedagencies.com/cityclub. This website lists the upcoming

visits we'll be making to City Department meetings where you can ask us any question in person, and get an instant quote!

Have a question?

Is there something about insurance that you've always wanted to know, but were too ashamed to ask? Maybe something that you've just always been curious about? Feel free to send me an email at jgelineau@unitedagencies.com, and I will try to answer your question in one of our monthly columns.

MAGIC MOUNTAIN

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PUBLIC WORKS

JOIN THE Pioneer Toastmasters

The Public Works Pioneers Toastmasters Club

Wednesdays

12:05 p.m.

1149 S. Broadway, 6th Floor
Conference Room 6004

CLUB MEMBERS: Gain confidence in your public speaking and leadership skills. The Public Works Pioneers Toastmasters Club meets each Wednesday at 12:05 p.m. at 1149 S. Broadway in the sixth floor conference room 6004. Guests are welcome. Joining the Toastmasters is inexpensive, educational and fun. If you have any questions concerning Toastmasters, contact Ivan Gerson at (213) 485-1169 or Dominic Buenaventura at (213) 847-0593.

Toastmasters International is a nonprofit, worldwide organization that helps its members develop their public speaking and leadership skills. The Public Works Pioneers Toastmasters Club belongs to Area 43 of Division D in the Downtown Los Angeles area.

FOR MORE INFORMATION:
Ivan Gerson: (213) 485-1169
Dominic Buenaventura: (213) 847-0593

CITY EMPLOYEES AT WORK

As spotted by Noelle Kauffman, Club Counselor:
Hard at work is **Anthony Watson**, Truck Operator, Public Works/West Valley Sanitation Yard, 24 years of City service, Club Member.

Do you have a photo of City Employees on the job? Send it in and we might print it! talkback@cityemployeesclub.com