

# “Ahead of the Curve”

A Community Newsletter from A.P Michaud Insurance Agency

Volume 2, Issue 2 October 2007

## Liability Insurance vs. The Homestead Act

First we should start with exactly what the Homestead act really is and what it covers. Currently, it is the protection of a maximum of \$500,000 for one's **principal residence**, that is only one property regardless of the number of owners. This \$500,000 credit only applies to **most** attachments or debts but not from such things as 1.) sale of property to pay taxes 2.) debts incurred prior to the creation of “estate of Homestead” 3.) mortgage debt on the home 4.) child support or alimony. For more information on filing the Homestead Act go to [www.sec.state.ma.us/rod/rodhom/homidx.htm](http://www.sec.state.ma.us/rod/rodhom/homidx.htm) or contact your attorney.

Now that we have that out of the way the biggest question concerning this Homestead Act is “If I am protected by the Homestead Act should I purchase Liability Insurance?” **The Answer is YES, Definitely!**

Did you know that if you only buy the Massachusetts state liability minimum of 20/40 on your auto insurance policy and cause serious injury to someone in an accident the most the company will pay is 20,000 per person and 40,000 per accident, this includes cost of defense. Once those amounts have been paid, defense ends and you are on your own for any future expense. Even though your house is protected from payment, it is not helping you with defense which can be extremely expensive. This can also be reversed



where you are the party that is seriously injured and the other person is not adequately covered and has no assets. What will YOU do? Purchasing higher Uninsured and Underinsured Motorist coverage will allow you to receive the compensation you will need from your own carrier. It can even provide you money to pay your mortgage and other monetary obligations.

Filing an estate of homestead does not keep you from being sued, it does not protect any second residence, your savings accounts, your boats or cars, your ATVs and motorcycles. Even your wages can be attached! You can say bye to all the toys that make life fun.

Keep in mind that bankruptcy is not an answer. A Homestead declaration will not exempt the home from Chapter 7 “asset liquidation” but will allow you to keep a greater portion of the liquidation sale. In a Chapter 13 the Homestead declaration will allow you to retain the home but will require you to repay some or all of the unsecured debt over a 3-5 year period. BUT Bankruptcy stays on your record for 10 years and will affect your ability to buy insurance, among other things.

We recommend that you not only cover yourself with the Estate of Homestead but also increase or purchase high liability limits in conjunction with it. You might pay a bit more over the year but after looking at the possible alternatives, it is worth it. There is no price on your home, family, security, and life!

“Filing under the Homestead act should be done in conjunction with proper Liability Insurance not as an alternative to it.”

### Inside This Issue...

- Adding newly licensed drivers to your auto policy right away.
- Equipment Coverage Breakdown on your Homeowners Policy
- Michaud Welcomes Plymouth Rock Assurance!

# Equipment Breakdown Coverage Now Automatically Included On All Providence Mutual Homeowners Policies

As the size of the typical house in the US has increased over the years, so has the amount of equipment it takes to make it comfortable. The trend towards larger, more costly homes with expensive equipment can create a coverage gap for policyholders. Until now, homeowner's policies did not cover most mechanical, electrical or heating equipment breakdowns.

Homeowners today have a lot invested in air conditioning, heating, hot water, entertainment systems, security and other amenities. One breakdown can surprise homeowners with a large repair bill. Large expensive homes contain a wide range of amenities that can break down but even homes which are considered average size by today's standards have a variety of equipment and face new exposures from breakdown.

Think about how much home equipment has changed over the years. The percentage of single family homes with central air increased from less than half in 1975 to 85% in 2005. Home generators are now common, adding risk of electrical damage to wiring and equipment. Deep well pumps, the source of water for homes in many suburban and rural areas, can require costly repairs.

Providence Mutual has responded by adding equipment breakdown coverage as a standard part of their homeowner's policy. Equipment Breakdown coverage typically covers three perils: mechanical breakdown, electrical disturbance and pressure systems breakdown.

To better understand how this coverage works here are a few examples:

- 1.) A well water pump short-circuited and had to be pulled from the well. The repair cost was greater than the cost to replace. A new pump cost \$1600.00
- 2.) An air conditioning system suffered an ice build-up in the evaporator due to a cracked compression fitting. The ice plugged the condensate drain causing water to flow into the control cabinet, short circuiting the solid state controls for the air conditioning and furnace. The repair costs were \$2800.00
- 3.) A power surge caused by the electric company after a power outage damaged the electronic controls on a stove, refrigerator, home computer and air conditioner. The cost to repair was \$2100.00

Now I'm sure your wondering how much this coverage costs??? The average cost is \$25.00 a year with a maximum per occurrence limit of \$25,000 and a \$500.00 deductible. Not bad considering the scope of coverage provided!

## Newly Licensed Drivers

**Have you remembered to add a newly licensed household member to your policy??**

Just a quick message from our office to let you know that if you have a household member, especially a newly licensed one, that will be using your vehicle, you need to add him or her to your policy. As some of you may know the insurance company regularly does license checks in households and sends us reports. We then send out a letter to remind you that the household member needs to be added to your policy. This ensures your awareness that unlisted operators will be denied coverage of physical damage and bodily injury by the insurance company.

This is what we are looking to avoid and believe me it happens more than you think!! So please don't forget to add household members, newly licensed or not.



# Michaud Insurance Agency is Proud to Add Plymouth Rock Assurance and Mt. Washington Assurance to our Distinguished List of Insurance Companies.

We are very excited to announce that as of June 15, 2007 we have been representing Plymouth Rock Assurance Corporation (PRAC) for Massachusetts Automobile insurance and Mt. Washington Assurance Corporation (MWAC) for New Hampshire Automobile insurance. This will give you, the customers, the opportunity to choose from two companies when insuring your vehicles.

Plymouth Rock Assurance is the Flagship of the Plymouth Rock Group of Companies which writes over \$1 billion dollars in personal and commercial policies a year. Mt. Washington Assurance serves over 800,000 customers in NH and both have maintained an A-/Excellent Rating with A.M Best, the premier insurance rating service.

Both PRAC and MWAC offer its True Service Pledge to all their insured's as a set of principles they live by. Those principles are Courtesy, Respect, Understanding, Professionalism, and Competence. That is their promise and if they do not live up to that promise they will donate to one of three charities on your behalf.

With PRAC and MWAC we are able to offer you a variety of payment plans including direct withdrawal from your checking or savings accounts, for a list of these billing plans please let us know. Another added benefit is that their claim centers are open 24 hours a day so you can call in your claim the very moment it happens.

If you are interested in more information about Plymouth Rock please contact us or see their websites at [www.prac.com](http://www.prac.com) or [www.mwac.com](http://www.mwac.com).

Both Plymouth Rock and Mt Washington have been rated and maintained an A-/Excellent rating from A.M Best, the premier insurance rating service and promises their True Service Pledge to all customers.

## Community Spotlight

### Luxury One Floor Living at Its' Best!

*It's the right time and the right place!*

#### **PARK PLACE**

Corner of Riverside Drive & Burnham Road, Methuen, MA 01844. Easy Rte 93 highway access, close to shopping & waterfront park.

- \* Two Bedrooms
- \* Granite Countertops
- \* Decks
- \* Two Baths
- \* All Appliances
- \* Elevator
- \* Gas Heat & Air
- \* Individual Laundries

**Active Adult Community**  
**Low Condo Fees & Taxes!**  
**OPEN SUN BY APPOINTMENT**



*Exclusive Agents:*

**ROYAL REALTY, INC.**

250 PLEASANT STREET, METHUEN, MA. 01844 ~ **978-685-1067**

Michaud Insurance Agency  
105 Haverhill Street  
Methuen, MA 01844  
P. 978-685-2549 f. 978-794-0822  
[trudylawler@michaudinsurance.com](mailto:trudylawler@michaudinsurance.com)

PRSR STD  
US Postage  
Paid  
Permit No. 432  
Lawrence, MA

Check us out on our redesigned website!

[www.michaudinsurance.com](http://www.michaudinsurance.com)

Michaud Insurance Agency has one mission in mind and has been practicing it since 1979 when we were founded. It's simple: to design an insurance program that uniquely meets the needs for each of our customers. We aim to provide a comfortable and friendly atmosphere for each customer to build lasting individual relationships.

Our licensed, professional staff provides superior services by working directly with you to secure the coverage required to meet your current needs. We work hard at anticipating our customer's needs, and continue to offer competitive solutions to meet your ever changing requirements. At Michaud Insurance, we continually search for the best combination of insurance coverage and price, offering real value to our customers.

## Thank You All Who Participated in Naming Our Newsletter!

We would like to extend a warm thank you to all of our customers who entered in our contest for the newsletter name! There were many great, very creative ideas which made it hard to have to choose just one. And congratulations to Susan Vivian for coming up with the new name "Ahead of the Curve A Community Newsletter from A.P Michaud Insurance Agency"!

We also thank you all for your great comments and insight that you have given towards the articles and design of the newsletter. We have taken everything you have said and really incorporated it into this new one. We hope that you continue to tell us your thoughts as we love to hear them and always need new article ideas. We hope to give you all the information you may need or want to make knowledgeable insurance purchases.

*Thanks!*

*Trudy, Linda, Yanira and Tricia*

*P.S* If you are interested in getting news and updates via email as well, please go to our website and enter your email address on the newsletter page. [www.michaudinsurance.com/newsletters.html](http://www.michaudinsurance.com/newsletters.html)