Brown & Brown INSURANCE

The ADVISOR

Q2 JUNE 2017

To Airbnb or NOT to Airbnb?

The American Dream has always been: graduate college, get a job, get married, and buy a house with a white picket fence and a big back yard for the future kids. As times change, renting is becoming increasingly popular. Many young adults also want to travel and see the world before settling down.

With this change in the market, insurance companies are forced to catch up and take a closer look at coverages pertaining to renting and owning rental properties. Companies like Airbnb are popping up and starting to make serious money.

Airbnb is a company that will allow you to post rental opportunities online. If you have a home and you aren't using all of your bedroom or living space, Airbnb enables you to post your space online for short term rental periods. People from all over the country can come and rent a room in your home or cabin for a day, a week, or even a few weeks. If you are the homeowner, you can post specific qualifications that you require from your prospective tenants.

As people start to utilize this avenue to make extra income, insurance companies are stuck scrambling to patch up the holes in coverage that your basic homeowner's policy does not cover. We see issues such as high liability risks and holes in medical coverage. As the homeowner, you are simply allowing strangers to rent your home or cottage on a day to day basis. This differs from a landlord's policy. Landlord's policies are written for dwelling locations that are being rented for primary use. A landlord's policy is not used for your primary home location, your secondary home location or even a seasonal location such as a cabin.

As of right now, standard insurance companies are divided on the subject. Some companies such as Cincinnati Insurance Co. and Citizens Hanover Insurance Co., will not cover this specific rental risk on your homeowner's policy.

Underwriters from these companies are stating, "If you post your home or cabin online for any type of rental use, your coverage becomes ineligible. If your temporary tenants cause a fire, flood, vandalism, or theft there will be no coverage. If your tenants hurt themselves on your property and take legal action against you, we will not provide any coverage for legal expenses." Again, this is on a company to company basis. Some insurance companies such as CHUBB offer a temporary rental endorsement that can be added to your homeowner's policy.

So, if you are interested in making some extra cash renting out unneeded space, you need to call your insurance advisor first. Make sure they offer an endorsement to cover this rental risk. If your company does not cover this type of risk, utilize this opportunity to shop other insurance companies. Contact Brown & Brown of Detroit to schedule an appointment with an insurance advisor. Protect yourself, protect your family, and protect your assets.

by Dan Patrico
Personal Insurance Advisor

Older Building?

3 Reasons Why Ordinance and Law Coverage Could Save Your Business

By Ryan J. Wellman, AAI

We construct buildings with a useful life in mind, but what happens when a fire (or other catastrophe) destroys the structure? We rebuild, right? What many don't consider is that there may be new building codes that weren't in effect when the building was originally constructed. Unfortunately, many property insurance policies aren't equipped to respond to this change. Below are the top three things to keep in mind when securing coverage for your building:

1. Ordinance and law coverage is broken down into three parts, each of which is subject to their own limit:

1. Undamaged Portion - This may have to be demolished along with the damaged part of the building and it typically isn't covered by traditional building coverage.

2. Demolition - There is a small sublimit included with the building coverage but most of the time this will be insufficient and you'd likely be left paying for most of this expense.

3. Increased Cost of Construction - State and Federal building code is updated regularly to reflect changes in policy and safety and this can have a dramatic effect as our infrastructure ages. Examples include sprinklers, ADA (American Disability Act), and hurricane protection.

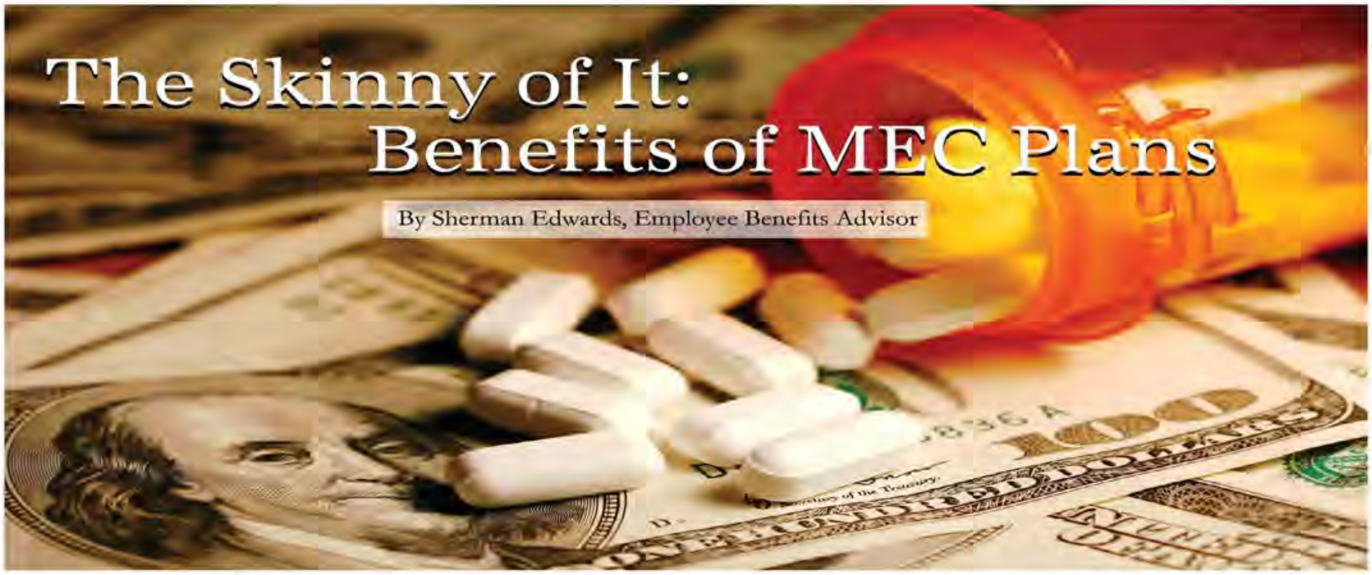
2. If you depend on the physical premises to generate income then attaching ordinance and law to business income is vital as it too is excluded from that section of the property coverage. If there is a delay in the construction due to a building ordinance application, loss of income during this period of restoration would not be covered.

3. Each jurisdiction has its own threshold for what constitutes "major damage", generally ranging from 30% to 60%. This becomes the trigger that decides when a partially damaged building needs to be completely demolished. This will either trigger ordinance and law to kick in or leave you scrambling to grab your wallet.

This isn't meant to scare, but to reveal a common insurance coverage gap that most are unaware of. Our buildings are getting older and codes are changing. Contact an insurance advisor to confirm that your insurance will adequately cover the costs associated with building reconstruction.

The Skinny of It: Benefits of MEC Plans

By Sherman Edwards, Employee Benefits Advisor



For the past few decades workers have increasingly relied on their jobs for access to health insurance, which would presumably be out of reach financially for most American workers. There are still employees who cannot afford major medical insurance, even when subsidized by their employers. It would likely be a stretch for a low wage worker, making $10 an hour, to afford even the average single premium of $480 or $1395 for a family (as stated by Kaiser). The average employer pays 80% of the premium for a single employee and 70% for a family. While generous, this still leaves a low wage hourly worker with a car payment-sized monthly healthcare premium. This leaves the employee with two choices: 1) Waive coverage; which still leaves the employee liable for the individual mandate, or 2) Pay for the coverage; which makes them stretch their already tight budget.

With limited benefit plans, also called skinny plans, the employee now has another option that gives them access to care in the event of an accident or sickness. Limited Benefit and Minimum Essential Coverage (MEC) plans, once only used for high turnover low hourly wage industries like restaurants and staffing companies, have been gaining more traction among many other large employer groups.

MEC and limited benefit plans are not major medical plans. MEC plans provide 100% preventive coverage as required by the ACA. These plans also satisfy the individual mandate, and the 4980H(a) penalty, which is a part of the employer mandate. These plans average in the market place around $15 PEPM (per employee, per month) for single coverage, and are usually bundled along with a limited benefit plan.

Limited benefit plans are a fixed indemnity plan and pay set dollar amounts based on a schedule of benefits for most medical expenses. For instance, a plan could provide four physician visits a year and pay $60 per visit, or $500 for an Emergency Room visit. These plans average around $60 a month for single coverage, and most carriers require the employer to pay at least half of the premium with lower premiums given if the employer pays a higher percentage of the monthly premium.

Not only does the plan give affordable access to healthcare for hourly and part time employees, it saves employers money as well, by being significantly cheaper than major medical insurance.

The only major medical alternative for the low wage hourly worker has typically been a Minimum Value Plan, which usually has a $5000 deductible and averages two to three times as much as the limited benefit plan bundles. More employers are starting to put their workers into classifications, placing their hourly workers in one classification and salaried employees in another; the employer can then offer their hourly employees the limited benefit plans and save money.

Aside from the cost saving aspect of these plans, skinny plans can also be used as a recruiting technique for part time workers who, without a working spouse, may have no coverage at all.

Limited benefit plans are not a cure all for rising healthcare costs and a competitive benefit package, but can be a great help to some of an organization's hardest working employees, and can make their bottom line a little less skinny.

Visit our new website at www.bbdetroit.com and contact us for more information on ways to save money on your employee benefit plans.

Is an Umbrella Truly an Umbrella?

by Drew Strouse, Commercial Insurance Advisor

I wish I had a dollar for every time an insurance professional (agent or underwriter) told me that the umbrella is follow form from the underlying coverages, meaning if it's covered on the underlying policies then the umbrella would also cover the claim. This statement couldn't be farther from the truth. The umbrella policy, in my opinion, is the most challenging component to the commercial insurance purchase because of how much variance can happen with an umbrella, which is designed to protect a business in the event of a catastrophic claim.

When examining an umbrella policy, you have to keep in mind that this is always a separate insurance contract subject to its own terms and conditions. Here is where the first set of issues arise. The umbrella always has a different set of conditions pertaining to your duties in the event of a claim and who must have knowledge of a claim to constitute knowledge of the insured. Typically the underlying automobile and general liability policies will offer enhanced language to knowledge only by owner, office or designated insurance manager while the umbrella policy constitutes knowledge to "you" meaning anyone in the company, regardless of position.

Another issue with the terms section is the umbrella is subject to the "other insurance" clause making the umbrella not primary and non-contributory. Many clients in the construction industry are required by written contract to have their general liability on a primary and non-contributory basis and have coverage extend through to the umbrella. Unless the umbrella is specifically endorsed, there's a large coverage gap and breach of contract issue on the table.

Aside from the conditions of the umbrella policy, many underwriters and insurance companies will add endorsements which either restrict coverage to only be as broad as the underlying coverages with no drop down coverage, or worse, they add endorsements which make the umbrella policy more restrictive than the underlying policies.

Here's an example of the umbrella being more restrictive: Insurance company ABC Insurance has a standard general liability policy which was endorsed with a Total Pollution exclusion with a hostile fire and building HVAC giveback, meaning there is coverage for pollution exposes arising from a hostile fire or building HVAC systems. Insurance company ABC Insurance also has a standard umbrella liability policy which was endorsed with a total pollution exclusion. Here, the umbrella policy doesn't have the givebacks for hostile fire and building HVAC. In the event of a claim of a pollution condition from hostile fire, this particular insured would only have $1M of liability coverage because the underlying policy is the only one that would respond.

As you can see, inconsistent policy language could drastically reduce the payout you receive in the event of a claim. Contact us today for a comprehensive insurance review to ensure your siness is adequately protected. Visit our new website at:
www.bbdetroit.com

We were pleased to bring you the latest issue of The Advisor. We hope you found this newsletter interesting and informative. If you have any questions or topics that may interest you for our next issue, please contact us at:

Brown & Brown of Detroit

35735 Mound Road
Sterling Heights, MI 48310

Ph: (586) 977-6300

www.bbdetroit.com