



Indiana Insurance Fact Book

2008-2009

A publication of the
Insurance Institute of Indiana





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A publication of the
Insurance Institute of Indiana

201 North Illinois Street
Suite 1410, South Tower
Indianapolis, IN 46204

ph: (317)464-2450 • fax: (317)464-2460

www.insuranceinstitute.org

Message from the Chairman

In the Information Age, it's often easy to get lost in a sea of facts and figures. While it may be convenient to tap one's favorite search engine to find a statistic that helps make a point, adds detail to an article, or simply satisfies a curiosity, finding the right statistic can be a burden.

That is why the Insurance Institute of Indiana produces the Indiana Insurance Fact Book. The purpose of this publication is to provide a one-stop reference guide for all things insurance in the Hoosier state. In the past, the media, legislators, and insurance professionals have found this publication to be more than helpful.

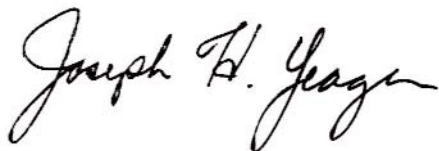
Each section provides the reader with valuable information about a specific line of insurance. In different sections, you will also find a primer on Indiana-specific laws and, of course, facts and figures relating to the industry.

Readers, please feel free to use the information in this publication with attribution, when appropriate, to the Insurance Institute of Indiana or other noted sources. For members of the media, we hope this publication can help you come up with story ideas or perhaps enhance a piece you are already writing. If at any time you have questions beyond what is in this resource, please contact Jay Kenworthy, the Insurance Institute's Communications Coordinator, at 317-464-2452 or by e-mail at jdk@insuranceinstitute.org.

This guide is made possible by the resources of the Insurance Institute's member companies. Insurers and consumers alike benefit when there is a basic understanding of how our industry works. We hope this publication helps foster that understanding.

The Indiana Insurance Fact Book can be used in conjunction with the Insurance Institute's other publications as well as our web site, www.insuranceinstitute.org.

Thank you for taking the time to look through our publication. We hope you find it valuable.



Joe Yeager, Chairman
Insurance Institute of Indiana
Regional Vice President
Indiana Insurance Company

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Chapter One: Auto Insurance

Auto Insurance: An Overview
Auto Insurance Options in Indiana
Financial Responsibility in Indiana
Voluntary/Involuntary Auto Plans
Auto Insurance Premium Breakdown
Auto Insurance Premiums by State
Settling Auto Insurance Claims
Saving on Auto Insurance





Auto Insurance: An Overview

Auto insurance is a contract between a policyholder and an insurance company. This contract states that the policyholder agrees to pay a premium while the insurer agrees to pay losses covered by the policy.

The policy contract generally consists of six sections explaining coverage: declarations, coverages, supplemental payments, definitions, exclusions and conditions.

1. Declarations: The declarations section serves to personalize the policy by listing the pertinent information described in the policy, including the insured's name and address, the policy number, the type of policy, dollar limitations on various types of coverage, descriptions of vehicles covered, deductibles, policy dates indicating the time period in which coverage is provided, any endorsements that modify the basic coverages and, if applicable, the names of any other organization or person to whom payment is to be made in the event of a loss (e.g., bank with loan).

2. Coverages: Each automobile insurance policy provides several types of coverage, and each, when purchased, has a specific function.

Common coverages include:

Bodily Injury Liability – This protects a policyholder, up to the dollar amount stated in your policy, against the financial consequences of a loss arising from injury to someone from an automobile accident for which the policyholder is legally to blame.

Defense costs are in addition to the limits of liability.

Property Damage Liability – This coverage is similar to bodily injury liability coverage, except that it protects a policyholder against a claim for damage to another automobile or other property, in an accident for which they are legally liable. The protection is again up to the amount of insurance the policyholder purchases. Defense costs are in addition to the limits of liability.

Medical Payments – Medical pays for medical or funeral expenses, up to the amount of insurance you purchase, for the insured and others injured or killed while riding in the car, no matter who caused the accident. It also covers the policyholder and resident members of their family if struck by a car as a pedestrian or if riding in another car.

Uninsured Motorists (UM) – UM coverage provides injury coverage to the insured driver, resident members of their family and passengers, up to the policy limits, when involved in an accident caused by the owner or operator of an uninsured vehicle or a "hit-skip." The named insured and family members are also covered if they are pedestrians and struck by a UM vehicle.

Underinsured Motorists (UIM) – UIM provides injury coverage to the insured driver, resident members of



Auto Insurance: An Overview

their family and passengers, up to the policy limits, when involved in an accident when the at-fault driver's policy limits are less than your UIM limit.

Uninsured Motorists Property Damage (UMPD) – This type provides coverage for an insured's vehicle if involved in an accident with a negligent uninsured motorist. Insurance companies are required to offer UMPD unless the insured motorists requests otherwise. The coverage amount is normally \$10,000 and includes no deductible in most cases.

Collision – This coverage pays for damage to the policyholder's car caused by impact with another object or an overturn, irrespective of fault. The collision coverage usually includes a deductible. This means the policyholder pays the first \$100, \$200 or so for repairs to the car and the company pays the rest.

Other Than Collision – This is a catch-all coverage that pays an insured for damage to their car caused by something other than collision or upset. Perils covered under "other than collision" may include fire, theft, missiles, falling objects, larceny, explosion or earthquake, tornadoes and windstorms, hail, water, flood, malicious mischief, vandalism, riot, civil commotion and contact with a bird or animal.

"Other than collision" is also available with deductibles. It is also known as "comprehensive" insurance coverage.

3. Supplemental Payments: This provides for payment over the limits of liability noted in your policy for expenses incurred by the insurance company, all costs taxed against you in a court suit, attorney's fees, bail bonds (up to a certain amount) and related costs. It also covers reasonable expenses you incur at the request of the company.

4. Definitions: This section of the insurance policy defines the various terms used in the policy. It explains such terms as who is covered by the contract and what the company describes as the "covered auto."

5. Exclusions: Exclusions clarify the intent of the insurance policy by explaining the situations in which the policy will not cover you or the insured vehicle. Consumers may be able to "buy back" coverage for certain exclusions by adding endorsements to the policy. Policyholders should pay special attention to this section and should be aware that the policy does not cover all things under all circumstances.

6. Conditions: This section establishes the conditions that must be present or complied with by the company and/or the insured. Examples of conditions include time-period restrictions, duties in the event of a claim, proof of loss, cancellations, etc.



Auto Insurance Options in Indiana

DRIVER DISCOUNTS

Most insurance companies offer auto insurance discounts. Below are some of the potential discounts drivers may be able to take advantage of.

- **Anti-theft device discount:** Available from most companies to auto-owners whose vehicles are equipped with alarms or disabling devices that reduce exposure to theft.
- **Completion of a state-approved senior driver defensive course:** Senior drivers 60 and older can obtain a discount by completing an accident prevention course.
- **Commuter or carpools:** Drivers who drive just a few miles to take public transportation to work or carpool, may ask if a mileage discount is available.
- **Driver training discount:** For young drivers who have completed driver training courses.
- **Good student discount:** Limited to high school or full-time college students, and is usually contingent on maintaining a B or better grade average. Discounts could range from 5-25 percent.

Discount myth:
The color of your vehicle contributes to your rate.

Fact:
Companies do not ask the color of your car, nor do they use that factor to determine rates. However a 2003 University of Auckland (New Zealand) study found brown cars were the most dangerous, and silver cars the least.

- **Multi-car discount:** Usually available to those who insure two or more cars with the same company.

- **Multiple policy discount:** Available from some companies to individuals carrying more than one policy (i.e., auto, home, life and/or health) with the same company. Savings could be in the 15-20 percent range.

- **Resident student discount:** Offered by some companies to an insured whose family includes a resident student without a car at a college more than 100 miles from home. A premium reduction might also be available to those taking a car, depending on the college location.

- **Safety feature discount:** Available from most companies to drivers of cars with airbags and/or anti-lock breaks (ABS). Some companies have discontinued ABS discounts because of a lack of evidence showing ABS reduces claims.

AUTO INSURANCE OPTIONS IN INDIANA

There are three avenues available for auto insurance in Indiana:

Voluntary standard market insurance is obtained at competitive rates through a selected insurance company without state assistance.

Due to the competitive nature of writing voluntary standard insurance within the state, it is advisable to compare the rates and services of various companies and agencies prior to purchasing insurance.

Voluntary nonstandard market: insurance is obtained through a selected insurance company, but with a higher premium based on one's driving record.

Nonstandard markets were developed because of the need to fairly assess policyholders based on their driving records. Since insurance is essentially a pooling device for policyholders to share in the losses of a few, all would pay more for insurance if separate risk categories were not established.

Involuntary residual market insurance is a state plan that provides liability coverage for those who have difficulty purchasing insurance through the voluntary standard and nonstandard markets.

Each state and the District of Columbia offers involuntary high risk insurance plans. In states where rates are held down artificially through legislation, many more drivers are insured through the involuntary market. Premiums in the involuntary residual market start about 35 to 50 percent above the base rates for drivers in the voluntary market. The worse the driving record, the higher the rates.

Financial Responsibility in Indiana

All states have financial responsibility laws that require a motorist to show evidence of his or her ability to pay for damages arising out of an automobile accident. Usually such evidence of ability to pay is through automobile liability insurance. Proof most commonly must be shown at the time of registration, at the time of an accident and/or be kept at all times in a vehicle. In Indiana, a person who violates this law is subject to a 90-day suspension of the person's drivers license and a \$150 reinstatement fee.

Financial responsibility limits are divided into three areas and are often listed as follows: \$25,000/\$50,000/\$10,000. The first two numbers refer to bodily injury limits and the third to property liability. The above example means coverage up to \$50,000 for all persons injured in an accident, subject to a limit of \$25,000 for bodily injury to or the death of one individual, and \$10,000 for the damage to or the destruction of

property in one accident. Indiana's limits are approximately average in comparison to other states in the nation. More than half of the states currently have the same, or lower limits than does Indiana.

In 2003, the Indiana General Assembly passed new legislation to increase the penalties for those found in violation of the state's financial responsibility laws. Previous Indiana law stated that first-time offenders faced a Class A infraction charge (up to a \$10,000 fine) and suspension of their driving privileges of 90 days and a \$150 fine for a license reinstatement. House Enrolled Act 1171 increased those potential charges to a Class C misdemeanor (\$500 fine and up to 60 days in jail) if they knowingly and intentionally violated the law. Also, the legislation allows courts to suspend driving privileges for a year, but requires the suspension for a year if the driver has had another conviction in the last five years.

FINANCIAL RESPONSIBILITY LIMITS BY STATE

| | | | | | |
|----------------|-----------------|----------------|-----------|----------------|-------------|
| Alabama | 20/40/10 | Kentucky | 25/50/10 | North Dakota | 25/50/25 |
| Alaska | 50/100/25 | Louisiana | 10/20/10 | Ohio | 12.5/25/7.5 |
| Arizona | 15/30/10 | Maine | 50/100/25 | Oklahoma | 25/50/25 |
| Arkansas | 25/50/25 | Maryland | 20/40/15 | Oregon | 25/50/10 |
| California | 15/30/5 | Massachusetts | 20/40/5 | Pennsylvania | 15/30/5 |
| Colorado | 25/50/15 | Michigan | 20/40/10 | Rhode Island | 25/50/25 |
| Connecticut | 20/40/10 | Minnesota | 30/60/10 | South Carolina | 15/30/10 |
| Delaware | 15/30/10 | Missouri | 25/50/10 | South Dakota | 25/50/25 |
| D.C. | 25/50/10 | Mississippi | 25/50/25 | Tennessee | 25/50/10 |
| Florida | 10/20/10 | Montana | 25/50/10 | Texas | 20/40/15 |
| Georgia | 25/50/25 | Nebraska | 25/50/25 | Utah | 25/50/15 |
| Hawaii | 20/40/10 | Nevada | 15/30/10 | Vermont | 25/50/10 |
| Idaho | 25/50/15 | New Hampshire | 25/50/25 | Virginia | 25/50/20 |
| Illinois | 20/40/15 | New Jersey | 15/30/5 | Washington | 25/50/10 |
| Indiana | 25/50/10 | New Mexico | 25/50/10 | West Virginia | 20/40/10 |
| Iowa | 20/40/15 | New York | 25/50/10 | Wisconsin | 25/50/10 |
| Kansas | 25/50/10 | North Carolina | 30/60/25 | Wyoming | 25/50/20 |

Voluntary/Involuntary State Plans

| STATE | VOLUNTARY | SHARED MARKET | TOTAL | SHARED MARKET AS A % OF TOTAL |
|----------------|--------------------|------------------|--------------------|-------------------------------|
| Alabama | 3,130,155 | 76 | 3,130,231 | 0.002% |
| Alaska | 382,760 | 2,164 | 384,924 | 0.562 |
| Arizona | 3,468,815 | 352 | 3,469,167 | 0.010 |
| Arkansas | 1,917,998 | 12 | 1,918,010 | 0.001 |
| California | 21,697,745 | 46,687 | 21,744,432 | 0.215 |
| Colorado | 3,316,066 | 14 | 3,316,080 | 0.001 |
| Connecticut | 2,434,127 | 5,749 | 2,439,876 | 0.236 |
| Delaware | 578,529 | 393 | 578,922 | 0.068 |
| D.C. | 212,446 | 1,483 | 213,929 | 0.693 |
| Florida | 10,541,834 | 3,731 | 10,545,565 | 0.035 |
| Georgia | 6,253,940 | 83 | 6,254,023 | 0.001 |
| Hawaii | 736,306 | 6,948 | 743,254 | 0.935 |
| Idaho | 1,049,545 | 110 | 1,049,655 | 0.010 |
| Illinois | 7,649,419 | 4,035 | 7,653,454 | 0.053 |
| Indiana | 4,260,634 | 31 | 4,260,665 | 0.001 |
| Iowa | 2,280,921 | 63 | 2,280,984 | 0.003 |
| Kansas | 2,279,597 | 2,195 | 2,281,792 | 0.096 |
| Kentucky | 2,839,585 | 740 | 2,840,325 | 0.026 |
| Louisiana | 2,706,202 | 1,405 | 2,707,607 | 0.052 |
| Maine | 1,1014,623 | 664 | 1,015,287 | 0.065 |
| Maryland | 3,587,244 | 137,168 | 3,724,412 | 3.683 |
| Massachusetts | 3,885,259 | 269,473 | 4,154,732 | 6.486 |
| Michigan | 6,332,016 | 6,112 | 6,338,128 | 0.096 |
| Minnesota | 3,550,003 | 36 | 3,550,039 | 0.001 |
| Mississippi | 1,667,411 | 677 | 1,668,088 | 0.041 |
| Missouri | 3,939,562 | 304 | 3,939,866 | 0.008 |
| Montana | 719,429 | 435 | 719,864 | 0.060 |
| Nebraska | 1,440,650 | 49 | 1,440,699 | 0.003 |
| Nevada | 1,593,140 | 40 | 1,593,180 | 0.003 |
| New Hampshire | 875,161 | 2,635 | 877,796 | 0.300 |
| New Jersey | 5,003,987 | 150,906 | 5,154,893 | 2.927 |
| New Mexico | 1,293,735 | 427 | 1,294,162 | 0.033 |
| New York | 8,837,023 | 343,333 | 9,180,356 | 3.740 |
| North Carolina | 4,866,853 | 1,553,489 | 6,420,342 | 24.196 |
| North Dakota | 556,224 | 14 | 556,238 | 0.003 |
| Ohio | 7,933,866 | 1 | 7,933,867 | 0.000 |
| Oklahoma | 2,481,051 | 439 | 2,481,490 | 0.018 |
| Oregon | 2,500,444 | 48 | 2,500,492 | 0.002 |
| Pennsylvania | 8,367,634 | 62,669 | 8,430,303 | 0.743 |
| Rhode Island | 636,856 | 37,994 | 674,850 | 5.630 |
| South Carolina | 2,944,965 | -3 | 2,944,962 | 0.000 |
| South Dakota | 627,544 | 34 | 627,578 | 0.005 |
| Tennessee | 3,887,105 | 262 | 3,887,367 | 0.007 |
| Texas | NA | NA | NA | NA |
| Utah | 1,463,653 | 8 | 1,463,661 | 0.001 |
| Vermont | 469,953 | 2,469 | 472,422 | 0.523 |
| Virginia | 5,648,087 | 12,897 | 5,660,984 | 0.228 |
| Washington | 4,133,970 | 11 | 4,133,981 | 0.000 |
| West Virginia | 1,258,179 | 779 | 1,258,958 | 0.062 |
| Wisconsin | 3,549,484 | 24 | 3,549,508 | 0.001 |
| Wyoming | 457,143 | 5 | 457,148 | 0.001 |
| Totals | 173,258,878 | 2,659,670 | 175,918,548 | 1.512 |

Source: Automobile Insurance Plans Service Office

Auto Insurance Premium Breakdown

Where the Premium Dollars Go: U.S. Auto Insurance, 2005

PREMIUMS EARNED: \$100

Claims:

Payments to injured persons:

| | |
|---|-------------|
| Medical | \$9 |
| Weight loss & other economic payment | 2 |
| Pain & suffering & other noneconomic awards | 5 |
| Lawyers' fees | 11 |
| Other costs of settling claims | 1 |
| <i>Subtotal</i> | \$28 |

Payments for damage to cars¹:

| | |
|--------------------------------|-------------|
| Property damage liability | \$16 |
| Collision claims | 16 |
| Comprehensive claims | 7 |
| Other costs of settling claims | 1 |
| <i>Subtotal</i> | \$40 |

Total Claims \$68

Expenses:

| | |
|---|------|
| Commissions & other selling expenses | \$16 |
| General expense (costs of company operations) | 5 |
| State premium taxes, license and fees | 2 |
| Dividends to policy holders | 1 |

Total Expenses \$24

Total Cost **\$92**

Bottom Line:

| | |
|-------------------------------------|-----|
| Investment gain ² | \$6 |
| Pre-tax income (\$100 - \$92 + \$6) | 14 |
| Federal taxes | 2 |

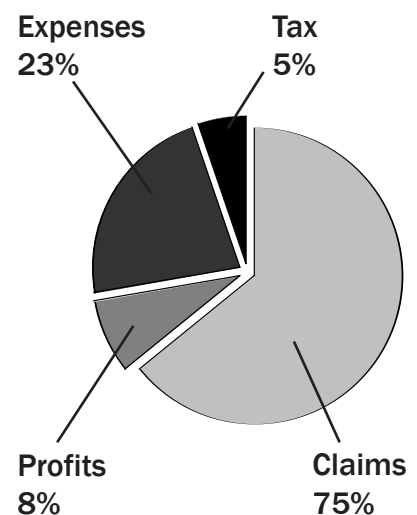
After-tax profit **\$9**

¹Includes theft and damage to other property, e.g., road signs.

²Includes interest, dividends, and realized capital gains.

Where the Revenue Dollar Goes, 2005

(Premiums and Investments)



Source: Insurance Information Institute estimate based on data from ISO; National Association of Insurance Commissioners (NAIC) Annual Statement Database, via Highline Data, LLC. Copyrighted information.

2004 Auto Insurance Premiums By State

| State | Liability | Collision | Comprehensive | Avg. expenditure | Rank |
|----------------------|---------------|---------------|---------------|------------------|-----------|
| Alabama | \$369.71 | \$312.79 | \$134.18 | \$677.36 | 39 |
| Alaska | 600.28 | 393.56 | 167.96 | 973.61 | 11 |
| Arizona | 510.42 | 315.41 | 246.42 | 930.58 | 14 |
| Arkansas | 389.86 | 309.10 | 175.93 | 707.74 | 32 |
| California (2) | 483.44 | 358.39 | 115.89 | 832.69 | 20 |
| Colorado | 475.86 | 323.81 | 211.96 | 849.84 | 16 |
| Connecticut | 625.61 | 343.44 | 133.37 | 990.75 | 9 |
| Delaware | 705.74 | 293.66 | 114.56 | 1,022.19 | 8 |
| D.C. (3) | 636.94 | 445.38 | 264.50 | 1,184.63 | 2 |
| Florida | 756.04 | 280.92 | 113.68 | 1,062.31 | 6 |
| Georgia | 413.58 | 373.93 | 165.90 | 778.63 | 24 |
| Hawaii | 537.36 | 285.14 | 108.19 | 817.45 | 22 |
| Idaho | 340.32 | 238.77 | 139.78 | 589.82 | 48 |
| Illinois | 411.04 | 308.98 | 128.55 | 760.00 | 26 |
| Indiana | 376.64 | 271.57 | 125.17 | 670.88 | 40 |
| Iowa | 302.61 | 209.86 | 173.55 | 579.95 | 50 |
| Kansas | 302.07 | 253.99 | 213.99 | 603.47 | 46 |
| Kentucky | 487.49 | 284.98 | 138.47 | 758.00 | 27 |
| Louisiana | 652.19 | 368.20 | 207.71 | 1,062.33 | 5 |
| Maine | 366.08 | 276.36 | 121.27 | 649.63 | 42 |
| Maryland | 557.79 | 328.98 | 148.04 | 947.15 | 12 |
| Massachusetts (4) | 701.76 | 352.91 | 150.09 | 1,112.87 | 4 |
| Michigan | 488.18 | 465.34 | 174.64 | 980.32 | 10 |
| Minnesota | 472.41 | 252.17 | 205.48 | 829.33 | 21 |
| Mississippi | 417.82 | 311.93 | 174.15 | 749.03 | 29 |
| Missouri | 385.06 | 286.23 | 155.05 | 702.39 | 33 |
| Montana | 397.56 | 247.23 | 227.71 | 683.18 | 37 |
| Nebraska | 336.05 | 231.51 | 218.64 | 637.44 | 43 |
| Nevada | 607.48 | 326.78 | 145.06 | 938.69 | 13 |
| New Hampshire | 432.54 | 307.84 | 116.08 | 798.34 | 23 |
| New Jersey (3), (5) | 759.56 | 423.60 | 203.30 | 1,221.08 | 1 |
| New Mexico | 444.82 | 295.97 | 175.40 | 727.60 | 30 |
| New York | 803.90 | 347.90 | 172.42 | 1,171.62 | 3 |
| North Carolina | 339.33 | 261.75 | 116.01 | 597.02 | 47 |
| North Dakota | 257.59 | 213.72 | 259.82 | 562.45 | 51 |
| Ohio | 396.15 | 256.26 | 110.50 | 680.14 | 38 |
| Oklahoma | 391.81 | 297.20 | 178.78 | 689.89 | 36 |
| Oregon | 492.22 | 241.66 | 112.78 | 753.38 | 28 |
| Pennsylvania | 507.66 | 312.63 | 130.85 | 842.66 | 18 |
| Rhode Island | 690.78 | 376.42 | 131.61 | 1,033.84 | 7 |
| South Carolina | 471.77 | 255.78 | 159.95 | 763.35 | 25 |
| South Dakota | 306.00 | 219.98 | 222.05 | 586.96 | 49 |
| Tennessee | 361.08 | 309.11 | 128.49 | 666.22 | 41 |
| Texas (6) | 476.39 | 321.19 | 146.50 | 846.93 | 17 |
| Utah | 435.96 | 276.50 | 127.47 | 722.27 | 31 |
| Vermont | 365.00 | 306.43 | 134.57 | 692.72 | 35 |
| Virginia | 404.40 | 268.62 | 125.49 | 702.23 | 34 |
| Washington | 532.96 | 273.98 | 136.50 | 838.61 | 19 |
| West Virginia | 543.68 | 306.04 | 197.09 | 874.96 | 15 |
| Wisconsin | 342.66 | 224.86 | 139.20 | 635.59 | 44 |
| Wyoming | 329.50 | 260.38 | 226.29 | 628.77 | 45 |
| United States | 499.00 | 313.95 | 146.80 | 837.86 | |

Source: Insurance Information Institute



Settling An Auto Insurance Claim

You've just been involved in an automobile accident. Do you know what to do? Who should you notify? What should you expect from your insurance company? These are just a few of the questions motorists face once they've been involved in a crash. This information should assist and prepare you for certain expectations when submitting an automobile insurance claim.

Before the crash

Take the time to review your auto insurance policy and coverages. It is important that you understand what is and – more importantly – what isn't covered by insurance. If you are in doubt, simply call your insurance company or agent.

At the crash scene

Begin by checking with vehicle occupants and pedestrians in the vicinity for injuries. If medical assistance is needed, contact local law enforcement officials immediately. Cooperate with the law enforcement officials at the scene, providing them with whatever information is requested.

It is a good idea to take pictures of the damage immediately following the accident, when safety allows. If you do not carry a camera with you, use a cellular phone camera.

While waiting for law enforcement officials, do your best to obtain and document the following information:

- Accident information (date, time, location)
- Other vehicle(s) information (make, model, color, license plate number, general description of damage)
- Other driver(s) information (name, address, phone number, drivers license number, date of birth, insurance agent and company contact information—including phone number and insurance policy number, if possible)
- Vehicle owner information, if different than the driver (same information as above)
- Witness information (names, addresses, phone numbers)
- Law enforcement and medical assistance information

(obtain department name, name and badge number of attending officer; was a citation issued)

- Description of the accident, including streets. It's best to sketch a diagram, labeling cars A, B, C, etc., using arrows to indicate paths of the vehicles involved in the crash.

After the crash

It is your responsibility to contact your insurance agent or company representative as soon as possible after the crash. Provide all the necessary information gathered at the crash scene. In turn, the company should inform you of its claims procedures so you understand the process.

Keep your agent or company notified of any developments associated with the claim. For instance, if you receive legal documents from the other parties involved in the crash, provide these to your insurance company immediately.

What to expect when settling the claim

The insurance company will ask for details about the crash. This is why it's a good idea to gather as much information as possible at the crash scene. They will arrange for you to meet with a claims adjuster. This individual may ask to come to your home or business to meet with you, will request to see the vehicle and will probably ask you more details about the crash. Sometimes this step is conducted via phone.

Claims-settling tips

Track all of your expenses associated with the crash. They may be reimbursable under your auto insurance policy.

Don't have the vehicle repaired before the insurance company claims adjuster has evaluated the vehicle's damage.

Keep copies of all your paperwork for future reference.

You have the right to choose your repair shop. Your insurance company may request you to obtain written estimates from repair facilities indicating the cost of repairs. Some insurance companies won't ask for estimates, but will request you bring the damaged vehicle to their claims facility for an analysis of the damage. Also, some insurers may supply a list of auto repair shops for the purpose of saving a policyholder some time.



Tips for Saving on Auto Insurance

1. Comparison Shop

Prices for the same coverage can vary by hundreds of dollars from company to company, so it pays to shop around. Surf the net, ask your friends or call your state insurance department for ideas about companies and agents to contact. You should get at least three different quotes. But don't shop solely for the best price. The insurer you select should offer both fair prices and excellent service. Quality personal service may cost a bit more, but provides added conveniences, so talk to a number of insurers to get a feeling for the quality of their service.

2. Ask for Higher Deductibles

Deductibles represent the amount of money you pay before you make a claim. By requesting higher deductibles on collision and comprehensive (fire and theft) coverage, you can lower your costs substantially. For example, increasing your deductible from \$200 to \$500 could reduce your collision and comprehensive cost by 15 to 30 percent.

3. Drop Collision and/or Comprehensive Coverages on Older Cars

It may not be cost effective to have collision or comprehensive coverages on cars worth less than \$1,000 because any claim you make would not substantially exceed annual cost and deductible amounts. Auto dealers and banks can tell you the worth of your car.

4. Buy a “Low Profile” Car

Before you buy a new or used car, check into insurance costs. Cars that are expensive to repair, or that are favorite target for thieves, have much higher insurance costs.

5. Take Advantage of Low Mileage Discounts

Some companies offer discounts to motorists who drive fewer than a predetermined number of miles a year.

6. Consider Insurance Cost When Making a Move

Costs tend to be lowest in rural communities and highest in cities where there is more traffic congestion.

7. Find Out About Automatic Seat Belt or Airbag Discounts

You may be able to take advantage of discounts on some coverages if you have automatic seat belts and/or airbags.

8. Ask About Anti-Lock Brakes

Anti-lock brakes improve steering control and stability when a car is brought to a stop, thus reducing accidents. Some insurers have a nationwide discount in place for cars equipped with the brakes.

9. Inquire About Discounts

Some insurers offer discounts for things like no accidents in three years, drivers over 50 years of age, driver training courses, anti-theft devices, good grades for students and having more than one car insured with that company.

Source: Insurance Information Institute

Chapter Two: Auto Crash Statistics

Age and Its Impact: Teen Drivers

Teen Driving Statistics

Age and Its Impact: Elderly Drivers

Elderly Driving Statistics

Auto Crash Statistics





Age and Its Impact: Teen Drivers

In every motorized country, teen-age drivers represent a major hazard. The problem is worse in the United States than elsewhere. Teen-agers drive less than all but the elderly, but their numbers of crashes and crash deaths are disproportionately high. Risk is highest at age 16. In fact, the crash rate per mile driven is twice as high among 16-year-olds as it is among 18- to 19-year-olds.

Crash rates are high largely because of young drivers' immaturity combined with driving inexperience. The immaturity is apparent in young drivers' risky driving practices like speeding and tailgating. At the same time, teen-agers' lack of experience behind the wheel makes it difficult for them to recognize and respond to hazards.

Crashes involving young drivers typically are single-vehicle crashes, primarily run-off-the-road crashes, that involve driver error and/or speeding. They often occur when other young people are in the vehicle with the young driver, so teen-agers are disproportionately involved in crashes as passengers as well as drivers.

Teenage Fatalities

- 89 teenage drivers died on Indiana roadways in 2006. There were also about 7,100 teenage drivers injured as a result of accidents. Those numbers make up about 15 percent of the number of fatalities and injuries on the road.
- Nationally, 5,288 teenagers died in car accidents in 2005.
- Teenagers accounted for 10 percent of the U.S. population in 2005, but 12 percent of motor vehicle deaths.
- Eighty-four percent of teen motor vehicle deaths in

2005 were passenger vehicle occupants. The rest were pedestrians (6 percent), motorcyclists (4 percent), bicyclists (2 percent), and people in other types of vehicles (2 percent).

- In 2003, the latest year for which data is available, 37 percent of deaths among 13- to 19-year-olds occurred in motor vehicle crashes. This was the leading cause of death for individuals in this age group.

Drivers and Passengers National Statistics

- Passenger vehicle death rates per 100,000 people in 2005 peaked at ages 18-19 for both drivers and passengers.
- Slightly more than half of teenage passenger vehicle occupant deaths in 2005 were drivers (54 percent), and a little less than half were passengers (45 percent).
- Sixty-one percent of teenage passenger deaths in 2005 occurred in crashes in which another teenager was driving. Among people of all ages, 19 percent of passenger deaths in 2005 occurred when a teenager was driving.

Gender Differences National Statistics

- About 2 out of every 3 teenagers killed in motor vehicle crashes in 2005 were males.
- Since 1975, teenage motor vehicle deaths have decreased more among males (47 percent) than among females (19 percent).
- Death rates were higher in 2005 among male drivers age 18-19 than among females - 25 per 100,000 people compared with 11 per 100,000.

Teen Driving Statistics

13- to 19-Year-Old Motor Vehicle Deaths

| <u>Year</u> | <u>Male</u> | <u>Female</u> | <u>Total</u> |
|-------------|-------------|---------------|--------------|
| 1976 | 6,826 | 2,530 | 9,356 |
| 1977 | 6,983 | 2,650 | 9,633 |
| 1978 | 7,295 | 2,645 | 9,940 |
| 1979 | 7,280 | 2,639 | 9,920 |
| 1980 | 6,932 | 2,591 | 9,524 |
| 1981 | 6,014 | 2,301 | 8,315 |
| 1982 | 5,354 | 1,969 | 7,323 |
| 1983 | 4,850 | 1,955 | 6,805 |
| 1984 | 4,947 | 2,005 | 6,952 |
| 1985 | 4,715 | 2,022 | 6,737 |
| 1986 | 5,280 | 2,182 | 7,466 |
| 1987 | 5,107 | 2,186 | 7,293 |
| 1988 | 5,036 | 2,204 | 7,242 |
| 1989 | 4,528 | 2,158 | 6,688 |
| 1990 | 4,420 | 1,944 | 6,364 |
| 1991 | 3,891 | 1,867 | 5,760 |
| 1992 | 3,495 | 1,713 | 5,215 |
| 1993 | 3,678 | 1,742 | 5,421 |
| 1994 | 3,770 | 1,859 | 5,632 |
| 1995 | 3,702 | 1,970 | 5,675 |
| 1996 | 3,855 | 1,963 | 5,819 |
| 1997 | 3,715 | 2,014 | 5,730 |
| 1998 | 3,649 | 1,960 | 5,610 |
| 1999 | 3,745 | 2,007 | 5,752 |
| 2000 | 3,759 | 1,925 | 5,685 |
| 2001 | 3,735 | 1,859 | 5,594 |
| 2002 | 3,939 | 2,015 | 5,954 |
| 2003 | 3,772 | 1,946 | 5,718 |
| 2004 | 3,696 | 1,948 | 5,645 |
| 2005 | 3,491 | 1,796 | 5,288 |

Source: Insurance Institute for Highway Safety

Teenage Motor Vehicle Deaths by Type and Age (2005)

| <u>Age</u> | <u>Passenger Vehicles</u> | <u>Motorcyclists</u> | <u>Pedestrians</u> | <u>Bicyclists</u> | <u>ATVs</u> | <u>Other</u> | <u>Total</u> |
|--------------|---------------------------|----------------------|--------------------|-------------------|-------------|--------------|--------------|
| 13 | 107 | 8 | 29 | 14 | 8 | 9 | 175 |
| 14 | 155 | 8 | 34 | 31 | 6 | 18 | 252 |
| 15 | 289 | 14 | 49 | 18 | 20 | 12 | 402 |
| 16 | 722 | 14 | 49 | 6 | 21 | 12 | 824 |
| 17 | 909 | 36 | 50 | 14 | 8 | 14 | 1,031 |
| 18 | 1,154 | 53 | 52 | 10 | 8 | 18 | 1,295 |
| 19 | 1,104 | 104 | 63 | 7 | 15 | 16 | 1,309 |
| Total | 4,440 | 237 | 326 | 100 | 86 | 99 | 5,288 |

Teen Driving Statistics

Passenger Vehicle Deaths by Age and Seating Position 2005

| Age | Drivers | Passengers |
|-------|---------|------------|
| 13 | 3 | 102 |
| 14 | 16 | 138 |
| 15 | 57 | 231 |
| 16 | 356 | 365 |
| 17 | 519 | 386 |
| 18 | 736 | 415 |
| 19 | 724 | 380 |
| Total | 2411 | 2,017 |

According to the Insurance Institute of Highway Safety, half of teenage fatal crashes in 2005 occurred between 3 p.m. and midnight.

In 2006, 14.7 percent of all drivers involved in fatal crashes in Indiana were young drivers age 16-20.

Only 36 percent of young drivers killed in Indiana in 2006 were wearing their seatbelts.

Young drivers involved fatal collisions 1997-2006

| Region | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | % Change 1997-2005 | 2006 |
|---|------|------|------|------|------|------|------|------|------|-----------------------|------|
| Young drivers involved in fatal collisions | | | | | | | | | | | |
| Indiana | 80.5 | 67.5 | 75.1 | 62.8 | 64.0 | 51.0 | 59.9 | 68.4 | 54.3 | -32.5 | 57.6 |
| Great Lakes* | 53.6 | 56.2 | 59.7 | 56.7 | 53.9 | 54.9 | 53.2 | 50.1 | 45.5 | -15.2 | n/a |
| United States | 62.5 | 62.2 | 64.6 | 63.3 | 64.6 | 66.2 | 63.4 | 63.1 | 59.3 | -5.2 | n/a |
| Young drivers fatally injured | | | | | | | | | | | |
| Indiana | 39.5 | 34.2 | 35.9 | 28.2 | 31.4 | 27.3 | 27.4 | 32.9 | 26.8 | -32.1 | 28.7 |
| Great Lakes* | 24.3 | 24.6 | 26.2 | 24.3 | 24.7 | 25.8 | 24.3 | 22.8 | 21.3 | -12.4 | n/a |
| United States | 26.4 | 26.7 | 28.1 | 27.9 | 28.7 | 30.6 | 29.4 | 28.9 | 27.5 | 4.2 | n/a |

*Defined as Indiana, Illinois, Michigan, Minnesota, Ohio and Wisconsin

Most Common Citations Issued to Young Drivers, 2006

| Citation description | All drivers | Number | | Citation rates (per 100,000 issued to licensed drivers) | | |
|---|-------------|----------------------|---------------------|---|----------------------|---------------------|
| | | Young drivers (< 21) | Older drivers (21+) | All drivers | Young drivers (< 21) | Older drivers (21+) |
| Age (i.e., Minor) violation | 264 | 259 | 4 | 5 | 83 | < 1 |
| Speed limit violation | 1,615 | 515 | 1,097 | 30 | 166 | 22 |
| Vehicle operation violations | 6,509 | 1,615 | 4,875 | 122 | 520 | 97 |
| Learner permit violation | 347 | 240 | 105 | 7 | 77 | 2 |
| Driving without a license | 2,384 | 791 | 1,529 | 45 | 255 | 31 |
| Driving with suspended/revoked license | 4,512 | 499 | 4,002 | 85 | 161 | 80 |
| No financial responsibility (insurance) | 4,196 | 839 | 3,338 | 79 | 270 | 67 |
| Accident responsibility violation | 3,826 | 837 | 2,945 | 72 | 269 | 59 |
| Operating while intoxicated (OWI) | 7,772 | 843 | 6,896 | 146 | 271 | 138 |
| Other violations | 8,628 | 1,685 | 6,868 | 162 | 542 | 137 |



Age and Its Impact: Elderly Drivers

There's cause for concern about elderly drivers because they have higher rates of fatal crashes than all but the youngest drivers per mile driven. Studies show that elderly drivers don't deal as well as younger ones with complex traffic situations, and multiple-vehicle crashes at intersections increase markedly with age. Elderly drivers are more likely to get traffic citations for failing to yield, turning improperly and running stop signs and red lights.

Additionally, elderly people are more susceptible than younger people to medical complications following motor vehicle crash injuries. This means they're more likely to die from their injuries.

CRASH TYPES

- About half of fatal crashes involving drivers 80 years and older occur at intersections and involve more than one vehicle. This compares with 22 percent among drivers up to age 50.
- People 80 years and older have the highest pedestrian death rates per 100,000
- The rate of pedestrian deaths per 100,000 people in 2005 was higher for people 70 and older than for those younger than 70. Pedestrians 80 and older had a fatality rate twice as high as all pedestrians younger than 80 combined. For all age groups the rate of pedestrian deaths per capita was higher for males than females.

ELDERLY FATALITIES IN MOTOR VEHICLES

- 5,032 people 70-years-old and older died in motor vehicle crashes in 2005. This is 14 percent fewer than in 1997 but a 33 percent

increase since 1977.

- Eighty-percent of motor vehicle crash deaths in 2005 involving people 70 and older were passenger vehicle occupants, and 15 percent were pedestrians.
- People age 80 and older had more motor vehicle deaths per 100,000 people than other groups except people younger than 25.
- Per mile driven, drivers 80 years and older have higher rates of fatal motor vehicle crashes than drivers in other age groups except teenagers.
- Per licensed drivers, fatal crash rates rise sharply at age 75 and older.
- Since 1975, deaths of elderly passenger vehicle occupants have increased 74 percent while deaths of older pedestrians have declined 43 percent. Although far fewer older adults are killed while riding motorcycles, this number is increasing. Thirteen times as many people 70 and older were killed on motorcycles in 2005 than in 1975.

Gender differences

- The motor vehicle death rate per 100,000 people begins to rise among males at age 70. By age 85 and older, the rate among men is nearly twice as high as it is at age 40-74.

Elderly Driving Statistics

Passenger vehicle fatal crash involvements per 100 million miles traveled by driver age, April 2001–March 2002

| <u>Age</u> | <u>Passenger vehicle fatal crash involvements</u> | <u>Rate</u> | <u>Age</u> | <u>Passenger vehicle fatal crash involvements</u> | <u>Rate</u> |
|------------|---|-------------|------------|---|-------------|
| 16 | 1,021 | 9.3 | 45-49 | 3,530 | 1.6 |
| 17 | 1,410 | 8.3 | 50-54 | 2,878 | 1.3 |
| 18 | 1,790 | 6.5 | 55-59 | 2,238 | 1.6 |
| 19 | 1,885 | 7.2 | 60-64 | 1,678 | 1.5 |
| 20-24 | 7,184 | 4.3 | 65-69 | 1,416 | 1.7 |
| 25-29 | 4,873 | 2.3 | 70-74 | 1,453 | 2.5 |
| 30-34 | 4,438 | 1.7 | 75-79 | 1,477 | 4.2 |
| 35-39 | 4,492 | 1.7 | 80-84 | 1,046 | 6.3 |
| 40-44 | 4,255 | 1.5 | >85 | 740 | 14.5 |

Motor Vehicle Crash Deaths per 100,000 People by Age and Gender 2005

| <u>Age</u> | <u>Male</u> | | | <u>Female</u> | | | <u>Total</u> | | |
|------------|-------------------|---------------|-------------|-------------------|---------------|-------------|-------------------|---------------|-------------|
| | <u>Population</u> | <u>Deaths</u> | <u>Rate</u> | <u>Population</u> | <u>Deaths</u> | <u>Rate</u> | <u>Population</u> | <u>Deaths</u> | <u>Rate</u> |
| <16 | 33,305,469 | 1,334 | 4.0 | 31,781,247 | 1,012 | 3.2 | 65,086,716 | 2,348 | 3.6 |
| 16-19 | 8,541,332 | 2,992 | 35.0 | 8,111,201 | 1,467 | 18.1 | 16,652,533 | 4,459 | 26.8 |
| 20-24 | 10,856,936 | 4,498 | 41.4 | 10,180,924 | 1,364 | 13.4 | 21,037,860 | 5,862 | 27.9 |
| 25-29 | 10,268,169 | 2,964 | 28.9 | 9,797,533 | 888 | 9.1 | 20,065,702 | 3,852 | 19.2 |
| 30-34 | 10,153,091 | 2,402 | 23.7 | 9,924,119 | 830 | 8.4 | 20,077,210 | 3,232 | 16.1 |
| 35-39 | 10,563,375 | 2,274 | 21.5 | 10,438,579 | 853 | 8.2 | 21,001,954 | 3,127 | 14.9 |
| 40-44 | 11,376,664 | 2,473 | 21.7 | 11,483,846 | 970 | 8.4 | 22,860,510 | 3,443 | 15.1 |
| 45-49 | 11,106,575 | 2,361 | 21.3 | 11,377,948 | 934 | 8.2 | 22,484,523 | 3,295 | 14.7 |
| 50-54 | 9,788,780 | 2,101 | 21.5 | 10,208,962 | 771 | 7.6 | 19,997,742 | 2,872 | 14.4 |
| 55-59 | 8,425,070 | 1,643 | 19.5 | 8,928,608 | 728 | 8.2 | 17,353,678 | 2,371 | 13.7 |
| 60-64 | 6,201,648 | 1,211 | 19.5 | 6,800,215 | 602 | 8.9 | 13,001,863 | 1,813 | 13.9 |
| 65-69 | 4,721,791 | 944 | 20.0 | 5,409,653 | 536 | 9.9 | 10,131,444 | 1,480 | 14.6 |
| 70-74 | 3,807,605 | 827 | 21.7 | 4,700,764 | 509 | 10.8 | 8,508,369 | 1,336 | 15.7 |
| 75-79 | 3,117,774 | 818 | 26.2 | 4,294,039 | 591 | 13.8 | 7,411,813 | 1,410 | 19.0 |
| 80-84 | 2,161,671 | 684 | 31.6 | 3,480,878 | 535 | 15.4 | 5,642,549 | 1,219 | 21.6 |
| > 85 | 1,603,796 | 599 | 37.3 | 3,492,142 | 468 | 13.4 | 5,095,938 | 1,067 | 20.9 |

Source: Insurance Institute for Highway Safety

Automobile Crash Statistics

Motor vehicle deaths by type and state, 2005

| State | Passenger car occupants | | Pickup and SUV occupants | | Large truck occupants | | Motorcyclists | | Pedestrians | | Total motor vehicle deaths |
|-----------------|-------------------------|-----------|--------------------------|-----------|-----------------------|----------|---------------|-----------|--------------|-----------|----------------------------|
| | # | % | # | % | # | % | # | % | # | % | # |
| Alabama | 579 | 51 | 354 | 31 | 16 | 1 | 61 | 5 | 72 | 6 | 1,131 |
| Alaska | 34 | 47 | 19 | 26 | 1 | 1 | 4 | 6 | 7 | 10 | 72 |
| Arizona | 359 | 31 | 278 | 24 | 13 | 1 | 122 | 10 | 157 | 13 | 1,177 |
| Arkansas | 273 | 42 | 220 | 34 | 25 | 4 | 63 | 10 | 37 | 6 | 648 |
| California | 1,954 | 45 | 855 | 20 | 36 | 1 | 462 | 11 | 742 | 17 | 4,329 |
| Colorado | 262 | 43 | 175 | 29 | 15 | 2 | 87 | 14 | 48 | 8 | 606 |
| Connecticut | 138 | 50 | 41 | 15 | 5 | 2 | 42 | 15 | 34 | 12 | 274 |
| Delaware | 76 | 57 | 19 | 14 | 2 | 1 | 19 | 14 | 11 | 8 | 134 |
| D.C. | 17 | 35 | 4 | 8 | 0 | 0 | 6 | 12 | 16 | 33 | 48 |
| Florida | 1,416 | 40 | 760 | 21 | 46 | 1 | 448 | 13 | 576 | 16 | 3,543 |
| Georgia | 765 | 44 | 554 | 32 | 29 | 2 | 143 | 8 | 150 | 9 | 1,729 |
| Hawaii | 47 | 34 | 22 | 16 | 0 | 0 | 24 | 17 | 35 | 25 | 140 |
| Idaho | 117 | 43 | 105 | 38 | 9 | 3 | 25 | 9 | 9 | 3 | 275 |
| Illinois | 695 | 51 | 255 | 19 | 29 | 2 | 157 | 12 | 164 | 12 | 1,361 |
| Indiana | 441 | 47 | 236 | 25 | 29 | 3 | 102 | 11 | 63 | 7 | 938 |
| Iowa | 241 | 54 | 107 | 24 | 6 | 1 | 44 | 10 | 24 | 5 | 450 |
| Kansas | 190 | 44 | 141 | 33 | 11 | 3 | 35 | 8 | 24 | 6 | 428 |
| Kentucky | 496 | 50 | 269 | 27 | 18 | 2 | 87 | 9 | 54 | 5 | 985 |
| Louisiana | 371 | 39 | 325 | 34 | 20 | 2 | 75 | 8 | 109 | 11 | 955 |
| Maine | 91 | 54 | 44 | 26 | 1 | 1 | 15 | 9 | 9 | 5 | 169 |
| Maryland | 288 | 47 | 99 | 16 | 9 | 1 | 84 | 14 | 102 | 17 | 614 |
| Massachusetts | 202 | 46 | 81 | 18 | 1 | 0 | 55 | 12 | 76 | 17 | 442 |
| Michigan | 557 | 49 | 227 | 20 | 5 | 0 | 122 | 11 | 137 | 12 | 1,129 |
| Minnesota | 282 | 50 | 131 | 23 | 12 | 2 | 55 | 10 | 44 | 8 | 559 |
| Mississippi | 464 | 50 | 294 | 32 | 18 | 2 | 39 | 4 | 72 | 8 | 931 |
| Missouri | 631 | 50 | 372 | 30 | 21 | 2 | 88 | 7 | 88 | 7 | 1,257 |
| Montana | 84 | 33 | 112 | 45 | 3 | 1 | 27 | 11 | 13 | 5 | 251 |
| Nebraska | 140 | 51 | 93 | 34 | 5 | 2 | 17 | 6 | 8 | 3 | 276 |
| Nevada | 173 | 41 | 98 | 23 | 13 | 3 | 52 | 12 | 63 | 15 | 427 |
| New Hampshire | 65 | 39 | 40 | 24 | 2 | 1 | 42 | 25 | 5 | 3 | 166 |
| New Jersey | 372 | 50 | 97 | 13 | 21 | 3 | 61 | 8 | 154 | 21 | 748 |
| New Mexico | 172 | 35 | 183 | 38 | 13 | 3 | 37 | 8 | 61 | 12 | 488 |
| New York | 634 | 44 | 179 | 13 | 24 | 2 | 161 | 11 | 321 | 22 | 1,429 |
| North Carolina | 737 | 48 | 390 | 25 | 26 | 2 | 135 | 9 | 164 | 11 | 1,534 |
| North Dakota | 48 | 39 | 45 | 37 | 2 | 2 | 6 | 5 | 9 | 7 | 123 |
| Ohio | 742 | 56 | 239 | 18 | 18 | 1 | 177 | 13 | 95 | 7 | 1,323 |
| Oklahoma | 350 | 44 | 266 | 33 | 25 | 3 | 75 | 9 | 50 | 6 | 802 |
| Oregon | 210 | 43 | 139 | 28 | 6 | 1 | 48 | 10 | 48 | 10 | 488 |
| Pennsylvania | 853 | 53 | 297 | 18 | 29 | 2 | 197 | 12 | 159 | 10 | 1,616 |
| Rhode Island | 45 | 52 | 10 | 11 | 0 | 0 | 14 | 16 | 14 | 16 | 87 |
| South Carolina | 544 | 50 | 279 | 26 | 21 | 2 | 97 | 9 | 98 | 9 | 1,093 |
| South Dakota | 83 | 45 | 52 | 28 | 5 | 3 | 22 | 12 | 14 | 8 | 186 |
| Tennessee | 616 | 49 | 369 | 29 | 21 | 2 | 128 | 10 | 70 | 6 | 1,270 |
| Texas | 1,375 | 39 | 1,090 | 31 | 73 | 2 | 354 | 10 | 419 | 12 | 3,504 |
| Utah | 119 | 42 | 91 | 32 | 10 | 4 | 23 | 8 | 20 | 7 | 282 |
| Vermont | 43 | 59 | 11 | 15 | 0 | 0 | 14 | 19 | 3 | 4 | 73 |
| Virginia | 456 | 48 | 253 | 27 | 25 | 3 | 69 | 7 | 88 | 9 | 947 |
| Washington | 312 | 48 | 142 | 22 | 11 | 2 | 73 | 11 | 71 | 11 | 647 |
| West Virginia | 170 | 45 | 106 | 28 | 9 | 2 | 33 | 9 | 23 | 6 | 374 |
| Wisconsin | 430 | 53 | 192 | 24 | 13 | 2 | 93 | 11 | 44 | 5 | 815 |
| Wyoming | 52 | 31 | 74 | 44 | 7 | 4 | 20 | 12 | 7 | 4 | 170 |
| US total | 19,811 | 46 | 10,834 | 25 | 759 | 2 | 4,439 | 10 | 4,881 | 11 | 43,443 |

Chapter Three: Drinking and Driving

Alcohol and Its Consequences

Drinking and Driving Laws



Alcohol and Its Consequences

BLOOD ALCOHOL CONCENTRATION

Blood alcohol concentration (BAC) describes the concentration of alcohol in person's blood expressed as weight per unit of volume. For example, at .10 percent BAC, there is a concentration of 100mg of alcohol per 100ml of blood. For most legal purposes, however, a blood sample is not necessary to determine a person's BAC. It can be measured much more simply by analyzing exhaled breath.

ALCOHOL FATALITIES

The following information is based on data from all 50 states. The research comes from the Department of Highway Safety.

- Among fatally injured motor vehicle drivers in 2005, 31 percent had BACs at or above 0.08 percent.
- The proportion of fatalities involving BACs at or above 0.08 percent in 2005 was 33 percent for passenger vehicle drivers and 27 percent for motorcycle drivers. The group of drivers with the lowest proportion was tractor-trailer drivers (2 percent). More pedestrian deaths involve high BACs than any group of drivers.
- Alcohol involvement is highest in nighttime (9 p.m. to 6

a.m.) single-vehicle crashes, in which 66 percent of fatally injured passenger vehicle drivers in 2005 had BACs at or above .08 percent. Only 28 percent of the fatally injured drivers involved in nighttime single vehicle crashes had no alcohol in their blood.

- Among fatally injured passenger vehicle drivers in 2005, 38 percent of males and 19 percent of females had BACs at or above 0.08 percent.
- Forty-five percent of fatally injured drivers on weekends (6 p.m., Friday - 6 a.m., Monday) in 2005 had BACs at or above .08 percent, compared with 24 percent at all other times.
- Among fatally injured passenger vehicle drivers in 2005, 28 percent of males and 14 percent of females had BACs at or above 0.15 percent.
- Among drivers age 35 and older with BACs at or above 0.15 percent on weekend nights, the likelihood of dying in a single vehicle crash is 382 times higher than it is for nondrinking drivers.

Individual injury status by unit type and percent alcohol-related collisions, 2003-2006

| | 2003 | | 2004 | | 2005 | | 2006 | | 2003-06 |
|---------------------------|--------------|--------------------------------|--------------|--------------------------------|--------------|--------------------------------|--------------|--------------------------------|----------------------------------|
| | <u>Count</u> | <u>Percent alcohol-related</u> | <u>Count</u> | <u>Percent alcohol-related</u> | <u>Count</u> | <u>Percent alcohol-related</u> | <u>Count</u> | <u>Percent alcohol-related</u> | <u>Average % alcohol-related</u> |
| Fatalities | | | | | | | | | |
| Passenger car | 454 | 27.3% | 498 | 29.9% | 436 | 30.0% | 420 | 29.8% | 29.3% |
| Pickup | 129 | 33.3% | 138 | 34.1% | 180 | 32.8% | 130 | 31.5% | 32.9% |
| Motorcycle | 77 | 41.6% | 109 | 34.9% | 112 | 0.2% | 108 | 43.5% | 40.0% |
| SUV | 69 | 33.3% | 83 | 31.3% | 94 | 40.4% | 91 | 31.9% | 34.2% |
| Van | 56 | 19.6% | 57 | 26.3% | 61 | 27.9% | 45 | 20.0% | 23.5% |
| Large trucks | 29 | 13.8% | 40 | 10.0% | 42 | 2.4% | 31 | 3.2% | 7.3% |
| Buses | 7 | 14.3% | 13 | 23.1% | 7 | 14.3% | 5 | 40.0% | 22.9% |
| Non-fatal injuries | | | | | | | | | |
| Passenger car | 35,700 | 10.6% | 36,868 | 10.2% | 34,677 | 10.9% | 32,035 | 10.2% | 10.5% |
| Pickup | 7,587 | 15.5% | 7,856 | 14.5% | 7,471 | 14.6% | 6,510 | 15.2% | 14.9% |
| SUV | 5,988 | 11.3% | 6,871 | 11.4% | 7,251 | 11.4% | 6,527 | 11.0% | 11.2% |
| Van | 5,053 | 9.0% | 5,457 | 8.0% | 5,033 | 8.9% | 4,703 | 7.2% | 8.3% |
| Motorcycle | 1,777 | 14.5% | 2,276 | 13.8% | 2,196 | 12.2% | 2,410 | 13.3% | 13.5% |
| Large trucks | 1,039 | 4.6% | 1,107 | 3.9% | 1,059 | 5.6% | 754 | 3.1% | 4.3% |
| Buses | 363 | 9.6% | 336 | 5.1% | 480 | 7.3% | 480 | 6.0% | 7.0% |

Drinking and Driving Laws

Indiana Impaired Driving Laws

- An operator of a motor vehicle whose alcohol concentration is greater than or equal to .08 grams and less than .15 grams of alcohol per 100 milliliters of blood or 210 liters of breath commits a Class C Misdemeanor. Driving with any schedule I or II substance as defined by IC 25-48-2 (such as marijuana, methamphetamine or cocaine) or its metabolite in their body commits a Class C Misdemeanor, punishable by up to 60 days in prison and up to a \$500 fine. (IC 9-30-5-1)
- An operator of a motor vehicle whose alcohol concentration is greater than or equal to .15 commits a Class A Misdemeanor. Class A Misdemeanors are punishable by up to one year in prison and up to a \$5,000 fine. (IC 9-30-5-1)
- An operator of a motor vehicle who, while driving under the influence of drugs or alcohol endangers a person (including him/herself) commits a Class A Misdemeanor punishable by up to one year in prison and up to a \$5,000 fine. (IC 9-30-5-2)
- A second violation of IC 9-30-5-1 or IC 9-30-5-2 is a Class D Felony if there has been a previous conviction within the past five years of the current violation. D Felonies are punishable by a fine of up to \$10,000 and up to 3 years in prison. (IC 9-

30-5-3)

- A person that causes serious bodily injury to another person while operating a motor vehicle with an alcohol concentration of .08 or more, or has a schedule I or II substance or its metabolite in his/her body, commits a Class D Felony. If there has been a previous, unrelated conviction within the past five years for operating a vehicle while intoxicated, it is a Class C Felony, punishable by up to eight years in prison and up to \$10,000 in fines. (IC 9-30-5-4)
- It is a separate offense for each person injured by the impaired operator. (IC 9-30-5-4)
- An operator of a motor vehicle that kills another person with an alcohol concentration of .08 or more, or with a controlled schedule I or II substance or its metabolite in his/her body, commits a Class C Felony punishable by up to eight years in prison and up to \$10,000 in fines. (IC 9-30-5-5)
- If the operator who kills another person has a previous conviction under IC 9-30-5 within the previous five years, the penalty is raised to a Class B Felony, punishable by up to 20 years in prison and up to \$10,000 in fines. (IC 9-30-5-5)
- It is a separate offense for each person killed by the violation of IC 9-30-5-5. (IC 9-30-5-5)

PENALTIES

Statutory Maximum Penalties:

Classification
Imprisonment
Fine

Class C Felony
5 years usual (2 to 8)
up to \$10,000

Class D Felony
2 years usual (1 to 4)
up to \$10,000

Class A Misdemeanor
up to 1 year
up to \$5,000

Class B Misdemeanor
up to 180 days
up to \$1,000

Class C Misdemeanor
up to 60 days
up to \$500

In addition to the criminal penalty for driving while intoxicated or with .08 percent BAC, the driver's license shall be suspended for at least 90 days for a first offense and up to two years for a second offense. A third offense could result in a ten-year suspension.



Drinking and Driving Laws

If You Are Arrested:

- You will be handcuffed and taken to the police station.
- Your car and your person will be searched.
- Your car will be towed at your expense.
- You will be asked to take a certified breath test. If you refuse, your license will automatically be suspended for one year. (Implied consent law IC 9-30-6-1)
- If you take a breath test and it shows that your blood alcohol content is .08% or more, your driver's license will be suspended for a minimum of 30 days.
- To be released from jail, bail will have to be posted.

If You Are Convicted:

A First Offense

- You will have to pay court costs and fees in excess of \$300.00.
- You may receive a jail sentence of up to one year.
- You will be fined up to \$5,000.
- Your license may be suspended up to two years, or
- You may be placed on probation and be required to enroll in, and pay for, a substance abuse education course. Your license may also be suspended for a minimum of 30 days followed by a 180-day probationary period in which you can only drive for employment purposes.
- You may be required to have an Ignition Interlock Device installed on your car.
- You may be required to attend a victim impact panel.
- You may be required to submit to urine testing.
- You may also face other terms of probation.

A Second Offense

- You will be imprisoned for a minimum of five days or up to three years, and/or be required to perform community service.
- You will be fined up to \$10,000
- Your license will be suspended at least 180 days and up to two years.
- You may be placed on probation and be required to enroll in, and pay for, a substance abuse education course.
- You may be required to have an Ignition Interlock Device installed.
- You may be required to attend a victim impact panel.
- You may be required to submit to urine testing.
- You may also face other terms of probation.

A Third Offense

- You may be imprisoned for a minimum of ten days and up to three years and/or be required to perform community service.
- You will be fined up to \$10,000
- Your license will be suspended for a least one year and may be suspended for up to ten years.

- You may be adjudged as a habitual traffic violator.
- You may be charged and sentenced as a habitual substance offender, for which you may be imprisoned for an additional term of one year and up to an additional eight years.
- You may be placed on probation and be required to enroll in, and pay for, a substance abuse education course.
- You may be required to have an Ignition Interlock Device installed on your car.
- You may be required to attend a victim impact panel.
- You may be required to submit to urine testing .
- You may also face other terms of probation.

Open Containers and Consumption in a Vehicle

An operator who has an alcoholic concentration equivalent to at least four-hundredths (0.04) gram of alcohol per 100 milliliters of blood, or per 210 milliliters of breath, and who; while the vehicle is in operation, knowingly allows a container:

- 1) that has been opened;
- 2) that has a broken seal; or
- 3) from which some of the contents have been removed;

to be in the passenger compartment commits a class B infraction which can be up to a \$1000 fine (IC 9-30-15-3)

If a person has a previous unrelated judgment under this law or a previous unrelated conviction or judgment under 9-30-5 within 12 months before a judgment under this chapter, the court may recommend a driver's license suspension for up to a year (IC 9-30-15-3)

An operator of a motor vehicle who knowingly consumes an alcoholic beverage while the vehicle is being operated on a public highway may be fined up to \$1000 (B infraction) (IC 9-30-15-4).

Minors

If you are a minor and lie about your age or present false evidence that you are not a minor (such as a fake ID), the court may fine you up to \$500. Using a fake ID will also result in a license suspension for up to 1 year (IC 7.1-5-7-1).

It is a class C misdemeanor (up to 60 days in jail and \$500 fine) for a minor to possess, consume, or transport alcohol on a public highway (if you're not riding with at least one parent). If you are driving a motor vehicle while doing any of the above, the court may order your license suspended for up to 1 year. If you are less than 18, however, the judge must suspend your license for at least 60 days (IC 7.1-5-7-7).

If you are under 21 years old and drive a motor vehicle with a BAC between 0.2-0.8, you will be fined up to \$500 and your license suspended for up to one year (IC 9-30-5-8.5).

Drinking and Driving Laws by State

| State | BAC Defined as illegal per se | Administrative license suspension 1st offense? | Restore driving privileges during suspension? | Do penalties include interlock/forfeiture? |
|----------------|-------------------------------|--|---|--|
| Alabama | 0.08 | 90 days | no | no/no |
| Alaska | 0.08 | 90 days | after 30 days | yes/yes |
| Arizona | 0.08 | 90 days | after 30 days | yes/yes |
| Arkansas | 0.08 | 120 days | yes | yes/yes |
| California | 0.08 | 4 months | after 30 days | yes/yes |
| Colorado | 0.08 | 3 months | yes | yes/no |
| Connecticut | 0.08 | 90 days | yes | no/no |
| Delaware | 0.10 | 3 months | no | yes/no |
| D.C. | 0.08 | 2-90 days | yes | no/no |
| Florida | 0.08 | 6 months | yes | yes/yes |
| Georgia | 0.08 | 1 year | yes | yes/yes |
| Hawaii | 0.08 | 3 months | after 30 days | yes/no |
| Idaho | 0.08 | 90 days | after 30 days | yes/no |
| Illinois | 0.08 | 3 months | after 30 days | yes/yes |
| Indiana | 0.08 | 180 days | after 30 days | yes/no |
| Iowa | 0.08 | 180 days | after 90 days | yes/no |
| Kansas | 0.08 | 30 days | no | yes/no |
| Kentucky | 0.08 | -- | -- | yes/yes |
| Louisiana | 0.08 | 90 days | after 30 days | yes/yes |
| Maine | 0.08 | 90 days | yes | yes/yes |
| Maryland | 0.08 | 45 days | yes | yes/no |
| Massachusetts | 0.081 | 90 days | no | no/no |
| Michigan | 0.085 | -- | -- | yes/yes |
| Minnesota | 0.08 | 90 days | after 15 days | no/yes |
| Mississippi | 0.08 | 90 days | no | yes/yes |
| Missouri | 0.08 | 30 days | no | yes/yes |
| Montana | 0.08 | -- | -- | yes/yes |
| Nebraska | 0.08 | 90 days | after 30 days | yes/no |
| Nevada | 0.08 | 90 days | after 45 days | yes/no |
| New Hampshire | 0.08 | 6 months | no | yes/no |
| New Jersey | 0.08 | -- | -- | yes/no |
| New Mexico | 0.08 | 90 days | after 30 days | yes/no |
| New York | 0.08 | variable | yes | yes/yes |
| North Carolina | 0.08 | 30 days | after 10 days | yes/yes |
| North Dakota | 0.08 | 91 days | after 30 days | yes/yes |
| Ohio | 0.08 | 90 days | after 15 days | yes/yes |
| Oklahoma | 0.08 | 180 days | yes | yes/yes |
| Oregon | 0.08 | 90 days | after 30 days | yes/yes |
| Pennsylvania | 0.08 | -- | -- | yes/yes |
| Rhode Island | 0.08 | -- | -- | yes/yes |
| South Carolina | 0.08 | -- | -- | yes/yes |
| South Dakota | 0.08 | -- | -- | no/no |
| Tennessee | 0.08 | -- | -- | yes/yes |
| Texas | 0.08 | 90 days | yes | yes/yes |
| Utah | 0.08 | 90 days | no | yes/no |
| Vermont | 0.08 | 90 days | no | no/yes |
| Virginia | 0.08 | 7 days | no | yes/no |
| Washington | 0.08 | 90 days | after 30 days | yes/yes |
| West Virginia | 0.08 | 6 months | after 30 days | yes/no |
| Wisconsin | 0.08 | 6 months | yes | yes/yes |
| Wyoming | 0.08 | 90 days | yes | no/no |

Chapter Four: Property Insurance

Homeowners Insurance: An Overview

Saving on Homeowners Insurance

Average Premiums by State

Premium Dollar Breakdown

Catastrophes and Their Impact

Floods and Their Impact

Flood Insurance Policies by State

Mine Subsidence Insurance

Tornadoes and Their Impact

Insurance Provided by U.S. FAIR Plan





Homeowners Insurance: An Overview

SEVEN TIPS TO HELP MAKE SURE YOU HAVE ENOUGH INSURANCE:

1. For a quick estimate of the amount to rebuild your home, multiply the local building costs per square foot by the total square footage of your house. To find out the building rates in your area, consult your local builders association.
2. Factors that will determine the cost to rebuild your home:
 - a. local construction costs
 - b. the square footage
 - c. the type of exterior walls
 - d. the style of the house
 - e. the number of bathrooms and other rooms
 - f. the type of roof
 - g. attached garages, fireplaces, etc.
3. Check the value of your insurance policy against rising local building costs each year.
4. Check the latest building in your community. Building codes require structures to be constructed to minimum standards. If your home is severely damaged, you might have to rebuild it to comply with the new standards requiring a change in design or building materials. These changes could cost more.
5. Do not insure your home for the market value. The cost of rebuilding your house may be higher (or lower) than the price you paid for it or the price you could sell it for today. Say for example you could sell your house on the current market for \$150,000. But to rebuild your house would take nearly \$170,000 because of the scarcity of building supplies needed for your home at this certain period of time. Or maybe a year from now the cost of building your homes goes down to \$140,000. While the market value of your home is constant, the money it takes to rebuild your home may not be.
6. Some banks require you to buy homeowners insurance to cover the amount of your mortgage. Make sure it's also enough to cover the cost of rebuilding.
7. Increase the limit of your policy if you make improvements or additions to your house.

Source: Insurance Information Institute

THREE WAYS TO INSURE YOUR HOME:

1) REPLACEMENT COST

Insurance that pays the policyholder the cost of replacing the damaged property without deduction for depreciation, but limited to a maximum dollar amount.

2) EXTENDED REPLACEMENT COST

An extended replacement cost policy, one that covers costs up to a certain percentage over the limit, may be purchased instead of a guaranteed replacement cost policy. This gives you protection against such things as a sudden increase in construction costs due to a shortage of building materials.

3) ACTUAL CASH VALUE

Insurance under which the policyholder receives an amount equal to the replacement value of damaged property minus an allowance for depreciation. Unless a homeowners policy specifies that property is covered for its replacement value, the coverage is for actual cash value.

If you have an older home...

You should insure your home for the total amount it would cost to rebuild your home if it were destroyed. If you don't have sufficient insurance, your insurance company may only pay a portion of the cost of replacing or repairing damaged items.



Saving on Homeowners Insurance

The price you pay for your homeowners insurance can vary by hundreds of dollars depending on the company you buy your policy from. Companies offer several types of discounts, but they don't offer the same discount or the same amount of discount in all states. That's why you should ask your agent or company representative about any discounts available to you.

11 WAYS TO SAVE

1) SHOP AROUND

Friends, family, the phone book and Internet are some of the sources you can use. Don't consider price alone. The insurer you select should offer both a fair price and excellent service. Quality service may cost a bit more, but you buy insurance in case you need to make a claim, so it's important to get a company with a good reputation. Talk to a number of insurers to get a feeling for the type of service they give. Ask them what they would do to lower your costs.

2) RAISE YOUR DEDUCTIBLE

Deductibles are the amount of money you have to pay toward a loss before your insurance company starts to pay. Deductibles on homeowners policies typically start at \$250.

Increase your deductible to:

- \$ 500 — save up to 12 percent
- \$1,000 — save up to 24 percent
- \$2,500 — save up to 30 percent
- \$5,000 — save up to 37 percent

Depending on your insurance company.

3) BUY YOUR HOME AND AUTO POLICIES FROM THE SAME INSURER

Some companies that sell homeowners, auto and liability coverage will take 5 to 15 percent off your premium if you buy two or more policies from them.

4) WHEN YOU BUY A HOME

Consider how much insuring it will cost. A new home's electrical, heating and plumbing systems and overall structure are likely to be in better shape than those of an older house. Insurers may offer you a significant discount if your house is new. Avoiding areas that are prone to floods can save you about \$400 a year for flood insurance. The closer your house is to firefighters and their equipment, the lower your premium will be.

5) INSURE YOUR HOUSE, NOT THE LAND

The land under your house isn't at risk from theft, windstorm, fire and the other perils covered in your homeowners policy. So don't include its value in deciding how much homeowners insurance to buy. If you do, you'll pay a higher premium than you should.

6) SEE IF YOU CAN GET GROUP COVERAGE

Alumni and business associations often work out an insurance package with an insurance company, which includes a discount for association members. Ask your association's director if an insurer is offering a discount on homeowners insurance to you and your fellow graduates or colleagues.

7) IMPROVE YOUR HOME SECURITY AND SAFETY

You can usually get discounts of at least 5 percent for a smoke detector, burglar alarm, or dead-bolt locks. Some companies offer to cut your premium by as much as 15 or 20 percent if you install a sophisticated sprinkler system and a fire and burglar alarm that rings at the police station or other monitoring facility. These systems aren't cheap and not every system qualifies for the discount.

8) STOP SMOKING

Smoking accounts for more than 23,000 residential fires a year. That's why some insurers offer to reduce premiums if all the residents in a house don't smoke.

9) SEEK OUT DISCOUNTS FOR SENIORS

If you're at least 55 years old and retired, you may qualify for a discount of up to 10 percent at some companies.

10) STAY WITH AN INSURER

If you've kept your coverage with a company for several years, you may receive special consideration. Several insurers will reduce their premiums by 5 percent if you stay with them for 3 to 5 years; by 10 percent if you remain a policyholder for 6 years or more.

11) COMPARE THE LIMITS IN YOUR POLICY TO THE VALUE OF YOUR POSSESSIONS AT LEAST ONCE A YEAR

You want your policy to cover any major purchases or addition to your home. But you don't want to spend money for coverage you don't need.

Average Premiums by State

AVERAGE PREMIUMS FOR RENTERS AND HOMEOWNERS INSURANCE, 2004

| State | <u>Renters</u> | | <u>Homeowners</u> | | State | <u>Renters</u> | | <u>Homeowners</u> | |
|----------------|-----------------|-----------|-------------------|-----------|----------------------|-----------------|------|-------------------|------|
| | Average premium | Rank | Average premium | Rank | | Average premium | Rank | Average premium | Rank |
| Alabama | \$226 | 8 | \$793 | 11 | Montana | \$163 | 36 | \$661 | 25 |
| Alaska | 191 | 19 | 810 | 10 | Nebraska | 153 | 43 | 730 | 19 |
| Arizona | 227 | 7 | 642 | 29 | Nevada | 217 | 10 | 632 | 33 |
| Arkansas | 229 | 6 | 768 | 15 | New Hampshire | 162 | 37 | 599 | 40 |
| California | 265 | 2 | 835 | 7 | New Jersey | 181 | 27 | 641 | 30 |
| Colorado | 181 | 25 | 811 | 9 | New Mexico | 203 | 15 | 585 | 43 |
| Connecticut | 201 | 16 | 777 | 13 | New York | 220 | 9 | 785 | 12 |
| Delaware | 163 | 35 | 488 | 48 | North Carolina | 155 | 42 | 623 | 34 |
| D.C. | 189 | 21 | 894 | 6 | North Dakota | 130 | 49 | 704 | 22 |
| Florida | 199 | 17 | 929 | 4 | Ohio | 169 | 32 | 523 | 45 |
| Georgia | 215 | 11 | 635 | 32 | Oklahoma | 257 | 4 | 991 | 3 |
| Hawaii | 209 | 14 | 726 | 20 | Oregon | 174 | 31 | 492 | 47 |
| Idaho | 159 | 39 | 448 | 51 | Pennsylvania | 150 | 46 | 593 | 41 |
| Illinois | 186 | 22 | 659 | 26 | Rhode Island | 194 | 18 | 769 | 14 |
| Indiana | 181 | 26 | 636 | 31 | South Carolina | 190 | 20 | 768 | 16 |
| Iowa | 144 | 48 | 575 | 44 | South Dakota | 127 | 51 | 601 | 39 |
| Kansas | 180 | 28 | 833 | 8 | Tennessee | 212 | 13 | 681 | 24 |
| Kentucky | 165 | 33 | 615 | 37 | Texas | 277 | 1 | 1,362 | 1 |
| Louisiana | 253 | 5 | 1,074 | 2 | Utah | 151 | 45 | 473 | 50 |
| Maine | 145 | 47 | 513 | 46 | Vermont | 157 | 40 | 608 | 38 |
| Maryland | 160 | 38 | 652 | 27 | Virginia | 153 | 44 | 616 | 35 |
| Massachusetts | 215 | 12 | 759 | 18 | Washington | 177 | 29 | 590 | 42 |
| Michigan | 184 | 23 | 726 | 21 | West Virginia | 175 | 30 | 616 | 36 |
| Minnesota | 156 | 41 | 767 | 17 | Wisconsin | 128 | 50 | 483 | 49 |
| Mississippi | 262 | 3 | 907 | 5 | Wyoming | 164 | 34 | 650 | 28 |
| Missouri | 182 | 24 | 689 | 23 | United States | 195 | | 729 | |

Source: Insurance Information Institute

Homeowners Insurance Facts

A 2006 Insurance Research Council poll found that 96 percent of homeowners had homeowners insurance, while 43 percent of renters had renters insurance.

The Insurance Information Institute estimates that the average homeowners insurance premium increased to \$787 in 2005 and then rose by 6 percent to \$835 in 2006. The I.I.I. projects that the average homeowners insurance expenditure is \$868 in 2007.

Contributing to the rising cost of homeowners insurance is the increase in average square footage and number of bathrooms in new homes. The average home size has grown about 10 percent from 2,221 square feet in 1998 to 2,434 square feet in 2005.

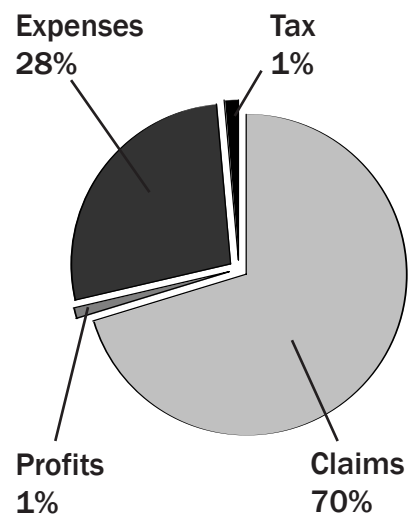
Premium Dollar Breakdown

Where the Premium Dollars Go: U.S. Homeowners Insurance, 2005

| | |
|---|---------------------|
| PREMIUMS EARNED: | \$100 |
| Claims: | |
| <u>Property Damage:</u> | |
| Fire and lightning | \$16 |
| Wind and hail | 30 |
| Water damage and freezing | 11 |
| All other property damage | 4 |
| <i>Subtotal</i> | <i>\$63</i> |
| <u>Liability:</u> | |
| Bodily injury and property damage | \$2 |
| Medical payments and other | 1 |
| <i>Subtotal</i> | <i>\$3</i> |
| <u>Costs of settling claims</u> | <u>\$9</u> |
| Total Claims | \$75 |
| Expenses: | |
| Commissions & other selling expenses | \$21 |
| General expense (costs of company operations) | 5 |
| State premium taxes, license and fees | 3 |
| Dividends to policy holders | 1 |
| Total Expenses | \$30 |
| <u>Total Cost</u> | <u>\$105</u> |
| Bottom Line: | |
| Investment gain | \$8 |
| Pre-tax income (\$100 - \$105 + \$8) | 3 |
| Taxes | 1 |
| <u>After-tax profit</u> | <u>\$2</u> |

Where the Revenue Dollar Goes, 2005

(Premiums and Investments)



Source: Insurance Information Institute estimate based on data from ISO and the National Association of Insurance Commissioners (NAIC) Annual Statement Database, via Highline Data, LLC.

Catastrophes and Their Impact

KEY POINTS ABOUT CATASTROPHES

In 2006, Indiana had more catastrophe (cat) losses than any other state in the nation. While this can mostly be attributed to a lack of tropical storms damaging coastal states, Indiana did have a few significant weather events.

ISO's Property Claims Service (PCS) defines a catastrophe as any one event that causes \$25 million in damage or more. In 2006, Indiana had eight such events.

| 2006 Catastrophe Losses | |
|-------------------------|---------------|
| State | Loss (\$) |
| Indiana | \$1.5 billion |
| Missouri | \$878 million |
| Tennessee | \$873 million |
| Texas | \$688 million |
| Kansas | \$601 million |

The most notable among these were the Good Friday hail storms, which hit the Midwest on April 14, 2006. This storm led to \$1.3 billion losses in the state and 282,500 insurance claims filed.

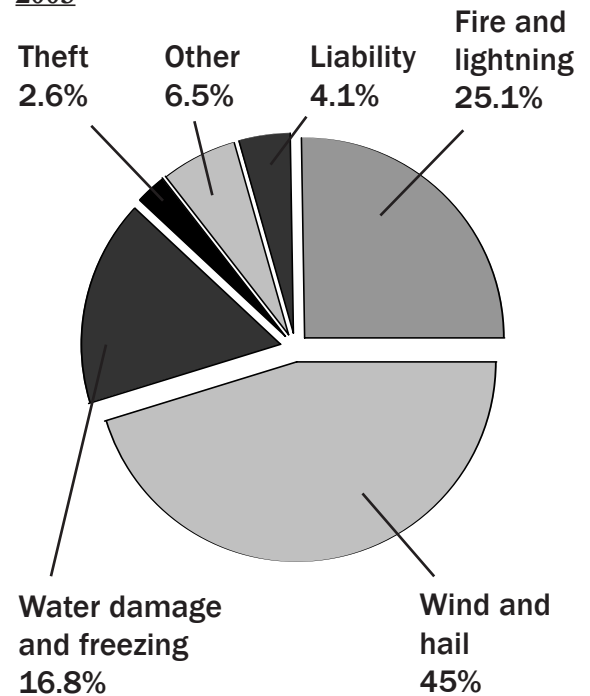
| 2005 Catastrophe Losses | |
|-------------------------|----------------|
| State | Loss (\$) |
| Louisiana | \$27.2 billion |
| Mississippi | \$12.2 billion |
| Florida | \$9.9 billion |
| Texas | \$2.9 billion |
| Alabama | \$1.5 billion |

| Year-by-Year Catastrophe Comparison | | |
|-------------------------------------|------------------------|-------------|
| Year | Insured Loss (\$) | # of Events |
| 1997 | \$2.6 billion | 25 |
| 1998 | \$10.1 billion | 37 |
| 1999 | \$8.3 billion | 27 |
| 2000 | \$4.6 billion | 24 |
| 2001 | \$26.5 billion | 20 |
| 2002 | \$5.9 billion | 25 |
| 2003 | \$12.9 billion | 21 |
| 2004 | \$27.5 billion | 22 |
| 2005 | \$61.9 billion | 24 |
| 2006 | \$8.8 billion | 33 |
| Total | \$169.3 billion | 258 |

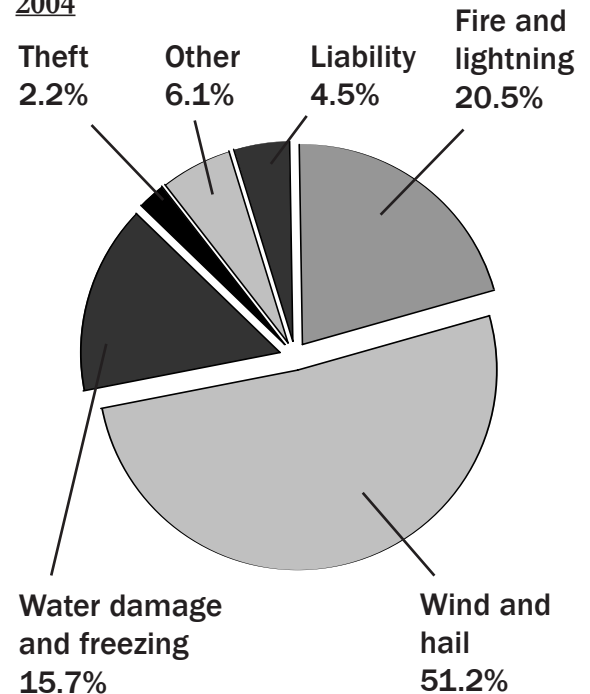
hail storm on April 2 and 3, the weekend Indianapolis hosted the Final Four, caused \$60 million in property damage, including blowing several windows out of the Regents Bank skyscraper in Downtown Indianapolis.

Homeowners Insurance Losses By Cause

2005



2004





Floods and Their Impact

THEIR IMPACT

Floods, especially flash floods, kill more people each year than hurricanes, tornadoes, wind storms, or lightning. Flood water can be deceptively strong. Fresh water moving at 4 mph (a brisk walking pace) exerts a force of about 66 pounds on each square foot of anything it encounters. Double the water speed to 8 mph and the force suddenly rises to about 264 pounds per square foot. That's enough force to punch a car or light truck off a flooded road if water reaches up to door level.

TYPES OF FLOODS

General river floods

General river flooding occurs after heavy rainfalls. Since it usually occurs slowly, residents often have enough notice to prepare and evacuate if necessary.

Urban and small stream

Urban and small stream flooding occurs when heavy rain falls in shorter periods of time. Storm sewers and small streams cannot handle the runoff, which results in flooded underpasses and basements.

Flash floods

Flash flooding is always life-threatening because it occurs very quickly. Two to four inches of rain in a couple of hours can trigger a flash flood.

FLOOD INSURANCE

If you have a flood insurance policy, you can be reimbursed for all your covered losses, even if a disaster is not federally declared. In contrast, federal disaster assistance is often a loan – repayable in full – with interest.

With a flood insurance policy, all you have to pay is one annual premium. Then, if you suffer losses due to flooding, you will be reimbursed for your covered losses, and you'll never have to pay a nickel back. Flood insurance is affordable. The average flood insurance premium costs a little over \$400 a year for an average of \$100,000 of coverage. And of course, if you are not insured, and a Federal disaster is not declared, your home and belongings may

be ruined with no hope for recovery.

Flood insurance is excluded under homeowners and renters policies, but it is covered under the comprehensive section of standard automobile insurance policies and some coverage is available for floods under special commercial insurance policies.

Flood insurance for homeowners, renters and businesses is administered through the federal government and can be purchased from an insurance agent or company under contract with the Federal Insurance Administration (FIA), part of the Federal Emergency Management Agency (FEMA). Flood insurance is only available where the local government has adopted adequate flood plain management regulations under the National Flood Insurance Program (NFIP). Most communities participate in the program.

Flood insurance covers direct physical losses by flood and losses resulting from flood-related erosion caused by waves or currents of water exceeding anticipated cyclical levels and accompanies a severe storm, flash flood, abnormal tide surge or a similar situation which results in flooding. Flood insurance also may cover mudslides.

PROTECTING YOUR PROPERTY AGAINST FLOODING

If you are moving into a new home, apartment or business location, make sure you have adequate insurance coverage. Your bank, local officials or insurance representative can inform you if your location is at risk for flooding.

Data from the Federal Insurance Administration shows more people are purchasing flood insurance. In 2005, there were 4,956,055 flood insurance policies in effect, compared with 3,476,829 just ten years before.

Flood Insurance Policies by State, 2007

| State | Policies | Insurance In-force \$ ¹ | Written Premium In-force |
|----------------|------------------|------------------------------------|--------------------------|
| Alaska | 2,640 | 517,691,600 | 1,751,734 |
| Alabama | 53,227 | 9,208,206,300 | 27,468,241 |
| Arkansas | 16,493 | 1,705,056,600 | 7,906,031 |
| Arizona | 34,093 | 6,810,333,800 | 16,923,317 |
| California | 271,730 | 60,730,307,100 | 165,760,433 |
| Colorado | 16,759 | 3,358,321,100 | 11,294,251 |
| Connecticut | 34,414 | 7,071,221,300 | 28,510,633 |
| D.C | 1,338 | 198,560,700 | 421,567 |
| Delaware | 23,074 | 4,832,245,600 | 12,149,944 |
| Florida | 2,183,515 | 431,053,287,300 | 845,233,383 |
| Georgia | 85,797 | 18,061,173,000 | 45,292,411 |
| Guam | 259 | 41,257,600 | 264,049 |
| Hawaii | 55,590 | 8,705,874,200 | 21,235,128 |
| Iowa | 10,376 | 1,264,261,900 | 6,893,854 |
| Idaho | 7,216 | 1,487,107,000 | 3,610,211 |
| Illinois | 46,766 | 6,594,559,900 | 29,912,075 |
| Indiana | 28,250 | 3,516,081,000 | 17,823,682 |
| Kansas | 10,341 | 1,241,970,200 | 5,951,725 |
| Kentucky | 21,616 | 2,469,230,100 | 12,439,138 |
| Louisiana | 495,338 | 86,602,013,800 | 262,745,538 |
| Massachusetts | 48,588 | 9,649,807,400 | 40,720,074 |
| Maryland | 64,049 | 11,806,993,900 | 27,486,502 |
| Maine | 7,979 | 1,446,367,500 | 5,491,384 |
| Michigan | 26,513 | 3,739,418,100 | 16,614,613 |
| Minnesota | 8,284 | 1,407,905,300 | 5,356,775 |
| Missouri | 23,348 | 3,119,586,900 | 15,199,021 |
| Mississippi | 76,538 | 13,174,864,600 | 32,885,480 |
| Montana | 3,499 | 525,061,300 | 1,921,764 |
| North Carolina | 130,354 | 26,751,026,100 | 68,294,589 |
| North Dakota | 5,096 | 770,891,000 | 2,875,162 |
| Nebraska | 11,634 | 1,529,095,400 | 6,718,691 |
| New Hampshire | 7,602 | 1,262,849,400 | 4,858,766 |
| New Jersey | 215,271 | 42,597,892,400 | 144,495,100 |
| New Mexico | 14,873 | 2,087,591,200 | 7,683,804 |
| Nevada | 16,087 | 3,690,572,900 | 7,648,202 |
| New York | 133,970 | 28,128,751,500 | 96,753,412 |
| Ohio | 39,637 | 5,053,778,900 | 24,633,461 |
| Oklahoma | 14,108 | 1,755,277,300 | 7,391,150 |
| Oregon | 30,641 | 5,889,267,700 | 16,968,849 |
| Pennsylvania | 67,253 | 10,276,488,800 | 44,620,370 |
| Rhode Island | 14,877 | 3,169,267,200 | 13,252,802 |
| South Carolina | 189,712 | 40,134,250,900 | 93,859,646 |
| South Dakota | 3,194 | 433,870,900 | 1,965,383 |
| Tennessee | 20,359 | 3,373,387,500 | 11,260,556 |
| Texas | 618,054 | 129,041,861,300 | 250,441,437 |
| Utah | 4,085 | 817,984,900 | 2,012,627 |
| Virginia | 100,870 | 21,169,693,500 | 52,053,647 |
| Vermont | 3,174 | 500,089,200 | 2,459,854 |
| Washington | 33,589 | 6,363,085,100 | 19,794,458 |
| Wisconsin | 13,050 | 1,797,130,500 | 7,980,787 |
| West Virginia | 21,815 | 2,123,966,900 | 13,050,699 |
| Wyoming | 2,492 | 426,359,600 | 1,471,972 |
| Total | 5,425,384 | 1,044,588,347,200 | 2,596,802,044 |



Mine Subsidence Insurance

Mine subsidence occurs when abandoned mine shafts, possibly hundreds of feet below your home, begin to collapse. As shafts collapse, layers of earth sink into these underground mines, starting a chain reaction that can cause substantial damage to homes and other structures located above the collapsing shaft. The amount of subsidence will influence the extent of damage, if any, that may occur.

Mine subsidence is a special concern to southwestern Indiana homeowners and is powerful enough to cause costly damage to your home or other buildings. In the past ten years homeowners have spent over \$1 million in attempts to repair mine subsidence damage. In 1986, Indiana’s legislature established the Indiana Mine Subsidence Fund to provide insurance for property owners in the 26 Indiana counties within the Illinois Coal Basin. You must purchase mine subsidence insurance as a rider to your policy because standard property insurance does not cover damage caused by mine subsidence. Subsidence insurance can be added to your property owners policy when it is purchased or renewed.

A new law was passed in 2001 that raised the amount of coverage that can be purchased for mine subsidence insurance coverage. Since that time mine subsidence insurance coverage can be purchased up to \$200,000.

Indiana Counties Eligible for Mine Subsidence Insurance

- Clay
- Crawford
- Daviess
- Dubois
- Fountain
- Gibson
- Greene
- Knox
- Lawrence
- Martin
- Monroe
- Montgomery
- Orange
- Owen
- Parke
- Perry
- Pike
- Posey
- Putnam
- Sullivan
- Spencer
- Vanderburgh
- Vermillion
- Vigo
- Warren
- Warrick

Tornadoes and Their Impact

A tornado is a violently rotating column of air that extends from a thunderstorm and comes into contact with the ground, according to the National Oceanic and Atmospheric Administration (NOAA).

In an average year NOAA says that about 1,000 tornadoes are reported nationwide. Tornado intensity is measured by the Fujita (F) scale. The scale rates tornadoes on a scale of 0 through 5, based on the amount and type of wind damage. The original F scale was replaced by an enhanced F scale on February 1, 2007. The new scale retains the 0 to 5 ratings, but incorporates 28 different “damage indicators” based on damage to a wide variety of structures ranging from trees to shopping malls.

Tornadoes and related weather events caused more than \$8 billion in insured losses in 2006, according to an A.M. Best study. A March 31, 1973 tornado in central and northern Georgia was the costli-

est tornado on record, according to the study, which put the total damages from that event at \$5.21 billion in 2007 dollars.

FACTS ABOUT INDIANA TORNADO SEASON:

- Tornado season in Indiana is from mid March through June. Although tornadoes are most frequent in June, the tornadoes that occur in March and April are generally larger and far more destructive.
- Tornadoes are most common in the afternoon and evening hours from 2 p.m. to 8 p.m.
- Three of the worst tornado outbreaks in U.S.history have affected Indiana.
- An average of 20 tornadoes per year strike Indiana, and Indiana averages nearly six tornado deaths per year.

• Indiana’s population is about four times as dense as the so called Tornado Alley states of Oklahoma and Kansas, making Hoosiers more vulnerable to a tornado disaster.

- On April 1965, the Palm Sunday Outbreak spawned 11 tornadoes over 20 counties and took the lives of 137 Hoosiers.
- On April 3, 1974, the Super Outbreak occurred. An unprecedented 148 tornadoes affected 13 states and Canada. Forty-six Indiana counties were affected by 21 tornadoes and 47 people were killed.
- The most devastating tornado in U.S. history occurred on March 18, 1925. The Tri-State Tornado tore across 219 miles of southeast Missouri, southern Illinois, and southwest Indiana, for three and half hours at speeds of over 70 mph. 695 were killed, 70 of them in Indiana.

2006 Tornadoes and Fatalities by State

| State | Tornadoes | Deaths | State | Tornadoes | Deaths | State | Tornadoes | Deaths | State | Tornadoes | Deaths |
|-------------|-----------|--------|---------------|-----------|--------|----------------|-----------|--------|----------------|-----------|--------|
| Alabama | 69 | 1 | Illinois | 119 | 1 | Montana | 1 | 0 | Rhode Island | 0 | 0 |
| Alaska | 0 | 0 | Indiana | 25 | 0 | Nebraska | 21 | 0 | South Carolina | 36 | 0 |
| Arizona | 6 | 0 | Iowa | 38 | 1 | Nevada | 1 | 0 | South Dakota | 27 | 0 |
| Arkansas | 24 | 0 | Kansas | 92 | 0 | New Hampshire | 2 | 0 | Tennessee | 25 | 34 |
| California | 9 | 0 | Kentucky | 19 | 0 | New Jersey | 1 | 0 | Texas | 113 | 0 |
| Colorado | 20 | 0 | Louisiana | 40 | 1 | New Mexico | 5 | 0 | Utah | 2 | 4 |
| Connecticut | 0 | 0 | Maine | 1 | 0 | New York | 8 | 0 | Vermont | 16 | 0 |
| D.C. | 0 | 0 | Maryland | 0 | 0 | North Carolina | 31 | 9 | Virginia | 0 | 0 |
| Delaware | 0 | 0 | Massachusetts | 1 | 0 | North Dakota | 21 | 0 | Washington | 2 | 0 |
| Florida | 42 | 0 | Michigan | 0 | 0 | Ohio | 36 | 0 | West Virginia | 0 | 0 |
| Georgia | 21 | 0 | Minnesota | 25 | 2 | Oklahoma | 27 | 0 | Wisconsin | 13 | 0 |
| Hawaii | 2 | 0 | Mississippi | 31 | 0 | Oregon | 4 | 0 | Wyoming | 0 | 0 |
| Idaho | 9 | 0 | Missouri | 98 | 13 | Pennsylvania | 8 | 1 | Total | 1,106 | 67 |

Source: U.S. Department of Commerce, Storm Prediction Center, National Weather Service.

Insurance Provided by U.S. Fair Plans

What is a FAIR Plan?

A FAIR plan is a property insurance pool, operated by insurers doing business in a particular state, generally under the administrative oversight of that state's insurance regulator. FAIR plans make basic forms of property coverage readily available to property owners in areas where insurance is not easily available.

No applicant to a FAIR plan can be denied coverage based on conditions beyond their control. Basically, any proper-

ty that is occupied, not in poor physical condition, and used in a lawful manner, is eligible for basic property coverage through the FAIR plan

Any applicant who is denied coverage by the FAIR plan for an underwriting reason must be advised in writing of the reason for denial, and told how to correct the deficiency in order to make the property insurable. They also must be provided with information on their right to appeal.

Insurance Provided by FAIR Plans by State, 2002

| State | Habitational policies | Commercial policies | Exposure (\$000) | State | Habitational policies | Commercial policies | Exposure (\$000) |
|----------------|-----------------------|---------------------|------------------|----------------|-----------------------|---------------------|----------------------|
| Arkansas | NA | NA | NA | Minnesota | 8,848 | 140 | \$653,301 |
| California | 181,100 | 11,449 | \$35,270,963 | Miss. (Rural) | NA | NA | NA |
| Connecticut | 2,913 | 275 | 341,229 | Missouri | 8,985 | 707 | 347,103 |
| Delaware | 2,055 | 63 | 140,189 | New Jersey | 50,702 | 2,437 | 5,265,522 |
| D.C. | 1,140 | 309 | 213,585 | New Mexico | 11,145 | 427 | 488,626 |
| Florida | 613,030 | 45,055 | 154,600,948 | New York | 58,276 | 8,023 | 9,054,690 |
| Georgia | 25,095 | 844 | 2,097,052 | North Carolina | NA | NA | NA |
| Hawaii | 1,330 | 0 | 246,283 | Ohio | 41,905 | 1100 | 8,158,825 |
| Illinois | 12,366 | 363 | 633,439 | Oregon | 6,272 | 268 | 439,256 |
| Indiana | 3,692 | 212 | 238,766 | Pennsylvania | 44,785 | 2,865 | 2,053,142 |
| Iowa | 1,528 | 55 | 128,872 | Rhode Island | 9,186 | 130 | 1,223,022 |
| Kansas | 3,781 | 246 | 134,986 | Virginia | 20,034 | 781 | 1,675,818 |
| Kentucky | 10,140 | 1,056 | 92,029 | Washington | 141 | 66 | 36,119 |
| Louisiana | 88,159 | 393 | 6,542,337 | West Virginia | 1,076 | 79 | 36,962 |
| Maryland | 5,650 | 163 | 543,720 | Wisconsin | 3,797 | 142 | NA |
| Massachusetts | 97,700 | 1,070 | 20,462,498 | Total | 1,422,990 | 81,887 | \$269,566,059 |
| Michigan | 101,159 | 3,169 | 18,446,777 | | | | |

Chapter Five: Health Insurance

Health Insurance: An Overview

Health Insurance: The Uninsured

What Happens to the Uninsured

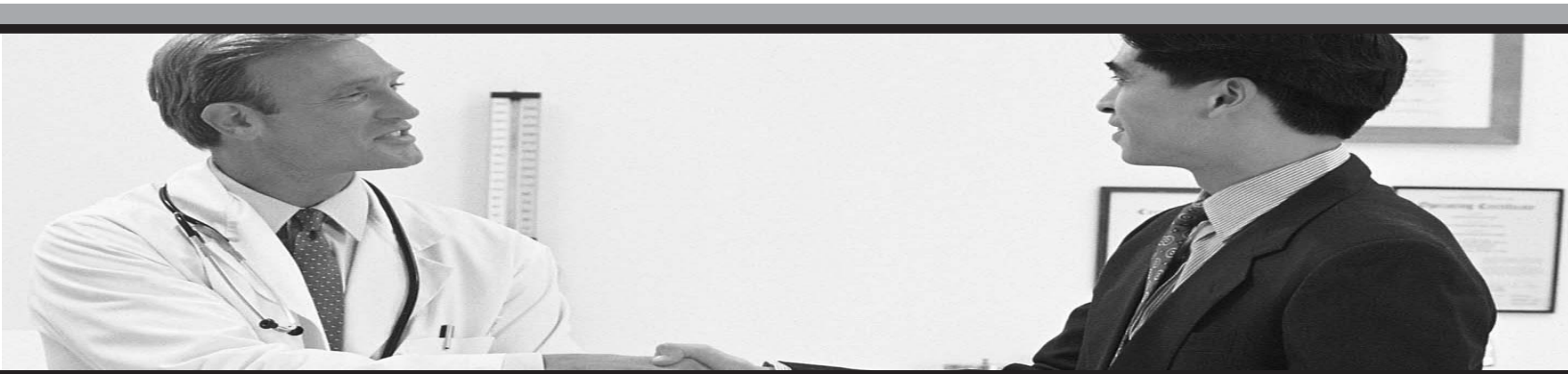
The National Health Care Dollar

Prescription Drugs

Health Savings Accounts

More About Health Care

Health Insurance Mandates





Health Insurance: An Overview

Health insurance is one of the components of a sound financial plan. It provides financial security for your family by providing financial resources for health expenses in times of life's uncertainties. Today, there are two primary forms of health insurance plans, indemnity and managed health care.

INDEMNITY PLAN

With an indemnity plan you can use any medical provider. The provider then sends the bill to the insurance company, which pays part of the costs. Usually you have a deductible, which is the amount of the covered expenses you must pay each year. Once you meet the deductible, most indemnity plans pay a percentage of what they consider the usual and customary charge for covered services. The insurer generally pays 80 percent of the usual and customary costs and you pay the other 20 percent, which is known as coinsurance.

Indemnity plans can be purely indemnity or they can be coupled with Preferred Provider Organizations (PPO). PPOs simply trade a network for volume. That is, you agree to limit yourself to a set universe of providers in exchange for lower premiums (usually 15-20% lower). If you go outside the set network for elective care, you are penalized. However, unlike an HMO (where there would be no coverage), PPO penalties are quite limited.

MANAGED CARE

Managed care plans generally provide comprehensive health services to their members and offer financial incentives for patients to use the providers who belong to the plan. HMOs are the oldest form of managed care plan. In an HMO, instead of paying for each service that you

receive separately, your coverage is paid in advance. For a set monthly fee, HMOs offer members a range of health benefits, including preventive care. HMOs will give you a list from which to choose a primary care physician.

Typically, the plan may charge a copayment for certain services. For example, \$10 for an office visit, or \$5 for every prescription. So, if you join this HMO, you may find that you have few out-of-pocket expenses for medical care—as long as you use doctors or hospitals that participate in or are part of the HMO. Your share may be only the small copayments; generally, you will not have deductibles or coinsurance.

HMO penetration is very minimal in Indiana, at only 13 percent. By comparison, HMOs make up about 32 percent in Kentucky and 17 percent in Ohio. The nationwide average is about 29 percent.

WHAT IS NOT COVERED?

While HMO benefits are generally more comprehensive than those of traditional fee-for-service plans, no health plan will cover every medical expense.

Very few plans cover eyeglasses and hearing aids because these are considered budgetable expenses. Very few cover elective cosmetic surgery, except to correct damage caused by a covered accidental injury. Some fee-for-service plans do not cover checkups. Procedures that are considered experimental may not be covered either. And some child birth plans cover complications arising from pregnancy, but do not cover normal pregnancy or childbirth.

Health insurance policies frequently exclude coverage for preexisting conditions, but federal law now limits exclusions based on such conditions.

HOW DO I COMPARE HEALTH PLANS?

After you review what benefits are available and decide what is important to you, you can compare plans. Many things should be considered. These include services offered, choices of providers, location and cost. The quality of care is also a factor to think about.

SERVICES: Look at the services offered by each plan. What services are limited or not covered? Is there a good match between what is provided and what you think you will need? For example, if you have a chronic disease, is there a special program for that illness? Will the plan provide the medicines and equipment you may need? Find out what types of care or services the plan won't pay for. Few indemnity and managed care plans cover treatments that are experimental. Ask how the plan decides what is or is not experimental. Find out what you can do if you disagree with a plan's decision on medical care or coverage.

CHOICE: What doctors, hospitals and other medical providers are part of the plan? Are there enough of the kinds of doctors you want to see? If you want to see a specialist, can you refer yourself or must your primary care doctor refer you? Do you need approval from the plan before going into the hospital or getting specialty care?

Location: Where will you go for care? Are these places near where you work or live?



Health Insurance: An Overview

Costs

No health insurance plan will cover every expense. To get a true idea of what your costs will be under each plan, you need to look at how much you will pay for your premium and other costs.

- Are there deductibles you must pay before the insurance begins to help cover your cost?
- After you have met your deductible, what part of your costs are paid by the plan? Does this amount vary by the type of service, doctor, or health facility used?
- Are there any limits to how much you must pay in case of major illness?
- Are there copayments you must pay for certain services, such as doctor visits? If you use doctors outside a plan's network, how much more will you pay to get care?
- If a plan does not cover certain services or care that you think you will need, how much will you have to pay?
- Is there a limit on how much the plan will pay for your care in a year or over a lifetime? A single hospital stay for a serious condition could cost hundreds of thousands of dollars.

Ten Ways to Reduce Health Care Costs

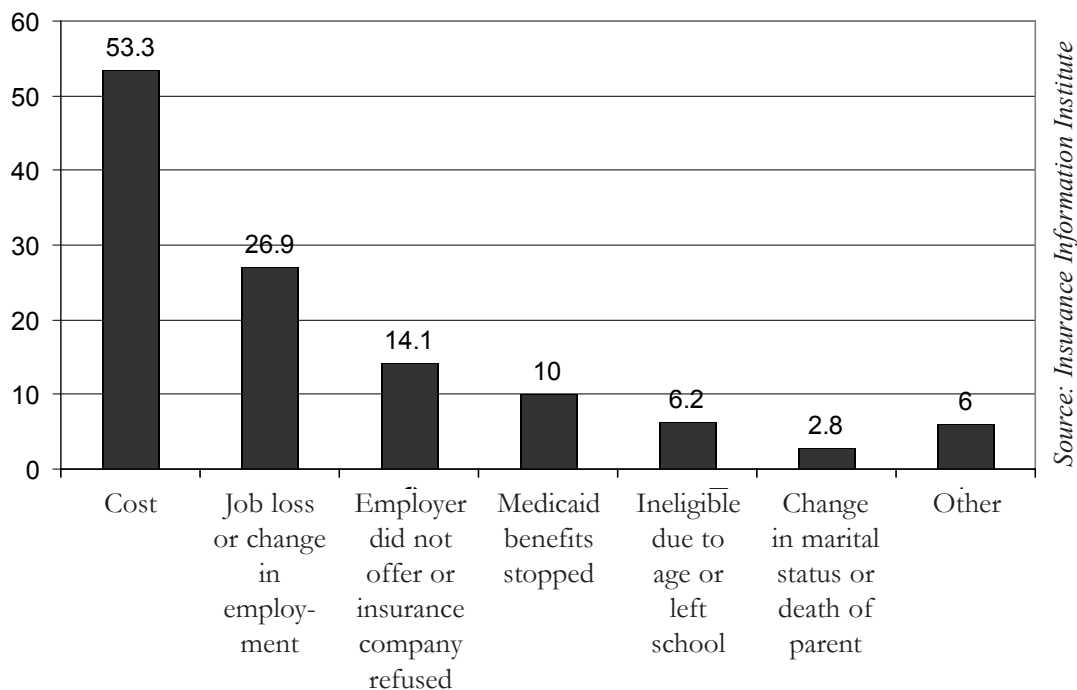
1. Take good care of yourself. Eight out of ten health problems are treated at home.
2. Practice self-examination and get appropriate health screening.
3. Become aware of the health risks of difference lifestyle choices.
4. Know what your medical benefits cover.
5. Take an active role in health care decision making.
6. Ask your doctor about every prescribed medication and medical test.
7. Avoid hospitalization whenever possible. Hospitalization accounts for half of all health care costs.
8. Save the emergency room for emergencies.
9. Check your hospital and doctor bills carefully.
10. Avoid defensive medicine. Defensive medicine refers to tests and services performed to protect physicians from malpractice suits. Ask if they are really necessary and what your options are.

Health Insurance: The Uninsured

U.S. Census Bureau Facts About Health Insurance

- Both the percentage and the number of people without health insurance increased in 2006. The percentage without health insurance increased from 15.3 percent in 2005 to 15.8 percent in 2006 and the number of uninsured increased from 44.8 million to 47.0 million.
- The number of people with health insurance increased to 249.8 million in 2006 (up from 249.0 million in 2005). In 2006, the number of people covered by private health insurance (201.7 million) and the number of people covered by government health insurance (80.3 million) were not statistically different from 2005.
- The percentage of people covered by employment-based health insurance decreased to 59.7 percent in 2006, from 60.2 percent in 2005.
- The percentage of people covered by government health programs decreased to 27.0 percent in 2006 from 27.3 percent in 2005. The percentage and the number of people covered by Medicaid were statistically unchanged at 12.9 percent and 38.3 million, respectively, in 2006.
- The percentage and the number of children under 18 years old without health insurance increased to 11.7 percent and 8.7 million in 2006 (from 10.9 percent and 8.0 million, respectively, in 2005). With an uninsured rate in 2006 at 19.3 percent, children in poverty were more likely to be uninsured than all children. 3
- The uninsured rate and the number of uninsured in 2006 were not statistically different from 2005 for non-Hispanic Whites (at 10.8 percent and 21.2 million). The percentage and the number of uninsured Blacks increased (from 19.0 percent and 7.0 million in 2005) to 20.5 percent and 7.6 million in 2006.
- The percentage and the number of uninsured Hispanics increased to 34.1 percent and 15.3 million in 2006.

Reasons Americans Under 65 Are Uninsured, 2004





What Happens to the Uninsured?

MEDICARE

Medicare provides hospital and medical insurance to persons age 65 and older, disabled persons under 65 who receive payments under Social Security or the Railroad Retirement program, and people of all ages with chronic kidney disease.

MEDICAID

Medicaid is financed from state and federal funds and provides medical assistance to persons who are eligible for federal cash assistance. Medicaid also may be available to persons who have enough income for basic living expenses but cannot afford to pay for medical care. Even though state participation is optional, all 50 states participate. However, because states establish their own eligibility criteria, there are large state-to-state variations in coverage and eligibility.

COBRA

Under federal law, group health plans sponsored by employers with 50 or more employees are required to offer continued coverage for you and your dependents for 18 months after you leave your job. This requirement is a part of the

Consolidated Omnibus Budget Reconciliation Act of 1985, commonly known as COBRA. Under the same law, following an employee's death or divorce, or child no longer being an eligible dependent, coverage may be continued for up to 36 months. If you wish to continue your group coverage under this option, you must notify your employer within 60 days of loss of coverage. You must also pay the entire premium, plus a two percent administration charge.

HEALTHY INDIANA PLAN (HIP)

In 2007, Governor Mitch Daniels proposed raising the state's cigarette tax to help fund health insurance for the uninsured. The General Assembly subsequently passed the Healthy Indiana Plan (HIP).

About 562,235 Hoosiers are eligible for this plan. That includes uninsured, non-disabled parents of Medicaid/CHIP children from 22%-200% federal poverty level (FPL); pregnant women up to 200% FPL; and approximately 41,000 childless adults under 200% FPL (Roughly 11% of childless adults)

Participants must be: Uninsured for 6 months, and not eligible for employer-

sponsored health insurance.

The plan structure provides a POWER Account valued at \$1,100 per adult to pay for medical costs. Contributions to the account are made by the State and each participant (based on ability to pay). No participant will pay more than 5% of his/her gross family income on the plan.

A basic commercial benefits package once annual medical costs exceed \$1,100 is also provided. Finally, coverage for preventive services up to \$500 a year at no cost to participants is included in the plan.

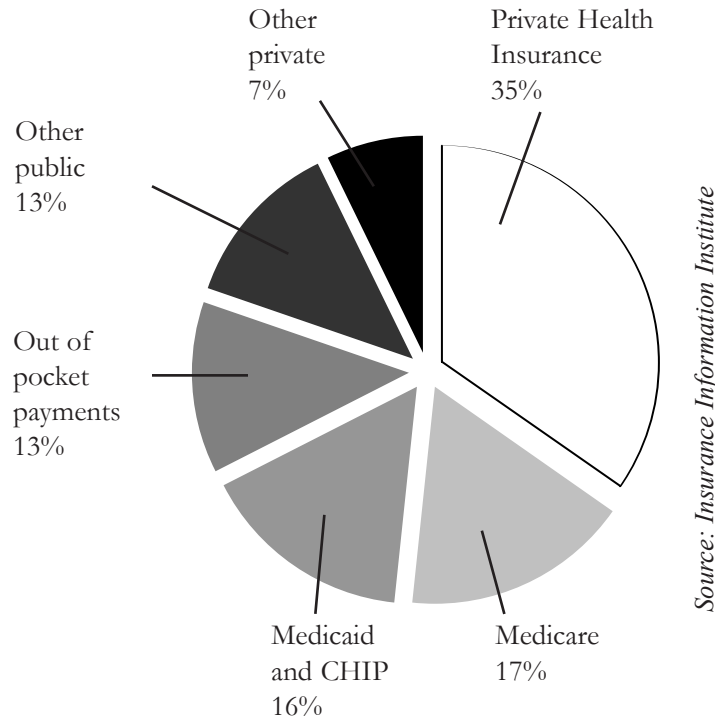
Services covered by HIP include: physician services, prescriptions, diagnostic exams, home health services, outpatient hospital, inpatient hospital, hospice, preventive services, family planning, and case and disease management

Mental health coverage is similar to coverage for physical health, and includes substance abuse treatment, inpatient, outpatient, and drugs.

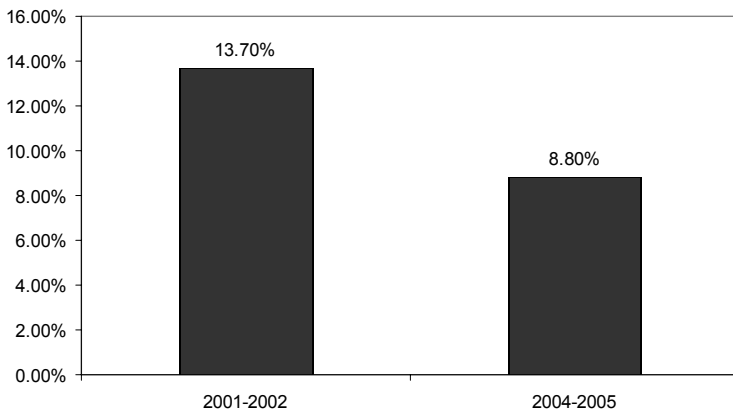
Vision and/or dental coverage can be purchased as a rider. Individuals will pay 50% of the premium cost (on top of their POWER Account contribution) for these services.

The National Health Care Dollar

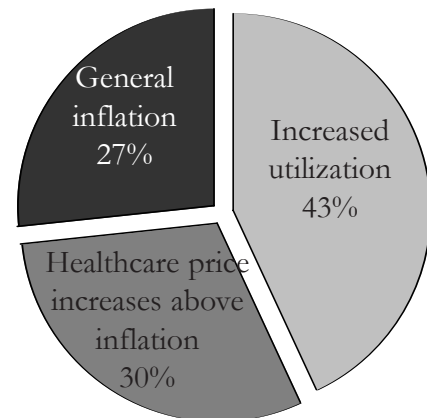
The Nation's Health Dollar in 2005



Increase in Insurance Health Premiums



Factors Contributing to 8.8% Increase in Premiums



Source: Pricewaterhouse Coopers



Prescription Drugs

The Rising Cost of Prescription Drugs

Most major categories of health spending have increased moderately over the past few years. However, prescription drug spending has outpaced all other categories. While hospital and physician costs have increased between three and five percent, expenses for drugs have averaged between 10 and 14 percent per year. In 2005, however, the cost of prescription drugs slowed, to 8.6 percent. Drugs now account for a higher percentage of the benefit dollar than they did 15 years ago, but that percentage is stabilizing.

The recent slower growth in prescription drugs is due to a number of converging factors: the introduction of fewer blockbuster drugs, some blockbusters going off patent, the transition of some drugs to over-the-counter status and a lower rate of price growth. One of the most striking reasons is that many health plans are shifting to two, three-, and most recently four-tiered formularies that make beneficiaries more cost conscious when they choose preferred prescription drugs. The number of employers with at least three tiers of copayments has increased from 27 percent in 2000 to 68 percent in 2004.

What Causes Drug Prices to Increase?

- Direct-to-consumer advertising
- Accelerated FDA approval process
- Growth in drug therapy and disease management programs
- Life-enhancing, life-lengthening lifestyle and cosmetic drugs are widely used
- Increase in elderly population to treat chronic and acute health conditions.



Health Savings Accounts

Health Savings Accounts (HSAs) were included in the Medicare bill passed by Congress in 2004. These plans couple a tax-free savings account with a high deductible major medical policy. Individuals can use the savings account to pay for smaller, more routine expenses while the high deductible portion will protect them from catastrophic illnesses or injuries. Money contributed to the savings account is tax deductible and accrues interest tax-free. The money remains tax free as long as it is used for qualified medical expenses.

In order for a high-deductible plan to qualify for an HSA, it must not require any first dollar coverage for mandates of impose deductibles below the minimum annual deductible. The minimum annual deductible for an HSA is \$1,000 for an individual and \$2,000 for a family.

Health Savings Accounts work very much the same way as the Medical Savings Accounts, which have been around for decades. However, there are clear advantages to HSAs.

| | MSAs | HSAs |
|----------------------|--|---|
| Eligibility | Self-employed and employer groups up to 50 employees | Individuals and any size employer group |
| Permanent | No | Yes |
| Cap on Enrollment | Yes | No |
| Minimum Deductibles | \$1,700 for individuals, \$3,350 for family | \$1,000 for individuals, \$2,000 for family |
| Who can contribute? | Employer or employee | Individual, employer, and/or employee |
| Maximum Contribution | 65% of deductible for individual 75% of deductible for family | Lesser of 100% of deductible or \$2,600 for individuals Lesser of 100% of deductible or \$5,150 for family |



More About Health Care

EMPLOYEE RETIREMENT INCOME SECURITY ACT (ERISA)

The 1974 Employee Retirement Income Security Act (ERISA) exempts those employers who “self-insure” their health benefit plans from state regulation, taxation and control. Under these plans the employer pays the health care claims directly, rather than purchasing an insurance policy to pay claims, and thus escapes state regulation of insurance.

Since the passage of ERISA, group health insurance in the U.S. has evolved into two separate and unequal parts - one subject to a burdensome array of state insurance regulations and the other almost regulation free.

State regulations on employer-provided traditional insurance have ballooned. The number of state-mandated benefits laws has grown more to more than 1,000 from only 158 at the time ERISA was enacted. These mandates prescribe the terms of group policies, including requirements that plans cover specific services.

With few exceptions, and despite the claims of their proponents, such laws are not moneysavers. Studies in six states have found that mandated coverage accounts for between 7 and 21 percent of all insurance claims, depending on the state. By forcing an expansion of benefits, state regulations cause firms to

incur additional insurance expenditures, which translates into higher national health care spending, lower take-home wages for employees of these firms and individuals who must purchase their own health insurance.

National Center for Policy Analysis

HIGH RISK POOLS

Thirty-one states in the country have high risk pools. These pools generally serve individuals in poor health who are self-employed, employees of small businesses that do not offer health insurance to its employees, young adults coming off of their parents' coverage, and new employees not yet eligible for group insurance. For many people, risk pool participation is not permanent.

By design, a risk pool will lose money. Risk pool participants are either sick or injured people who are unable to obtain coverage elsewhere. Premiums are generally higher than private coverage but are capped at a reasonable level. Premiums typically cover only about half the claims costs. Every pool must then have a way to subsidize the remaining losses.

The Indiana Comprehensive Health Insurance Association (ICHIA) was established by the state of Indiana to provide affordable health insurance coverage to individuals who are uninsured, uninsurable, and unable to obtain private health insurance. It became operational in 1982.

ICHIA is funded through a combination of premiums and an assessment on the state, insurers, and HMOs. The assessment methodology was changed in the 2004 session so that seventy-five percent of the net losses of the pool are paid for by the state and the remaining twenty-five percent is split between insurers and HMOs based on each carrier's premium volume.

In the Trade Adjustment Assistance Reform Act that Congress passed in 2002, \$100 million was allotted over a two-year period to help fund state high risk pools. \$20 million was to be used as seed money to help start up new pools, and \$80 million was made available to help offset the costs of existing pools. In 2003, the Department of Health and Human Services disbursed part of the money to the states. Indiana received \$2,889,802 towards ICHIA losses.

Suggestions for ICHIA:

- Lifetime Maximum - Nineteen risk pools have benefits capped at \$1 million. Six have benefits capped at less than \$1 million. Two have benefits capped at \$2 million. Virtually no plan in the private market has unlimited benefits.
- Expand the assessment base
- Increase preexisting condition limitations.



More About Health Care

THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA)

The Health Insurance Portability and Accountability Act (HIPAA), signed into law in August 1996, offers protection for millions of American workers through improved portability and continuity of health insurance coverage.

HIPAA protects workers and their families through the following provisions:

- Limiting exclusions for preexisting medical conditions (known as “preexisting conditions”);
- Providing credit against maximum preexisting condition exclusions periods for prior health coverage and a process for providing certificates showing periods of prior coverage to a new group health plan or health insurance issuer;
- Providing new rights that allow individuals to enroll for health coverage when they lose other health coverage, get married or add a new dependent;
- Prohibiting discrimination in enrollment and in premiums charged to employees and their dependents based on health status-related factors;
- Guaranteeing availability of health

insurance coverage for small employers and renewability of health insurance coverage for both small and large employers;

- Preserving the states’ role in regulating health insurance, including the states’ authority to provide greater protections than those available under federal law;
- Improving disclosure about group health plans.

United States Department of Labor

MEDICAL WAIVERS

Persons applying for individual health insurance have to qualify for coverage through a process known as medical underwriting. Some of these applicants have existing medical conditions that make it impossible to offer coverage to them because of the expected medical costs. In these cases, insurers will often use medical waivers, or riders, to exclude coverage for that specific condition or body part.

The choice of accepting insurance coverage that contains a waiver is entirely up to the individual applying for the coverage. If someone has a minor condition, such as allergies, which involves ongoing maintenance medication or shots, he or she might be willing to

accept a medical waiver for their allergies. The person would then be responsible for paying the costs of the allergy medication out of their own pocket, but would have coverage for other health problems that may arise.

On the other hand, someone with a more serious, ongoing medical condition may prefer to reject the medical waiver. If a person rejects the waiver, he or she still has options through another insurer or as a last resort through the high risk pool.

In 2003, the General Assembly passed legislation which allows for the limited use of medical waivers. The legislation established a two-year experimental period during which any carrier offering individual policies can offer coverage with waivers. However, only three carriers offering coverage through association or discretionary groups may utilize waivers. These three carriers are further limited to each issuing no more than 1,500 certificates with waivers.

The waivers can be for no longer than two years in duration, and there can be no more than two waivers per individual. In addition, a notice must be sent to the applicant before issuing coverage containing a waiver. This notice must include a specific description of each condition, complication, service, and treatment for which coverage is being waived.



Health Insurance Mandates

HEALTH INSURANCE MANDATES

A health insurance mandate is a requirement that an insurance company offer specified benefits such as drug and alcohol abuse treatment, contraceptives, and even acupuncture. For almost every health care product or service, there is someone who wants insurance to cover it so they don't have to pay for it themselves.

The problem with mandates is that they increase the cost of health insurance because the insurance is required to pay for care consumers had been funding out of their own pocket. Politically, it is difficult for elected representatives to oppose a proposal that offers "enhanced" care to a large block of potentially motivated voters. The sponsors of mandates, including those who want a government-run health care system, know this fact of political life. The result has been a steady increase of government interference in, and control of, the health care system.

(Council for Affordable Health Insurance, Mandated Health Insurance Benefits CAHI Policy Brief, Volume 5, Number 1, January 2002)

THE COST OF MANDATES

One reason for the proliferation of mandates is that many of them would add very little to the cost of the average health

insurance policy. For example, one of the mandates requires insurers to cover costs associated with diabetes. The costs associated with this mandate added no more than one or two percent to the cost of a typical health insurance plan. Politicians can say they are helping those in need and pass the cost of to others in the form of a slight, almost unnoticeable increase, in the cost of a policy.

However, this is but one of many mandates imposed on health insurance coverage. Indiana has adopted mandate after mandate with little reflection on their total cost. It is the accumulation of numerous mandates that begins to weigh heavily on the cost of health insurance and can ultimately lead to people canceling their coverage.

(Council for Affordable Health Insurance, Mandated Health Insurance Benefits CAHI Policy Brief, Volume 5, Number 1, January 2002)

Many Hoosiers receive their health insurance from the government (Medicaid, Medicare, CHIP) or are insured through their employer. Large employers, who self-insure, are not subject to state health insurance regulation due to the federal Employee Retirement Income Security Act (ERISA). Subsequently, health insurance mandate costs fall on those who can least afford it, small employers and individuals. Subsequently, the number of Hoosiers without health insurance has been increasing since 1999.

In Indiana, at least on health mandate passed every year between 1995 and 2003. They are listed below.

| | | | | |
|--|--|--|---|--|
| 2003 HEA 1019 - Mandated cover for treatment of inherited metabolic disease HEA 1135 - Mandated offer of substance abuse coverage | HEA 1122 - Autism Insurance Coverage 2000 SEA 212 - Colorectal Cancer Screening HEA 1293 - Morbid Obesity Offer of Coverage | HEA 1108 - Mental Health Parity HEA 1410 - Infant Hearing Loss Testing HEA 1951 - Dental Anesthesia 1998 SEA 261 - Newborn HIV Testing SEA 364 - Patient Protection HEA 1286 - HIPAA Compliance | Coverage SEA 225 - Coverage of Newly Born Child HEA 1400 - Mental Health Parity HEA 1663 - Grievance Procedures HEA 1684 - Breast Reconstruction Coverage | Prohibition SEA 331 - PPP Agreement Terms and Conditions HEA 1075 - Minimum Maternity Benefits HEA 1289 - Managed Care Study Committee |
| 2002 HEA 1111 - Post-Mastectomy Services Coverage | 1999 SEA 126 - Breast and Prostate Cancer Screening SEA 289 - Health Insurance Claim Recording | 1997 SEA 184 - Diabetes | 1996 SEA 117 - Pre-existing Conditions and Coverage SEA 306 - Domestic Abuse Coverage | 1995 SEA 576 - Individual and Small Group Reform SEA 618 - Nurse Anesthetist Coverage HEA 1027 - Newborn Coverage |

Chapter Six: Life Insurance

Life Insurance: An Overview
Indiana Long Term Care Program
Choosing a Life Insurance Agent
Annuities and Survivorship Life Insurance
Viaticals/Accelerated Benefits
Life Insurance in Indiana





Life Insurance: An Overview

WHY LIFE INSURANCE?

People buy life insurance policies to protect their dependents against financial hardship when the policyholder dies. Many life insurance products also allow policyholders to accumulate savings that can be used in times of financial need. Most American families depend on life insurance to provide their economic protection.

KEY THINGS YOU SHOULD KNOW ABOUT LIFE INSURANCE:

- Life insurance proceeds are generally income tax-free.
- The proceeds of many permanent life insurance policies can be used to ease the financial burden of catastrophic illness, terminal illness or long-term care. These “accelerated benefits” may be offered as part of the basic policy or as a rider to an existing policy.
- As the holder of a permanent life insurance policy, you may borrow up to the cash value at an interest rate (fixed or adjustable) stated in the policy. Any unpaid interest is added to the loan. Any unpaid loan, including interest, will be deducted from the death benefit.
- The cash value can be used to pay premiums for a period of time, keeping the stated death benefit, or it can be used to purchase paid-up insurance in a lesser amount with no further premiums due.
- In addition to naming a specific beneficiary to receive the proceeds of your life insurance policy (permanent or term), you should name a secondary or “contingent” beneficiary just in case you outlive the first beneficiary.
- On all of the above policies, riders are available at an additional cost to cover: disability waiver of premium, double indemnity for accidental death, guaranteed purchase options, as well as spouse and child riders. American Council of Life Insurance

LIFE INSURANCE CAN SOLVE YOUR HEIRS’ IMMEDIATE AND LONG-TERM NEEDS

Immediate needs would include funeral expenses, unpaid

medical bills, debt and taxes, as well as the time to readjust to a new life-style.

Long-term will help provide for the maintenance and care of a disabled child or elderly parent, college expenses and, in general, providing the means to your heirs to live the life to which they are accustomed.

Term Insurance

It provides protection for a specified period of time, typically from one to 30 years. It pays a death benefit only if you die during this term. Some policies can be automatically renewed at the end of the coverage period, and some can be converted to permanent insurance without need for a medical exam.

Permanent Insurance

It provides lifelong protection as long as you continue to pay premiums. The premiums are based on your age at the time of purchase and generally remain level; they do not increase with age.

THERE ARE FOUR BASIC TYPES OF PERMANENT INSURANCE:

1. **Whole Life** (sometimes also called life or ordinary life) has a fixed guaranteed instant rate and develops guaranteed cash values.
2. **Universal Life** has more flexibility. Within certain limits, you can change the death benefit, the amount of premium and payment frequency. Unlike Whole Life, this is an “interest driven” policy, which normally pays a minimum guaranteed interest of 4 percent to 4.5 percent. If the interest rates are continuously low, additional premiums may have to be paid to avoid a lapse of coverage.
3. **Variable Life** has death benefits and cash values that vary with the performance of an underlying portfolio of investments that you select. The death benefit and cash value are not guaranteed. They can go down as well as up, although there may be a guaranteed minimum death benefit.
4. **Variable Universal** combines the premium and death benefit flexibility of universal life with the investment flexibility and risk of variable life.



Life Insurance: An Overview

FREQUENTLY ASKED QUESTIONS

- **Can I have more than one life insurance policy?**
You could have a permanent policy and add a supplemental term life policy for a short-term need.
- **What happens if you don't make the required premiums?**
Typically, you will have a 30- or 31- day grace period. If you pay within this time frame, you won't be charge any additional interest. If you fail to pay within this period, then your policy will lapse.
- **What happens if I become disabled and can't pay the premiums on my policy?**
Provision or "riders" that provide additional benefits can be added to a policy. One such rider is a "waiver of premium for disability." With this rider, if you become totally disabled for a specific period of time, you do not have to pay premiums for the duration of the disability.
- **Are other riders available?**
Another rider, called an "accidental death benefit," provides for an additional benefit in case of death as a result of an accident.
- **What happens if my policy lapses?**
If a policy lapses, most companies allow you time frame in which to pay your premium and continue the policy. If you have enough cash value built up in your policy, most companies will use part of the cash values to pay the premium due.
- **Can I buy a policy on someone else?**
You can, if you have an "insurable interest" in that person. This usually means a relative, a domestic

partner or a business partner. There are options such as first-to-die and second-to-die that allow you to insure the life of another.

- **Can I name anyone I want as my beneficiary?**
While most people choose only their spouse, it is possible to name more than one person as a beneficiary. Remember, those individuals must have an "insurable interest" in your policy to qualify. An example would be, if you have a \$100,000 individual life insurance policy on your own life, you could name your spouse and three children to share the policy at \$25,000 each.
- **What do they look for in the medical exams for life insurance?**
For individual life purchases, you will be classified based on height, weight, nicotine use and other health factors. Your health status will determine what rate class category you fit in. There is no public list of factors available; however, your agent should explain what criteria determined the class into which you fall.
- **What if my health improves?**
If you don't qualify for the best rate today, you might be able to improve your rate category if certain health factors improve. For example, a 37-year-old woman buys a life insurance policy. At the time of purchase, she is 70 pounds overweight, has high blood pressure, and is trying to quit smoking. Two years later, her policy is still in force and she has lost 70 pounds, her blood pressure is normal, and she hasn't smoked in nine months. She could talk with her agent about being reevaluated and possibly have her rates reduced.

Indiana Long Term Care Program

THE PROGRAM

What is long-term care?

Long-term care is what people need when they are unable to care for themselves because of prolonged illness, disability or frailty. It can be as simple as in-home help, or as specialized as highly skilled medical attention in a nursing home.

What are the chances I'll need long-term care?

Your likelihood of needing long-term care increases as you get older, if you live alone, or if you're a woman. Statistics may also help show your risks. For instance, half of all women and a third of all men reaching age 65 will enter a nursing home at some point in their lives. Even more will require some kind of in-home care or assistance.

Is there a way to pay for these costs?

Long-term care insurance is specifically designed to pay for these services. This type of insurance helps cover nursing home care, in-home care, and care provided in the community such as adult day care. Long-term care insurance usually pays a set amount per day, pays a specified percentage of actual charges, or pays up to a maximum amount when a person needs the type of coverage by the policy. Coverage can be for a period of years or a maximum dollar amount.

Why not wait as long as possible before buying a long-term care insurance policy?

The premium dollars you'd save by doing this could cost you in the long run. If you wait to buy long-term insurance

until you are older or in poor health, you run the risk of either paying much higher premiums or not being able to be insured at all.

What is the Indiana Long Term Care Program?

It is an initiative that gives Hoosiers the opportunity to provide for their own future long-term care needs while protecting their current financial assets.

Who's behind it?

The Indiana Long Term Care Program is a partnership between state government and private insurance companies who voluntarily agree to meet program requirements with new long-term care policies. There are 15 insurance companies approved to participate in the ILTCP.

How does the Program's new asset protection work?

The Indiana Long Term Care Program allows people who purchase and use program-approved policies to obtain Medicaid funding without having to spend all of their life savings. A dollar of assets is protected for each dollar of program policy benefits paid out for Medicaid long-term care services.

Will all of the benefits paid from the policy count toward the asset protection?

Yes, if the benefits are used for Medicaid long-term care services up to the actual cost of care. If the benefits paid are more than what the service costs, only the amount equal to the cost will be protected.

Average Annual Cost of Nursing Home Care

| | |
|----------------------|-----------------|
| Alabama | \$51,283 |
| Alaska | \$200,754 |
| Arizona | \$68,750 |
| Arkansas | \$43,701 |
| California | \$79,895 |
| Colorado | \$66,711 |
| Connecticut | \$108,725 |
| Delaware | \$67,562 |
| District of Columbia | \$72,606 |
| Florida | \$68,376 |
| Georgia | \$53,626 |
| Hawaii | \$93,597 |
| Idaho | \$56,659 |
| Illinois | \$56,079 |
| Indiana | \$59,015 |
| Iowa | \$48,928 |
| Kansas | \$43,920 |
| Kentucky | \$66,171 |
| Louisiana | \$44,614 |
| Maine | \$78,362 |
| Maryland | \$66,523 |
| Massachusetts | \$102,049 |
| Michigan | \$68,283 |
| Minnesota | \$59,926 |
| Mississippi | \$51,472 |
| Missouri | \$48,019 |
| Montana | \$50,965 |
| Nebraska | \$48,822 |
| Nevada | \$65,595 |
| New Hampshire | \$83,267 |
| New Jersey | \$92,822 |
| New Mexico | \$54,257 |
| New York | \$106,189 |
| North Carolina | \$59,087 |
| North Dakota | \$43,815 |
| Ohio | \$64,043 |
| Oklahoma | \$42,431 |
| Oregon | \$62,196 |
| Pennsylvania | \$79,563 |
| Rhode Island | \$84,333 |
| South Carolina | \$52,089 |
| South Dakota | \$48,081 |
| Tennessee | \$58,280 |
| Texas | \$54,831 |
| Utah | \$55,097 |
| Vermont | \$74,387 |
| Virginia | \$56,593 |
| Washington | \$77,314 |
| West Virginia | \$60,667 |
| Wisconsin | \$66,536 |
| Wyoming | \$56,750 |

Source: Genworth Financial Cost of Care Survey, 2005



Choosing a Life Insurance Agent

STARTING OUT

One of the first steps in obtaining life insurance coverage should be to contact a life insurance agent in your area. Collect the names of several agents through recommendations from friends, family, business associates and other sources. A list of agents can also be found in the local phone book, on the Internet or by contacting the Indiana Department of Insurance.

A licensed insurance agent can provide information and advice on coverage options and cost-saving measures. Agents should be familiar with insurance companies in your city, especially those that will be able to provide the coverage needed. Agents may represent one company or several companies. All insurance companies and agents are regulated by state insurance departments. Keep in mind that agents who sell variable products must be registered with the National Association of Securities Dealers and have additional state licenses.

WHEN CHOOSING AN AGENT, YOU SHOULD:

- Check whether the agent is a full-time and experienced agent or one who sells insurance as a sideline, and look for an agent with specialized training in life insurance.
- Determine if your agent has any professional designations. Most states also require agents to take continuing education courses to remain licensed in a given state. In addition to the courses required by the state, many agents take a series of courses and are

awarded with professional designations.

- Carefully study your agent's recommendation and ask for a point-by-point explanation. Make sure the agent explains items you don't understand. Because your policy is a legal document, it is important that you know what it provides.

IF YOUR AGENT RECOMMENDS A TERM POLICY, ASK:

How long can I keep this policy? If I want the option to renew the policy for a specific number of years or until a certain age, what are the terms of renewal?

When will my premiums increase? Annually? Or after a longer period of time, such as five or ten years?

Can I convert to a permanent policy? Will I need a medical exam when I convert?

IF YOUR AGENT RECOMMENDS A PERMANENT POLICY, ASK:

Are the premiums within my budget?

Can I commit to these premiums over the long term?

How much will I receive if I surrender the policy?

Keep in mind that permanent insurance provides protection for your entire life. If you don't plan to keep the policy for many years, consider another type. Cashing in a permanent policy after only

a few years can be a costly way to get short-term insurance protection.

First In Life Insurance, Inc.

How Much Life Insurance Do You Need?

Here are some questions to ask yourself:

How much of the family income do I provide? If I were to die early, how would my survivors, especially my children, get by? Are there any other relatives that depend on my financial assistance, such as a cousin or a sister?

Do I have children for whom I'd like to set aside money to finish their education in the event of my death?

How will my family pay final expenses and repay debts after my death?

Do I have family members or organizations to whom I would like to leave money?

Will there be estate taxes to pay after my death?

How will inflation affect future needs?



Annuities and Survivorship Life Insurance

WHAT IS AN ANNUITY?

With an annuity you simply set aside a sum of your money in order to generate periodic income. There are two phases to an annuity. The accumulation phase is when premium payments accumulate interest earnings. The payout phase is when a sum of money is paid out over a desired benefit period. Both the accumulation phase and the payout phase of an annuity are extremely flexible. For example, the accumulation phase may consist of a single premium payment or a series of periodic premium payments. Also, the accumulation period may be as short as five years, or for the entire lifetime of the annuitant.

WHAT ARE THE TAX ADVANTAGES?

The interest earned on an annuity is tax-deferred. In other words, you do not pay income tax on earnings until you begin the payout phase.

During the payout phase, either all or a portion of each benefit payment will be taxable. For example, if you select an interest only option, the entire periodic payment is considered interest income and therefore is fully taxable. If you select a lifetime income option for your non-qualified annuity, only a part of each payment is reportable as taxable income.

WHAT IS SURVIVORSHIP LIFE INSURANCE?

The Economic Recovery Tax Act of 1981 allowed postponement of estate taxes until after the death of both husband and wife. While this provides couples

with increased flexibility during their lifetime, in many cases it places a substantial tax burden on the combined estate when the surviving spouse dies. Survivorship life insurance provides a solution by covering two lives with proceeds payable at the second death. Therefore it is perfectly suited to deal with the estate tax problem discussed above.

ITS ADVANTAGES OVER INDIVIDUAL COVERAGE

- Lower premiums are more cost effective than two individual policies.
- Medical underwriting standards may be eased with respect to one of the insureds, due to second death payouts.
- Lower “economic benefit” reportable for income taxes.

OTHER USES FOR SURVIVORSHIP LIFE INSURANCE

- **Key Person Insurance-**
Where the employer can self insure or absorb the loss of one key individual but not two.
- **Business Buyout-**
The purchase of a family business from aging parents. Child working in the business owns the policy on the parents.
- **Charitable Gift Replacement-**
Provides heirs with replacement cash when assets are used to fund a Remainder Trust.



Viaticals/Accelerated Benefits

ACCELERATED BENEFITS

To help pay long-term care costs, certain policy features allow the insured to collect life insurance benefits prior to death. Circumstances that can trigger these accelerated benefits include diagnosis of a terminal illness or medical condition that would drastically shorten the policyholder's life span, the need for long-term care, or permanent confinement to a nursing home. Upon the death of the insured, the beneficiaries receive the remainder of the death benefit.

Accelerated benefit provisions may be integrated in the policy or more typically attached to it as a rider. Most individual life insurance requires an additional premium for an accelerated benefit for long-term or permanent confinement.

American Council of Life Insurers

VIATICAL SETTLEMENTS

Viatical settlements are cash sales of life insurance policies to investors for a portion of face value. Many individuals who sell their policies are in the later stages of terminal illness and are often trying to raise cash for much-needed treatment.

When the viatical business first got started, roughly 95 percent of policies were for individuals diagnosed with AIDS. Today roughly 30 to 40 percent of the business is made up of individuals with HIV and AIDS. The majority of the policies now come from a mixture of individuals with cancer, heart disease or other terminal afflictions and senior citizens who may be healthy but are over 70 and trying to obtain cash from life insurance policies they may no longer need.

If a policyholder decides to viaticate or sell a life insurance policy, he or she must locate a viatical broker. A viatical broker is someone who shops the policy to the investor, also known as the viatical provider, who will ultimately buy it. Brokers usually charge a fee ranging from 3 percent to 6 percent of the payout.

American Council of Life Insurers

GENERAL CONSUMER TIPS FOR VIATORS

In order to determine the market value of your policy, you may wish to contact several viatical settlement providers or use a viatical settlement broker to contact several providers for you.

Remember that you are not obligated to accept a particular viatical settlement offer. You can delay a sale or ask for new offers at any time before the settlement is completed.

Prior to accepting an offer, you should ask what will happen to any dividends, additional increases in the face amount of the policy, accidental death benefits or other benefits under the policy once you have entered into the viatical settlement.

Make sure you are comfortable with the confidentiality provisions offered by each party to the viatical settlement. You will want to note the conditions under which there may be an obligation, both during the settlement process and after the settlement is complete, to release further medical information or to disclose other information about your life insurance policy.

Understand the time frame for the completion of your viatical settlement. While each transaction varies, the probable time frame is 2 to 6 weeks from the initial call.

National Association of Insurance Commissioners



Life Insurance in Indiana

INDIANA LIFE INSURANCE FACTS

PRESENCE

616 life insurers are licensed to do business in Indiana and 39 are domiciled in the state.

It is estimated that 6,900 workers in Indiana are employed in the life insurance industry. Life insurers also generate additional jobs by purchasing goods and services from other businesses in the state.

INVESTMENTS IN INDIANA'S ECONOMY

Life insurance companies invest approximately \$64 billion of their assets in Indiana's economy.

About \$53 billion of this investment is in stocks and bonds that help finance business development, job creation, and services in the state.

Life insurers provide \$3 billion in mortgage loans on farm, residential, and commercial properties, and own \$372 million in real property in Indiana.

RESIDENTS PROTECTED

Indiana residents have \$388 billion in death benefit coverage.

State residents own 4 million individual life insurance policies, with coverage averaging \$66,300 per policyholder.

Group life insurance coverage amounts to \$138 billion.

Individual life insurance coverage purchased during the year in Indiana totals \$28 billion.

BENEFITS PAID

\$7 billion was paid to Indiana residents in the form of death benefits, matured endowments, policy dividends, surrender values, and other payments.

Source: ACLI calculations based on National Association of Insurance Commissioners (NAIC) 2005 annual statement data; U.S. Bureau of Economic Analysis, 2005 data; U.S. Census Bureau, 2005 data; and U.S. Bureau of Labor Statistics, 2005 data.

Chapter Seven: Commercial Insurance

Commercial Insurance: An Overview

Worker's Compensation

Worker's Compensation Board of Indiana

Injuries in the Workplace

Additional Coverages





Commercial Insurance: An Overview

WHY BUSINESS INSURANCE?

The success of a business, whether it's a tiny enterprise run out of a basement or a large corporation, is largely dependent on hard work and ingenuity. However, no matter how industrious you are, one disaster can wipe out all your profits and even destroy your business. The key to making sure that all the effort and money you have invested in a business doesn't disappear when a disaster strikes is to protect it with the appropriate insurance.

WHAT DOES A BUSINESS OWNERS POLICY COVER?

Insurance companies selling business insurance offer policies that combine protection from all major property and liability risks in one package. (They also sell coverages separately.) One package purchased by small and mid-sized businesses is the businessowners policy (BOP). Package policies are created for businesses that generally face the same kind and degree of risk. Larger companies might purchase a commercial package policy or customize their policies to meet the special risks they face.

BOPs include:

1. Property insurance for buildings and contents owned by the company -- there are two different forms, standard, and special which provides more comprehensive coverage.

2. Business interruption insurance, which covers the loss of income resulting from a fire or other catastrophe that disrupts the operation of the business. It can also include the extra expense of operating out of a temporary location.

3. Liability protection, which covers your company's legal responsibility for the harm it may cause to others. This harm is a result of things that you and your employees do or fail to do in your business operations that may cause bodily injury or property damage due to defective products, faulty installations and errors in service provided.

BOPs do **not** cover professional liability, auto insurance, worker's compensation or health and disability insurance. You will need separate insurance policies to cover professional services, vehicles and your employees.

DO I NEED BUSINESS INTERRUPTION INSURANCE?

Business interruption insurance can be as vital to your survival, as a business, as fire insurance. Most people would never consider opening a business without buying insurance to cover damage due to fire and windstorms. But too many small businessowners fail to think about how they would manage if a fire or other disaster damaged their business premises so that they were temporarily

unusable. Business interruption coverage is not sold separately. It is added to a property insurance policy or included in a package policy.

A business that has to close down completely while the premises are being repaired may lose out to competitors. A quick resumption of business after a disaster is essential.

1. Business interruption insurance compensates you for lost income if your company has to vacate the premises due to disaster-related damage that is covered under your property insurance policy, such as fire.
2. Make sure the policy limits are sufficient to cover your company for more than a few days. After a major disaster, it can take more time than many people anticipate to get the business back on track. There is generally a 48-hour waiting period before business interruption coverage kicks in.
3. The price of the policy is related to the risk of a fire or other disaster damaging your premises. All other things being equal, the price would probably be higher for a restaurant than a real estate agency, for example, because of the greater risk of fire. Also, a real estate agency can easily operate out of another location.



Commercial Insurance: An Overview

ARE THERE ANY DISASTERS MY PROPERTY INSURANCE WON'T COVER?

Yes. Floods and earthquakes are generally not covered.

Protection against flood damage

Property insurance policies usually exclude coverage for flood damage. Find out from your local government office or your commercial bank whether your business is located in a flood zone. Also ask around to find out whether your location has been flooded in the past. Government projects to map flood zones may be slow to keep up with new developments.

If you need to buy a flood insurance policy, contact your insurance agent or the National Flood Insurance Program. For more information about this program call 888-CALL-FLOOD or look at its web site <http://www.fema.gov/nfip/>.

The federal government requires buildings in flood zones that don't conform to flood plain building codes to be torn down if damage exceeds 50 percent of the market value. Consider purchasing "ordinance or law" coverage to help pay for the extra costs of tearing down the structure and rebuilding it. If your policy contains a coinsurance clause, make sure your property is sufficiently insured to comply with the clause.

Protection against earthquake damage

Coverage for earthquake damage is excluded in most property insurance policies, including homeowners and businessowners package policies. If you live in an earthquake-prone area, you'll need a special earthquake insurance policy or commercial policy earthquake endorsement.

Earthquake policies have a different kind of deductible -- a percentage of coverage rather than a straight dollar amount. If the building is insured for \$100,000 with a 5% deductible, for example, in the event of an earthquake, your business would be responsible for the first \$5,000 in damage.



Commercial Insurance: An Overview

HOW DO I FILE A BUSINESS INSURANCE CLAIM?

When a fire, accident or theft occurs at your business:

- Contact your insurance agent and company right away. Any burglaries or theft should also be reported to the police immediately.
- Read your insurance policy so that you know what your responsibilities are to your insurance company after a loss.
- After a disaster, take steps to protect your property from further damage by making temporary repairs. If immediate repairs to equipment are necessary, save the damaged parts in case the claims adjuster is interested in examining them.
- Get at least two bids on the cost to repair or replace damaged property.
- When filing a business interruption claim, be able to show the income the business was generating both before and after the loss. Keep detailed records of the business activity and the extra expenses of keeping your business operating in a temporary location during the interruption period. If you are forced to close down, include expenses that continue during the time that the business is closed, such as advertising and the cost of utilities.
- If you are unhappy with how your claim was handled:
 - Talk to your insurance agent or claims manager to explain your point of view.
 - Call the consumer affairs or complaint department of your insurance company and tell them your story and why you think you deserve a larger settlement.
 - Contact the Indiana Department of Insurance at 317-232-2385.
- If you've tried all other options, consult an attorney who specializes in insurance matters to see if he thinks you have a valid claim that is worth a lawsuit. Provide the lawyer with all relevant documents and a copy of your insurance policy. Tell your attorney about any settlements offered by your insurance company and the attorney will judge whether you have a legitimate case that might result in a larger settlement if brought to trial. Attorneys work on an hourly basis or on a contingency basis in which case they receive a portion of whatever settlement you ultimately receive. Get your lawyer's fee structure in writing before you pursue your case, and make sure you are kept current on the status of the case as it progresses. You must agree to any settlement reached between your attorney and the insurance company before it is made final.



Commercial Insurance: An Overview

WHAT'S THE DIFFERENCE BETWEEN CANCELLATION AND NON-RENEWAL?

There is a big difference between cancellation and non-renewal. Insurance companies cannot cancel a policy that has been in force for more than 90 days except:

- if you fail to pay the premium
- if you have committed fraud or made serious misrepresentations on your application
- if you have failed to comply with reasonable safety recommendations.

Non-renewal is a different matter. Either you or your insurance company can decide not to renew the policy when it expires. Depending on the state you live in, your insurance company must give you a certain number of days notice and explain the reason for non-renewal before it drops your policy. If you think the reason is unfair or want a further explanation, call the insurance company's consumer affairs division or the Department of Insurance.

The company may have decided to

drop that particular line of insurance or to write fewer policies where you live, so you shouldn't necessarily think the non-renewal is because of something you did. On the other hand, if you did do something that raised the insurance company's risk considerably, like committing fraud, your policy may not be renewed.

If your insurance company did not renew your policy, you will not necessarily be charged a higher premium at another insurance company.

DO I NEED WORKER'S COMPENSATION INSURANCE?

Employers have a legal responsibility to their employees to make the workplace safe. However, accidents happen even when every reasonable safety measure has been taken.

To protect employers from lawsuits resulting from workplace accidents and to provide medical care and compensation for lost income to employees hurt in workplace accidents, in almost every state, businesses are required to

buy worker's compensation insurance. Worker's compensation insurance covers workers injured on the job, whether they're hurt on the premises or elsewhere, or in auto accidents while on business. It also covers work-related illnesses.

Worker's compensation provides payments to injured workers, without regard to who was at fault in the accident, for time lost from work and medical and rehabilitation services. It also provides death benefits to surviving spouses and dependents.

Worker's compensation insurance must be bought as a separate policy. Although in-home business and businessowners policies (BOPs) are sold as package policies, they don't include coverage for workers' injuries.

Worker's compensation remains the most highly regulated of all commercial coverages, and is offered on a no-fault basis. Losses due to terrorism and acts of war are not excluded from worker's compensation policies.

Worker's Compensation

WORKER'S COMPENSATION IN INDIANA

Like most states, Indiana has a private

insurance worker's compensation system, which means that employers must carry an insurance policy in order to

cover liability under the worker's compensation law. A small number of employers are "self-insured" meaning they have received special approval from the Worker's Compensation Board to pay claims out of their own funds.

The Worker's Compensation Board has exclusive jurisdiction to hear claims for personal injury or death by accident arising out of and in the course of employment. Worker's compensation provided limited benefits to injured workers in the form of medical treatment, compensation for lost wages, and compensation for the loss or loss of use of parts of the body. In the case an employee dies in a workplace accident, the employee's dependents may become eligible to collect death benefits.

When a compensable injury occurs, the employee should receive immediate medical treatment if necessary. If the employee is unable to work because of the injury, he or she is considered disabled and may receive limited wage-replacement compensation. The employee may be placed on light duty or a reduced schedule, in which case partial disability payments may be provided. When the injury heals to the point that it will likely get no better and no worse, the employee may be examined to determine if there is any permanent impairment, meaning a permanent loss of a body part or function. If the injury is found to result in a permanent impairment, the employee will be compensated according to a statutory schedule.

Claims for work injuries are handled initially by the employer or its worker's compensation insurance carrier. If disputes arise, both the employer and employee have the right to a hearing before a worker's compensation judge.

| <u>2006 Rank</u> | <u>2004 Rank</u> | <u>State</u> | <u>Index Rate</u> | <u>Effective Date</u> |
|------------------|------------------|----------------|-------------------|-----------------------------------|
| 1 | 2 | Alaska | 5.00 | January 1, 2006 |
| 2 | 1 | California | 4.13 | January 1, 2006 |
| 3 | 7 | Delaware | 3.91 | December 1, 2005 |
| 4 | 6 | Kentucky | 3.78 | October 1, 2005 |
| 5 | 8 | Montana | 3.69 | July 1, 2005 |
| 6 | 3 | Florida | 3.32 | January 1, 2006 |
| 7 | 17 | Vermont | 3.24 | April 1, 2005 |
| 8 | 13 | Maine | 3.21 | January 1, 2006 |
| 9 | 19 | Alabama | 3.17 | March 1, 2005 |
| 10 | 18 | New York | 3.15 | October 1, 2005 |
| 11 | 9 | Louisiana | 3.10 | September 1, 2005 |
| 12 | 5 | Ohio | 3.00 | July 1, 2005 |
| 13 | 15 | Oklahoma | 2.96 | 2/1/06 State Fund, 7/1/05 Private |
| 14 | 11 | Connecticut | 2.90 | January 1, 2006 |
| 15 | 4 | Hawaii | 2.89 | January 1, 2006 |
| 16 | 10 | D.C. | 2.86 | November 1, 2005 |
| 17 | 14 | Texas | 2.84 | January 1, 2006 |
| 18 | 20 | Pennsylvania | 2.80 | April 1, 2005 |
| 19 | 12 | New Hampshire | 2.75 | January 1, 2006 |
| 20 | 23 | Illinois | 2.69 | January 1, 2006 |
| 21 | 21 | Minnesota | 2.69 | January 1, 2006 |
| 22 | 16 | Rhode Island | 2.68 | January 1, 2006 |
| 23 | 29 | New Jersey | 2.52 | January 1, 2006 |
| 24 | 22 | Missouri | 2.50 | January 1, 2006 |
| 25 | 39 | South Carolina | 2.50 | July 1, 2004 |
| 26 | 25 | Tennessee | 2.48 | July 1, 2005 |
| 27 | 27 | New Mexico | 2.41 | January 1, 2006 |
| 28 | 28 | Wyoming | 2.40 | January 1, 2006 |
| 29 | 31 | Colorado | 2.40 | January 1, 2006 |
| 30 | 26 | Nevada | 2.36 | January 1, 2005 |
| 31 | 36 | Mississippi | 2.29 | March 1, 2005 |
| 32 | 34 | Idaho | 2.29 | January 1, 2006 |
| 33 | 38 | Nebraska | 2.25 | February 1, 2005 |
| 34 | 24 | West Virginia | 2.20 | January 1, 2006 |
| 35 | 33 | Wisconsin | 2.18 | October 1, 2005 |
| 36 | 35 | Washington | 2.17 | January 1, 2006 |
| 37 | 32 | North Carolina | 2.17 | April 1, 2005 |
| 38 | 46 | Utah | 2.06 | December 1, 2005 |
| 39 | 30 | Michigan | 2.05 | January 1, 2006 |
| 40 | 40 | Maryland | 2.03 | January 1, 2006 |
| 41 | 37 | Georgia | 2.02 | July 1, 2005 |
| 42 | 42 | Oregon | 1.97 | January 1, 2006 |
| 43 | 44 | Kansas | 1.84 | January 1, 2006 |
| 44 | 41 | South Dakota | 1.83 | July 1, 2005 |
| 45 | 43 | Iowa | 1.75 | January 1, 2006 |
| 46 | 49 | Arizona | 1.73 | October 1, 2005 |
| 47 | 45 | Massachusetts | 1.70 | September 1, 2005 |
| 48 | 48 | Arkansas | 1.59 | July 1, 2005 |
| 49 | 47 | Virginia | 1.52 | November 1, 2005 |
| 50 | 50 | Indiana | 1.24 | January 1, 2006 |
| 51 | 51 | North Dakota | 1.10 | July 1, 2005 |

Source: Oregon Department of Business and Consumer Services



Worker's Compensation Board of Indiana

WHAT IS THE ROLE OF THE WORKER'S COMPENSATION BOARD?

The Worker's Compensation Board is composed of seven administrative law judges who have the duty to administer Indiana's Worker's Compensation and Occupational Diseases Act. Board members are appointed by the Governor to staggered four year terms. Not more than four members of the Board may belong to the same political party. In addition to administering the Worker's Compensation and Occupational Diseases Acts, the Board has the authority to pass administrative rules in order to carry into effect the provisions of the law. The Board's current administrative rules are found at Title 631 of the Indiana Administrative Code.

Board members have the authority to review all claims for worker's compensation and occupational diseases. Board members may order medical treatment for injured employees, approve claims for medical and attorney's fees incurred under the Acts, approve agreements between employers and employees, and modify or change awards.

The Worker's Compensation Board appoints and Executive Secretary who directs the staff of the Agency. The Executive Secretary and the staff are

responsible for the day to day administrative functions of the Board, and are available to the public to answer questions.

The employees of the Board can answer general questions and offer assistance with the administrative steps necessary to proceed through the worker's compensation system. However, members of the staff cannot give legal advice to employers or employees. Agency staff cannot act as the representatives or advocates of the parties to a worker's compensation dispute.

The Board's Ombudsman Division was established to assist employers and employees who have problems or disputes in worker's compensation matters. Upon receipt of a signed Request for Assistance Form the Ombudsman Division may attempt to informally resolve disputes arising between employers and employees. The Ombudsman staff can be helpful when an employee feels that he or she is entitled to worker's compensation but is receiving no benefits. In a limited number of cases, the Ombudsman Division may recommend that the Board appoint an independent medical examination if the employer and employee disagree as to the employee's readiness to return to work after a compensable injury. If the Ombudsman Division is unable to resolve a dispute, the parties may file for

a hearing before a worker's compensation judge.

If you require assistance of an Ombudsman, you may file a Request for Assistance. Upon receipt of the form, an Ombudsman will contact all parties involved in order to attempt to resolve the dispute.

The board's Data Services Division is responsible for processing and checking the accuracy of reports of injury and compensation agreements. If you have a question about the calculation of disability payments or permanent partial impairment (PPI) agreements, contact the Date Services Division.

The Insurance Division of the Board collects proof of insurance information from employers, administers the Independent Contractor Affidavit process and administers the self-insurance program. Applications for self-insurance are available upon request.

To determine whether an employer has current worker's compensation coverage, contact the Insurance Division. The Insurance Division provides certificates of compliance pursuant to 631 IAC 1-1-30. Written requests must be accompanied by a pre-addressed, stamped envelope for each party who is to receive a copy of the certificate.



Injuries in the Workplace

What if you are injured on the job?

If you are injured at work or believe that an injury or illness is work-related, the following steps may be helpful. The steps in this list are not required by statute. If you are unable to do these things for yourself, ask someone to do them for you.

- Note the hour, date, cause of the accident or illness, and the names of any witnesses to the accident. If possible, obtain a written statement from these witnesses. This information may be important in pursuing your claim.
- Immediately report the accident and injury to your supervisor, first aid person, company nurse or physician, or directly to your employer. Do not wait to report injuries or illnesses and do not conceal injuries or illnesses if you wish to pursue a worker's compensation claim.
- If you work for a unionized employer, report the injury to your union representative.
- Request medical treatment under worker's compensation.
- Do not sign any papers unless you understand what you are signing. However, remember that your signature may be required at various steps in the handling of your claim. Your delay in signing may lead to a delay in receiving compensation.
- You do not have to allow claims investigators to take a tape recorded statement from you as a condition for receiving worker's compensation.
- If your claim is denied, you have the right to a hearing before the Worker's Compensation Board.

What can employers do to prevent injuries and control costs?

Employers can control worker's compensation costs and prevent worker injuries by establishing and maintaining a strong safety ethic in the workplace.

- Create and maintain health and safety initiatives.
- Make sure that injuries and illnesses receive immediate treatment.
- Take Remedial steps to reduce known safety problems.
- Establish safety procedures that are responsible and the employees can easily follow.
- Require employees to report all accidents immediately.
- Establish and make known procedures to be followed by workers and management in the event of an accident.
- Inform the treating physician of the physical demand of an injured employee's job so that the doctor can make a realistic determination of the employee's ability to return to work.
- If possible, offer reasonable light duty assignment so that the employee can return to work.
- Post the required notice in a conspicuous location informing all employees of the name, address and telephone number of your insurance carrier and person responsible for administering worker's compensation claims.

Injuries in the Workplace

WEEKLY COMPENSATION FOR DISABILITY IN INDIANA

(IC 22-3-3-10)

| Date of Injury | Minimum AWW | 2/3 Minimum AWW | Maximum AWW | 2/3 Maximum AWW | Max Compensation (TTD, TPD, PTD, PPI) |
|--------------------|-------------|-----------------|-------------|-----------------|---------------------------------------|
| On or after 7/1/99 | \$75 | \$50 | \$732 | \$488 | \$244,000 |
| On or after 7/1/00 | \$75 | \$50 | \$762 | \$508 | \$254,000 |
| On or after 7/1/01 | \$75 | \$50 | \$822 | \$548 | \$274,000 |
| On or after 7/1/02 | \$75 | \$50 | \$882 | \$588 | \$294,000 |
| On or after 7/1/06 | \$75 | \$50 | \$900 | \$600 | \$300,000 |
| On or after 7/1/07 | \$75 | \$50 | \$930 | \$620 | \$310,000 |
| On or after 7/1/08 | \$75 | \$50 | \$954 | \$636 | \$318,000 |
| On or after 7/1/09 | \$75 | \$50 | \$975 | \$650 | \$325,000 |

AWW - Average Weekly Wage

TTD - Temporary Total Disability

TPD - Temporary Partial Disability

PTD - Permanent Total Disability

PPI - Permanent Partial Impairment

About Indiana's Second Injury Fund

The Second Injury Fund created by Ind. Code 22-3-3-13 is designed to prevent discrimination in hiring workers who have lost the use of an arm, hand, leg or foot. When an employee loses the use of any two of these parts of the body, the employee is considered totally impaired, because a loss of any two of these parts is compensated by an award of 100 degrees of impairment pursuant to Ind. Code 22-3-3-10(c)(2). Such injuries must be compensated by an award of 100 degrees of impairment or Permanent Total Disability (PTD), whichever is greater. Obviously, employers would hesitate to hire any employee who had already lost or lost the use of an arm, hand, foot or leg, for fear that a second injury would expose them to liability for an award of PTD. Under 22-3-3-13(a), the employer is held liable only to the extent of compensation due for the second injury. The

Second Injury Fund is liable for the remainder of the compensation award.

The Second Injury Fund serves a second purpose unrelated to second injuries. In cases where the employee is permanently and totally disabled and exhausts the maximum compensation payable under the Act, application may be made the Fund for benefits. The Fund may award benefits at the rate of sixty-six and two-thirds percent (66 2/3%) of the employee's average weekly wages at the time of the injury, payable at six week intervals for a total of 150 weeks. If the employee remains permanently and totally disabled after 150 weeks, he or she may reapply to the fund. The Board may award additional benefits for successive periods not to exceed on hundred fifty (150) weeks each. Hearings are held to determine eligibility for benefit extensions.

A third purpose of the Second Injury Fund was created by legislation passed in 1997. This legislation allows an employee to apply to the Second Injury Fund for the cost of repairs to or replacement of an artificial member, braces or prosthodontics resulting from a compensable injury pursuant to a prior award. The repairs or replacement may be due to medical necessity or normal wear and tear, but not in cases of abuse by the employee. The compensable injury resulting in the prosthetic must have caused the amputation of a body part, the enucleation of an eye, or the loss of natural teeth. This provision is available regardless of when the injury occurred, so long as the employee can prove that it was a compensable injury and that the prosthetic was received pursuant to a prior award.



Additional Coverages

INSURING A KEY EMPLOYEE

The loss of a key person can be a major blow to a small business if that person is the key contact for customers and suppliers and the management of the business. Loss of the key person may also make the running of the business less efficient and result in a loss of capital.

Losses caused by the death of a key employee are insurable. Such policies will compensate the business against significant losses that result from that person's death or disability. The amount and cost of the insurance needed for a particular business depends on the situation and the age, health and role of the key employee.

Key employee life insurance pays a death benefit to the company when the key employee dies. The policy is normally owned by the company, which pays the premiums and is the beneficiary. Contact an insurance agent or broker who specializes in key employee insurance for more on how much it may cost for your company.

To locate an insurance company that specializes in key employee life insurance, go to <http://www.roughnotes.com/>. Available to the public to answer questions.

PROFESSIONAL LIABILITY INSURANCE

Professionals who operate their own business need professional liability insurance in addition to an in-home business or businessowners policy. This protects them against financial losses from lawsuits filed against them by their clients.

Professionals are expected to have extensive technical knowledge or training in the particular area of expertise. They are also expected to perform the services for which they were hired, according to the standards of conduct in their profession. If they fail to use the degree of skill expected of them, they can be held responsible in a court of law for any harm they cause to another person or business. When liability is limited to acts of negligence, professional liability insurance may be called "errors and omissions" liability.

Professional liability insurance is a specialty coverage. Professional liability coverage is not provided under homeowners endorsements, in-home business policies or businessowners policies (BOPs).

COMMERCIAL AUTO INSURANCE

As a businessowner, you need the same kinds of insurance coverages for the car you use in your business as you do for a car you use for personal travel -- liability, collision and comprehensive, medical payments and coverage for uninsured motorists. In fact, many business people use the same vehicle for both business and pleasure. If the vehicle is owned by the business, make sure the name of the business appears on the policy as the "principal insured" rather than your name. This will avoid possible confusion in the event that you need to file a claim or a claim is filed against you.

Whether you need to buy a business auto insurance policy will depend on the kind of driving you do. A good insurance agent will ask you many details about how you use vehicles in your business, who will be driving them and whether employees are likely to be driving their own cars for your business.

While the major coverages are the same, a business auto policy differs from a personal auto policy in many technical respects. Ask your insurance agent to explain all the differences and options.



Additional Coverages

EMPLOYMENT PRACTICES LIABILITY INSURANCE (EPLI)

EPLI covers businesses against claims by workers that their legal rights as employees of the company have been violated.

The number of lawsuits filed by employees against their employers has been rising. While most suits are filed against large corporations, no company is immune to such lawsuits. Recognizing that smaller companies now need this kind of protection, some insurers provide this coverage as an endorsement to the Businessowners Policy (BOP). An endorsement changes the terms and conditions of the policy. Other companies offer EPLI as a stand-alone coverage.

EPLI provides protection against many kinds of employee lawsuits, including claims of:

- Sexual harassment
- Discrimination
- Wrongful termination

- Breach of employment contract
- Negligent evaluation
- Failure to employ or promote
- Wrongful discipline
- Deprivation of career opportunity
- Wrongful infliction of emotional distress
- Mismanagement of employee benefit plans

The cost of EPLI coverage depends on your type of business, the number of employees you have and various risk factors such as whether your company has been sued over employment practices in the past. The policies will reimburse your company against the costs of defending a lawsuit in court and for judgements and settlements. The policy covers legal costs, whether your company wins or loses the suit. Policies typically do not pay for punitive damage or civil and criminal penalties. Liabilities covered by other insurance policies such as worker's compensation are excluded from EPLI policies.

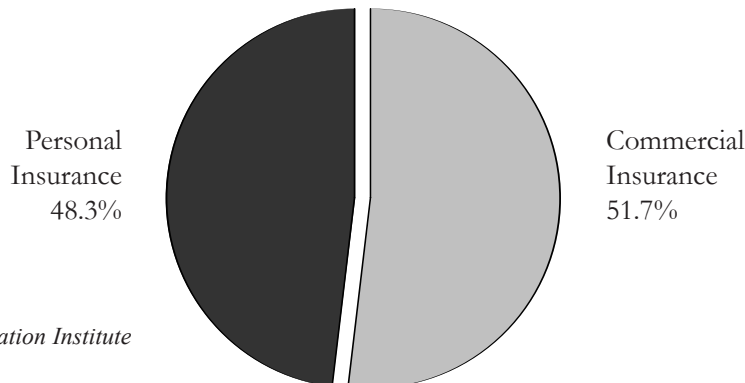
To prevent employee lawsuits, educate your managers and employees so that you minimize problems in the first place.

KIDNAP AND RANSOM INSURANCE COVERAGE

Depending on the type of policy, kidnap and ransom policies cover some of the expense of dealing with kidnappers and their demands.

Kidnapping for ransom money is on the upswing. Kidnap and ransom insurance is now available as part of a comprehensive business insurance package, as a stand-alone policy for individuals and from a few insurance companies as part of their homeowners insurance policy. Corporate policies generally cover most kidnapping-related expenses including hostage negotiation fees, lost wages and the ransom amount. Policies for individuals help pay for the cost of dealing with a kidnapping but do not reimburse for ransom payments.

NET INSURANCE PREMIUMS WRITTEN, 2006



Source: Insurance Information Institute

Chapter Eight: Insurance-Related Crimes

The Impact of Insurance Fraud

Arson and Its Impact

Auto Theft and Its Impact



The Impact of Insurance Fraud

THE IMPACT

Insurance fraud is a deliberate deception perpetrated against or by an insurance company or agent for the purpose of financial gain. Fraud may be committed at different points in the insurance transaction by applicants for insurance, policyholders, third-party claimants or professionals who provide services to claimants. Insurance agents and company employees may also commit insurance fraud. Common frauds include “padding,” or inflating actual claims, misrepresenting facts on an insurance application, submitting claims for injuries or damage that never occurred, and “staging” accidents.

Insurance fraud may be classified as “hard” or “soft.” Hard fraud is a deliberate attempt either to stage or invent an accident, injury, theft, arson or other type of loss that would be covered under an insurance policy.

Soft fraud, which is sometimes called opportunity fraud, occurs when a policyholder or claimant exaggerates a legitimate claim. One example of soft fraud is the car owner involved in a “fender bender” who pads the claim to cover the policy deductible. Another is exaggerating the number and value of items stolen from a home or business. Soft fraud may also occur when people purposely provide false information to influence the underwriting process in their favor when applying for insurance. To lower insurance premiums or increase the likelihood that the application for insurance will be accepted, people may underreport the number of miles driven, misrepresent where a car is garaged, fail to

provide an accurate medical history when applying for health insurance, or falsify the number of employees and the nature of their work for workers compensation coverage.

- The Coalition Against Insurance Fraud estimates more than \$80 billion of insurance fraud takes place each year. This translates into higher insurance premiums and increased costs for running a business, owning a home, or driving a car.
- It is estimated that every American household pays approximately \$300 extra in insurance premiums each year to offset the cost of fraud, according to the National Insurance Crime Bureau.
- At least 10 percent of all property-casualty insurance claims are either inflated or outright fraudulent.
- The Insurance Research Council (IRC) estimates that more than one-third of injury claims from car crashes involve fraud or deliberate exaggeration of injuries.
- The U.S. Chamber of Commerce says fraud adds 25 percent to property-casualty insurance rates.

| State | Insurance Fraud a Felony | Immunity Statutes | Fraud Bureau |
|----------------|--------------------------|-------------------|--------------|
| Alabama | X | X | |
| Alaska | X | X | X |
| Arizona | X | X | X |
| Arkansas | X | X | X |
| California | X | X | X |
| Colorado | X | X | X |
| Connecticut | X | X | X |
| Delaware | X | X | X |
| D.C. X | X | X | X |
| Florida | X | X | X |
| Georgia | X | X | X |
| Hawaii | X | X | X |
| Idaho | X | X | X |
| Illinois | X | X | |
| Indiana | X | X | |
| Iowa | X | X | X |
| Kansas | X | X | X |
| Kentucky | X | X | X |
| Louisiana | X | X | X |
| Maine | X | X | X |
| Maryland | X | X | X |
| Massachusetts | X | X | X |
| Michigan | X | X | |
| Minnesota | X | X | X |
| Mississippi | X | | X |
| Missouri | X | X | X |
| Montana | X | X | X |
| Nebraska | X | X | X |
| Nevada | X | X | X |
| New Hampshire | X | X | X |
| New Jersey | X | X | X |
| New Mexico | X | X | X |
| New York | X | X | X |
| North Carolina | X | X | X |
| North Dakota | X | X | X |
| Ohio | X | X | X |
| Oklahoma | X | X | X |
| Oregon | | X | |
| Pennsylvania | X | X | X |
| Rhode Island | X | X | X |
| South Carolina | X | X | X |
| South Dakota | X | X | X |
| Tennessee | X | X | X |
| Texas | X | X | X |
| Utah | X | X | X |
| Vermont | | | |
| Virginia | X | X | X |
| Washington | X | X | |
| West Virginia | X | X | X |
| Wisconsin | X | X | |
| Wyoming | X | X | |



Arson and Its Impact

Arson, the act of deliberately setting fire to a building, car or other property for fraudulent purposes, is a crime in all states. Insurers have an interest in preventing and detecting arson because such fires cause needless loss of life and property and also push up the cost of insurance for homeowners, vehicle owners and owners of commercial buildings.

Great strides have been made in fighting arson over the past two decades. Church arson is classified as a federal crime and a coalition of federal agencies are allied against church arson. More fire fighters and police officers have basic training in arson detection. Insurers have set up a computerized database of property claims to help identify suspicious fires and insurance companies have special units to investigate suspected arson. State laws now allow a free exchange of information between insurers and law enforcement agencies eliminating the threat of civil suits for libel or violation of privacy. New computer modeling programs enable fire investigators to better understand the dynamics of arson fires.

KEY STATISTICS

Arsonists intentionally set fires that destroyed \$777 million worth of property in 2005, down 12 percent from \$879 million in 2004. These fires include factories, residential buildings, churches and motor vehicles, according to the National Fire Protection Association.

The number of civilians killed in arson fires in buildings in 2005 totaled 315, down slightly from 320 in 2004. Only 18 percent of cases were cleared (closing a case either by an arrest or by a predominance of the evidence) in 2005.

Vandalism is the leading cause of arson. An Insurance Research Council study indicates that only 14 percent of arson suspects are motivated by a desire to defraud an insurance company, but other studies find the percentage is higher. Between 20 and 25 percent of arson fires are drug-related.

Children are responsible for almost half of the arson fires set in the United States

NFPA Data: According to the National Fire Protection Association (NFPA), in 2005 there were 31,500 intentionally set structure fires, down 13.7 percent from the prior year. In 1996 there were 52,500 such fires. Intentionally set fires in structures in 2005 accounted for 6 percent of all structure fires. These figures do not count suspicious fires.

In 2005 intentionally set structure fires cost \$664 million in property damage, down 7 percent from \$714 million in 2004. These fires killed 315 civilians.

There were 21,000 intentionally set vehicle fires in 2005, down significantly from 36,000 in 2004, a 42 percent decrease. These fires caused an estimated \$113 million in property damage, compared with \$165 million in 2004. Like structure fires, these statistics do not include suspicious fires.

FBI Data: According to the FBI's Uniform Crime Reporting Program, law enforcement agencies in the United States reported 65,868 arson offenses, down 2.7 percent from 2004. Only the fires that investigators have determined to have been willfully set — not fires labeled as suspicious or of unknown origin — are

included in the FBI report.

Arsons involving structures (residential, storage, public, etc.) accounted for 43.6 percent of all arson offenses. Mobile property — composed of motor vehicles, trailers and the like — accounted for 29.0 percent of arsons. The rest were arsons of other types of property.

According to the FBI, the rate of arson was 26.9 offenses for every 100,000 inhabitants of the United States in 2005. Arson rates were highest in cities with populations of 250,000 or more, at 46.3 per 100,000 inhabitants. The arson rate for suburban areas was 20.9 per 100,000 inhabitants.

The average loss value per arson offense was \$14,910. Arsons of industrial and manufacturing structures resulted in the highest average dollar losses — an average of \$356,324 per arson.

Arson in the nation's cities fell 2.1 percent in 2005 from 2004, compared with a 2.7 percent drop in the nation as a whole. The number of arson incidents in 2005 fell 1.2 percent in the nation's smallest cities, with populations of 10,000 or fewer inhabitants. In metropolitan counties, arson offenses fell 4.2 percent from 2004 to 2005, and 5.4 percent in nonmetropolitan counties.

Juveniles under 18 years of age accounted for 41.2 percent of arson clearances in 2005. Arson has one of the lowest clearance rates of any major crime. The national rate in 2005 was 18.3 percent, worse than the 17.1 percent in 2004. Motor vehicle clearances were lower in 2005, at 7.4 percent.

Auto Theft and Its Impact

Auto theft is covered under the comprehensive section of an auto insurance policy. Theft coverage applies to the loss of the vehicles as well as parts of the car such as air bags. Comprehensive coverage, which is not mandatory, also pays for fire, vandalism and weather-related damage including damage from flooding and earthquakes.

Premium rates for comprehensive insurance are affected by the risk of loss, meaning the likelihood that an insured car will be stolen or damaged and the car's value at the time of the loss. The dollar size of claims has been going up, reflecting the higher value of new cars on the road, the value of the cars that are targets for theft or are damaged and the cost of vehicle bodywork. Vehicle bodywork costs include replacing stolen components. Nationally, more than 75,000 airbags are stolen every year. Thefts of xenon headlights are also a growing problem.

The number of U.S. motor vehicle thefts decreased by 1.9 percent from 2003 to 2004, the first decrease since 1999. In 2003, the value of stolen motor vehicles was \$7.6 billion, down from \$8.6 billion in 2003. The average value of a motor vehicle reported stolen in 2004 was \$6,143, compared with \$6,797 in 2003.

KEY STATISTICS

- Every 26 seconds, a motor vehicle is stolen in the United States. The odds of a vehicle being stolen were 1 in 190 in 2003 (latest data available). The odds are highest in

urban areas.

- U.S. motor vehicle thefts fell 1.9 percent in 2004 from 2003, according to the FBI's Uniform Crime Reports. In 2004, 1,237,114 motor vehicles were reported stolen.
- The West was the only region with an increase in motor vehicle thefts from 2003 to 2004, up 3.2 percent. Thefts fell 9.7 percent in the Northeast, 4.4 percent in the Midwest and 2.9 percent in the South.
- Nationwide, the 2004 motor vehicle theft rate per 100,000 people was 421.3, down 2.9 percent from 433.7 in 2003. The highest rate was reported in the West, 664.5, up 1.7 percent, the only region registering an increase. The rate of motor vehicles stolen was 397.8 in the South, down 4.2 percent from 2003; 341.6 in the Midwest, down 4.8 percent; and 262.5 in the Northeast, down 9.9 percent.
- Only 13.0 percent of thefts were cleared by arrests in 2004.
- Carjackings occur most frequently in urban areas. They account for only 3.0 percent of all motor vehicle thefts.
- The average comprehensive insurance premium in the U.S. rose 11.2 percent from 1999 to 2003, the most recent data available.

Top Ten States for Motorcycle Thefts, 2005

| State | Motorcycles stolen |
|----------------|--------------------|
| California | 9,110 |
| Florida | 6,324 |
| Texas | 5,755 |
| North Carolina | 3,053 |
| Ohio | 2,573 |
| Arizona | 2,464 |
| New York | 2,195 |
| Indiana | 2,186 |
| Georgia | 2,159 |
| Pennsylvania | 2,021 |

Source: National Insurance Crime Bureau.

2006 Indiana City Auto Theft Rankings¹

50. Indianapolis-Carmel
74. Chicago (includes Jasper, Lake, Porter and Newton counties in Indiana)
77. Louisville (includes Clark, Floyd, Harrison and Washington counties)
111. Terre Haute
135. South Bend-Mishawaka
136. Elkhart-Goshen
139. Michigan City-LaPorte
177. Cincinnati (includes Dearborn, Franklin and Ohio counties)
207. Columbus
212. Fort Wayne
226. Kokomo
263. Muncie
274. Evansville
277. Anderson
287. Bloomington
296. Lafayette

Source: National Insurance Crime Bureau.

¹Rankings out of 361 Metropolitan areas

Top Ten Most Stolen Cars, 2005

| | Year | Make and Model |
|----|------|------------------|
| 1 | 1991 | Honda Accord |
| 2 | 1995 | Honda Civic |
| 3 | 1989 | Toyota Camry |
| 4 | 1994 | Dodge Caravan |
| 5 | 1994 | Nissan Sentra |
| 6 | 1997 | Ford F150 Series |
| 7 | 1990 | Acura Integra |
| 8 | 1986 | Toyota Pickup |
| 9 | 1993 | Saturn SL |
| 10 | 2004 | Dodge Ram Pickup |

Source: National Insurance Crime Bureau.

Chapter Nine: Selected Indiana Laws

Child Safety Restraint Laws
Motorcycle Helmet Laws
Indiana's Comparative Negligence Law
Indiana's Point System



Child Safety Restraint Laws

| State | Must be in child restraint | Adult safety belt permissible | Max 1st offense |
|---------------|---|---|-----------------|
| Alabama | younger than 1 or less than 20 pounds in a rear-facing infant seat; 1 through 4 years or 20-40 pounds in a forward-facing child safety seat; 5 but not yet 6 in a booster seat. | 6 through 14 years | \$25 |
| Alaska | 3 years and younger | 4 through 15 years | \$50 |
| Arizona | 4 years and younger | not permissible | \$50 |
| Arkansas | 5 years and younger and less than 60 pounds | 6 through 14 years or 60+ pounds | \$100 |
| California | 5 years and younger or less than 60 pounds | 6 through 15 years or 60+ pounds | \$100 |
| Colorado | younger than 1 year and less than 20 pounds in a rear-facing infant seat; 1 through 3 years and 20-40 pounds in a forward-facing child safety seat; 4 through 5 years and less than 55 inches in a booster seat | 6-15 years and 55 + inches | \$50 |
| Connecticut | younger than 1 year or less than 20 pounds in a rear-facing system; 1 through 6 years who is less than 60 pounds in a child restraint system (booster seats may only be used in a seating position with a lap and shoulder belt) | 7 through 15 years and 60+ lbs | \$60 |
| Delaware | 7 years and younger and less than 66 pounds | 8 through 15 years or 66+ lbs | \$25 |
| D.C. | 7 years and younger | 8 through 15 years | \$75 |
| Florida | 3 years and younger | 4 through 5 years | \$60 |
| Georgia | 5 years and younger and 57 inches or less | more than 57 inches | \$50 |
| Hawaii | 3 years and younger in a child safety seat; 4 years through 7 years must be in a booster seat or child restraint | 4-7 years who are taller than 4'9"; 4-7 years who are at least 40 lbs seated in a rear seat where if there are no available lap/shoulder belts, may be restrained by a lap belt | \$100 |
| Idaho | 6 years and younger | not permissible | \$100 |
| Illinois | 7 years and younger | 8 through 15 years | \$50 |
| Indiana | 7 years and younger when driver holds an Indiana license | 8 through 15 years | \$25 |
| Iowa | younger than 1 year and less than 20 pounds in a rear-facing child seat; 1 through 5 years | 6 through 10 years | \$25 |
| Kansas | all children 3 and younger must be in a child restraint; children 4-7 who weigh less than 80 pounds and children 4-7 who are less than 57 inches tall must be in a child restraint or booster seat children | children 8-13; 4 -7 years who weigh more than 80 lbs, and children 4-7 years who are 57+ in. | \$60 |
| Kentucky | 40 inches or less | not permissible | \$50 |
| Louisiana | younger than 1 year or less than 20 pounds in a child safety seat; 1 through 3 years or 20-39 pounds in a forward-facing child safety seat; 4 through 5 years or 40-60 pounds in a child booster seat | 6 through 12 years or 60+ lbs | \$50 |
| Maine | less than 40 pounds in a child safety seat; 40-80 pounds and less than 8 years in a booster seat | 8 through 17 years or less than 18 years and more than 4'9" | \$50 |
| Maryland | 5 years and younger or 40 pounds or less | 6 through 15 years | \$25 |
| Massachusetts | 4 years and younger or 40 pounds and less | 5 through 11 years | \$25 |
| Michigan | 3 years and younger | not permissible | \$10 |
| Minnesota | 3 years and younger | not permissible | \$50 |
| Mississippi | 3 years and younger | not permissible | \$25 |
| Missouri | 3 years and younger must be in a child restraint; under 40 pounds must be in a CR; 4 through 7 years who weigh at least 40 pounds but less than 80 pounds and who are 4'9" or shorter must be in either a CR or booster seat; children 4 years | all children 8 through 16 years; all children 4 years and older who weigh 80+ lbs or are 57+ in. | \$50 |
| Montana | 5 years and and younger and less than 60 pounds | not permissible | \$100 |
| Nebraska | 5 years and younger | 6 through 17 years | \$251 |
| Nevada | 5 years and younger and 60 pounds or less | not permissible | \$500 |
| New Hampshire | 5 years and younger who are less than 55 inches tall | 6 through 17 years; younger than 6 who are 55 inches | \$25 |

Child Safety Restraint Laws

| State | Must be in child restraint | Adult safety belt permissible | Max 1st offense |
|----------------|---|---|-----------------|
| New Jersey | 7 years and younger and less than 80 pounds | not permissible | \$25 |
| New Mexico | younger than 1 year in a rear-facing infant seat; 1 through 4 years or less than 40 pounds in a child safety seat; 5 through 6 or less than 60 pounds in a booster seat | 7 through 17 years | \$25 |
| New York | 3 years and younger in all seats; 6 years and younger in all seats | 7 through 15 years | \$100 |
| North Carolina | 7 years and younger and less than 80 pounds | 8 through 15 years + children 40-80 pounds in seats without shoulder belts | \$25 |
| North Dakota | 6 years and younger and less than 57 inches or less than 80 pounds | 7 through 17 years; 6 years and younger and at least 57 inches tall and at least 80 lbs; 6 years and younger and at least 40 lbs, if there are no available lap/shoulder belts, may be restrained by a lap belt | \$25 |
| Ohio | 3 years and younger or less than 40 pounds | 4 through 14 years | \$25 |
| Oklahoma | 5 years and younger | 6 through 12 years | \$25 |
| Oregon | younger than 1 year or less than 20 pounds must be in a rear facing child safety seat; 40 lbs or less must be in a child safety seat; more than 40 pounds but less than 4 feet and 9 inches must be in a booster seat | taller than 4 feet and 9 inches | \$75 |
| Pennsylvania | 7 years and younger | not permissible | \$100 |
| Rhode Island | 6 years and younger and less than 54 inches and less than 80 pounds | 6 years and younger who either weigh 80 pounds or more or who are at least 54 inches tall; 7-17 | \$75 |
| South Carolina | younger than 1 year or less than 20 pounds in a rear-facing infant seat; 1 through 5 years and 20-39 pounds in a forward-facing child safety seat; 1 through 5 years and 40-80 pounds in a booster seat secured by lap-shoulder belt (lap belt alone is impermissible) | 1 through 5 years and 80+ pounds or any child 5 years and younger if the child's knees bend over the seat edge when sitting up straight with his/her back firmly against the seat back | \$150 |
| South Dakota | 4 years and younger and less than 40 pounds | 5 through 17 years; all children 40+ pounds | \$20 |
| Tennessee | younger than 1 year or 20 pounds or less in a rear-facing infant seat; 1 through 3 years and 20+ pounds in a forward-facing infant seat; 4 through 8 years and less than 4'9" in a booster seat | 9 through 15 years or any child 12 or younger who is 4'9" or taller | \$50 |
| Texas | 4 years and younger and less than 36 inches | not permissible | \$200 |
| Utah | 4 years and younger | 5 through 15 years | \$45 |
| Vermont | younger than 1 year or less than 20 pounds in a rear-facing infant seat; 2 through 7 and more than 20 pounds | 8-15 years and 20+ lbs | \$25 |
| Virginia | 7 years and younger unless they have a physician exemption | 8-15 years | \$50 |
| Washington | younger than 8 and less than 4'9" | 8 through 15; or 4'9" or taller | \$86 |
| West Virginia | 7 years and younger and less than 4'9" | 4'9" or taller | \$20 |
| Wisconsin | children younger than 1 and all children who weigh less than 20 pounds are required to be in a rear-facing infant seat; children 1-3 years who weigh between 20 and 39 lbs are required to be in a forward-facing child safety seat; children 4-7 who weigh 40-79 lbs and who are less than 57 inches tall are required to be in a booster seat | 8 years and younger and more than 80 lbs and 57 inches or taller | \$75 |
| Wyoming | 8 years and younger | not permissible | \$50 |

Motorcycle and Bicycle Helmet Laws

In Indiana, a person who is less than 18 years of age and is operating or riding on a motorcycle on the streets or highway, must wear protective headgear. This individual must also wear protective glasses, goggles, or transparent face shield.

Helmets are about 29 percent effective in preventing motorcycle deaths and about 67 percent effective in preventing brain injuries. An unhelmeted rider is 40 percent more likely to suffer a fatal head injury, compared with a helmeted rider.

Per mile driven, a motorcyclist is 16 times more likely to die in a crash than an automobile driver. Wearing a motorcycle helmet reduces that risk by 29 percent, according to the National Highway Traffic Safety Administration..

| State | Motorcycle helmets | Bicycle helmets |
|----------------------|-----------------------------|-----------------|
| Alabama | All riders | 15 and younger |
| Alaska | 17 and younger | no law |
| Arizona | 17 and younger | no law |
| Arkansas | 20 and younger | no law |
| California | All riders | 17 and younger |
| Colorado | 17 and younger | no law |
| Connecticut | 17 and younger | 15 and younger |
| Delaware | 18 and younger | 15 and younger |
| District of Columbia | All riders | 15 and younger |
| Florida | 20 and younger | 15 and younger |
| Georgia | All riders | 15 and younger |
| Hawaii | 17 and younger | 15 and younger |
| Idaho | 17 and younger | no law |
| Illinois | no law | no law |
| Indiana | 17 and younger | no law |
| Iowa | no law | no law |
| Kansas | 17 and younger | no law |
| Kentucky | 20 and younger ³ | no law |
| Louisiana | All riders | 11 and younger |
| Maine | 14 and younger | 15 and younger |
| Maryland | All riders | 15 and younger |
| Massachusetts | All riders | 16 and younger |
| Michigan | All riders | no law |
| Minnesota | 17 and younger | no law |
| Mississippi | All riders | no law |
| Missouri | All riders | no law |
| Montana | 17 and younger | no law |
| Nebraska | All riders | no law |
| Nevada | All riders | no law |
| New Hampshire | no law | 15 and younger |
| New Jersey | All riders | 16 and younger |
| New Mexico | 17 and younger | 17 and younger |
| New York | All riders | 13 and younger |
| North Carolina | All riders | 15 and younger |
| North Dakota | 17 and younger | no law |
| Ohio | 17 and younger | no law |
| Oklahoma | 17 and younger | no law |
| Oregon | All riders | 15 and younger |
| Pennsylvania | 20 and younger | 11 and younger |
| Rhode Island | 20 and younger | 15 and younger |
| South Carolina | 20 and younger | no law |
| South Dakota | 17 and younger | no law |
| Tennessee | All riders | 15 and younger |
| Texas | 20 and younger | no law |
| Utah | 17 and younger | no law |
| Vermont | All riders | no law |
| Virginia | All riders | no law |
| Washington | All riders | no law |
| West Virginia | All riders | 14 and younger |
| Wisconsin | 17 and younger | no law |
| Wyoming | 18 and younger | no law |



Indiana's Comparative Negligence Law

THE WAY IT WAS

Prior to January 1, 1985, Indiana had a contributory negligence law. Under that statute, if a driver was in any way at fault in an accident, he or she could not recover damage from the other driver.

Examples:

- a) The plaintiff was entitled to recover only in the following situation:

Plaintiff (0% at fault) vs. Defendant (100% at fault)

- b) Plaintiff was barred from recovering in the following situation:

Plaintiff (1% at fault) vs. Defendant (99% at fault)

INDIANA'S CURRENT POLICY

Since then, Indiana has been operating under what is often referred to as the “less than or equal to” form of comparative negligence. Under this form, damages may be recovered by a negligent plaintiff who is less at fault than the defendant or as equal in fault as the defendant. However, a plaintiff may not recover if his percentage of fault exceeds the percentage of fault assigned to the defendant.

Examples:

- (a) A plaintiff would be entitled to recover in the following situations:

Plaintiff (49% at fault) vs. Defendant (51% at fault)

Plaintiff is entitled to recover 51% of his damages.

Plaintiff (50% at fault) vs. Defendant (50% at fault)

Plaintiff is entitled to recover 50% of his damages.

Note, however, that in this situation the defendant would be entitled to recover 50% for any damages he suffered from the plaintiff in a counter-suit.

- (b) A plaintiff would be barred from any recovery in the following situation:

Plaintiff (51% at fault) vs. Defendant (49% at fault)

Plaintiff is barred from any recovery due to the fact his percentage of fault exceeds 50%.

However, the defendant would be entitled to recover 51% of any damages he suffered from the plaintiff in a counter-suit.

Indiana's Point System

THE PURPOSE

The point system was established as an objective method of identifying the driver in need of improving his or her driving habits. It was also brought up to provide guidelines for restricting or suspending the driver's license or permit.

Points Charged for Traffic Violations

| Description | Point Value |
|--|-------------|
| Motorcycle Equipment Violation | 2 |
| Failure to Signal | 2 |
| Wrong Way on a One-way Road | 4 |
| Failure to Dim Bright Lights | 4 |
| Child Restraint Violation | 4 |
| Disregarding Traffic Control Signal | 4 |
| Improper Passing to the Left | 4 |
| Failure to Yield | 6 |
| Reckless Driving | 6 |
| Passing school bus When Arm Signal Out | 6 |
| Disregarding Officer Directing Traffic | 6 |
| Following too Closely | 6 |
| Speed Contest on Streets or Highways | 8 |
| Speeding Violations: | |
| Excessive speed not indicated | 2 |
| 1 to 15 MPH in excess of limit | 2 |
| 16 to 25 MPH in excess of limit | 4 |
| over 25 MPH in excess of limit | 6 |

Point Accumulation

A driver accumulating any of the following number of active points is placed on probation for 6 months

- 1) Twelve (12) points accumulated over a 24 consecutive month period by a driver over 18 years of age
- 2) Ten (10) points accumulated over a 24 consecutive month period by a driver under 18 years of age
- 3) Eight (8) points accumulated over one year by a driver who holds a motorcycle learner's permit

Points remain active for 24 months after the court disposition date

Chapter Ten: General Reference

National Insurance Associations

State Insurance and Service Organizations

Insurance Rating Services

Industry's Impact in Indiana

Insurance Institute of Indiana Members, Associations and Subscribers



National Insurance Associations

American Council of Life Insurers (ACLI)

101 Constitution Avenue, N.W.
Washington, D.C. 20001-2133
Jack Dolan, VP Media Relations
202-624-2418
www.acli.com

American Insurance Association (AIA)

5750 Old Orchard Rd.,
Suite 340
Skokie, IL 60077
Jeff Junkas, Public Affairs
Dir., Midwest
312-782-7720
www.aiadc.org

America's Health Insurance Plans (AHIP)

601 Pennsylvania Avenue, NW
South Building, Suite 500
Washington, DC 20004
Susan Pisano, VP of Communications
202-778-3245
www.ahip.org

Independent Insurance Agents of America, Inc.

127 S. Peyton St.
Alexandria, VA 22314
Patrick Royal, Director of Public Affairs
800-221-7917
www.independentagent.com

Insurance Information Institute (III)

110 William St.
New York, NY 10038
Michael Barry, VP Media Relations
212-669-9200

www.iii.org

Insurance Institute for Highway Safety (IIHS)/Highway Loss Data Institute

1005 N. Glebe Rd.
Arlington, VA 22201
Russ Rader, Dir. of Media Relations
703-247-1500
www.iihs.org

Insurance Services Office, Inc. (ISO)

2525 Cabot Dr., Suite 105
Lisle, IL 60532
Susan Boyle / Sarah Malinowski
201-507-9500
www.iso.com

National Association of Insurance Commissioners (NAIC)

2301 McGee Street, Suite 800
Kansas City, MO 64108-2662
Scott Holeman, Communications
Director
816-783-8909
www.naic.org

National Assn. of Mutual Insurance Companies (NAMIC)

3601 Vincennes Rd.,
P.O. Box 68700
Indianapolis, IN 46268
Nancy Grover, Director - Media
Relations
(202) 628-1558
www.namic.org

National Conference of Insurance Legislators (NCOIL)

385 Jordan Road
Troy, NY 12180
518-687-0178
www.ncoil.org

National Council on Compensation Insurance

901 Peninsula Corporate Circle
Boca Raton, FL 33487
Gregory Quinn, Media Relations
Director
607-723-7878
www.ncci.com

National Insurance Crime Bureau (NICB)

10330 S. Roberts Rd.
Palos Hills, IL 60465
Frank Scafidi, Director of Public Affairs
916-979-7025
www.nicb.org

Reinsurance Association of America (RAA)

1301 Pennsylvania Ave., NW
Suite 900
Washington, D.C. 20004
202-638-3690
www.reinsurance.org

Risk Insurance Management Society, Inc. (RIMS)

655 3rd Ave.
New York, NY 10017
Felicia Messimer
212-655-6059
www.rims.org



State Insurance and Service Organizations

Association of Indiana Life Insurance Companies (A.I.L.I.C.)

American United Life Insurance
P.O. Box 368
Indianapolis, IN 46206-0368
Dan Seitz
317-285-1523
www.ailic.org

Indiana Association of Insurance and Financial Advisors

3009 E. 96th St.
Indianapolis, IN 46240
Kim B. Stoneking, CAE
317-844-6268

Indiana Compensation Rating Bureau (ICRB)

5920 Castleway West Drive
Indianapolis, IN 46250
www.icrb.net

Independent Insurance Agents of Indiana, Inc.

3435 W. 96th St.
Indianapolis, IN 46268
Roger Ronk, COO
1-800-438-4424
www.bigi.org

Mutual Insurance Companies Association of Indiana, Inc.

PO Box 43
McCordsville, IN 46055
Tammy Walker
317-336-7596

Professional Insurance Agents Association of Indiana, Inc.

600 Cross Pointe Road
Gahanna, OH 43230
George W. Haenszel, CAE,
Exec. VP
1-800-555-9742
www.indianapia.com

STATE REGULATORY AGENCIES

Indiana Department of Insurance

311 W. Washington St., Ste. 300
Indianapolis, IN 46204
Jim Atterholt, Commissioner
317-232-2385
www.in.gov/idoi

Worker's Compensation Board of Indiana

402 W. Washington St., Room W-196
Indianapolis, IN 46204
Mary Taivalkoski, Executive Secretary
317-232-3811
www.in.gov/workcomp



Insurance Rating Services

A.M. Best
Ambest Rd.
Oldwick, NJ 08858
908-439-2200
www.ambest.com

Provides ratings for insurance companies. Flat charge is \$4.95 for each company rating. Full written reports are available for \$19.95 per report. Free rating information is available via the company's website noted above. Phone hours are 8:30 a.m.–4:30 p.m., weekdays.

Demotech, Inc.
2941 Donnylane Blvd.
Columbus, OH 43235-3228
1-800-354-7207 www.demotech.com

Provides financial stability ratings for insurance companies. There is a small fee to the insurance company being rated; information is free to consumers. Information needed: insurance company name. Free rating information is available via the company's website noted above. Phone hours are 9 a.m.–5 p.m., weekdays.

Duff and Phelps Credit Rating Co.
55 East Monroe Street, Suite 3500
Chicago, IL 60603
312-368-3198

www.dcrco.com

Provides ratings for 1–5 insurance companies over the phone at no charge. Information needed: insurance company name. There is a small fee to the insurance company being rated. Free rating information is available via the company's website noted above. Phone hours are 8 a.m.–5 p.m., weekdays.

Moody's Investors Services
99 Church St.
New York, NY 10007
212-553-1658
www.moodys.com

Provides ratings for 1–4 insurance companies per call at no charge. Information needed: insurance company name. Rating information was not yet available via the company's website at close of publishing. Phone hours are 8 a.m.–6 p.m., weekdays.

Standard and Poor's Corporation
55 Water St.
New York, NY 10041
212-438-2400 www.standardandpoors.com/rating

Provides ratings for 1–5 insurance companies per call at no charge. Information needed: insurance company name. There is a small fee to the insurance company being rated. Free rating information is available via the company's website noted above. Phone hours are 8 a.m.–5 p.m., weekdays.

Weiss Research, Inc.
4176 Burns Rd.,
Palm Beach Gardens, FL 33410
1-800-291-8545
www.weissratings.com

Provides ratings for insurance companies. There is a \$15 charge for a verbal rating (over the phone) for one company. Information needed: insurance company name and state of domicile. Phone hours are 8:30 a.m.–10:30 p.m., weekdays; 9 a.m. 5 p.m., weekends.

THE RATING SCALES

Since each rating service establishes its own set of rating standards and has a unique rating or "grading" system, it prevents easy comparisons of one agency's rating of an insurer with another. For instance, an A+ rating may be the highest rating with one service, while it is the fifth highest with another. When contacting a rating agency, ask for a written explanation of its rating standards and the grading system used.



The Industry's Impact in Indiana

EMPLOYMENT

- Nearly 56,000 people earn part or all of their income from the insurance industry in Indiana.
- The insurance industry ranks second in the state, behind farm employment, in total jobs produced.
- Insurance employees in the state include 4,000 adjusters; 1,300 underwriters; 5,000 computer programmers; 6,700 agents; 33,500 customer service reps; and 6,000 claims processors.
- People who earn their income from insurance companies earn an average of \$54,000 a year.

ECONOMICS

- Insurance premium tax receipts and retaliatory fees totaled more than \$178 million in 2006.
- Indiana's insurance carrier employees and agents contributed nearly \$5.5 billion to the Gross State Product in 2006.
- The insurance industry contribution to the GSP was about 2.4 percent of the state's GSP and was larger than agriculture and mining combined.
- According to the Indiana Department of Insurance, there are 198 insurance companies and farm mutuals domiciled in Indiana.
- Indiana has about 1,823 insurers licensed in the state, the third highest total in the nation.

Insurance Institute of Indiana Members, Associations and Subscribers

Members

Allstate Insurance Company
American Surety Company
Brotherhood Mutual Insurance Co.
Celina Insurance Group
Chubb Group of Insurance Companies
Conseco Services, LLC
Employers Security Insurance Company
FCCI Insurance Group
Farmers Insurance Group
German Mutual Insurance
Golden Rule Insurance Company
Grain Dealers Mutual Insurance Co.
The Hanover Insurance Group
The ILM Group
Illinois Casualty Company
Indiana Farm Bureau Insurance Company
Indiana Farmers Mutual Insurance Company
Indiana Insurance Company
International Fidelity Insurance Company /
Allegheny Casualty Company
NAMIC Insurance Company, Inc.
Nationwide Insurance
Ohio Casualty Group
Progressive Insurance Company
Prudential Financial
Safeco Corporation
State Auto Insurance
State Farm Insurance Companies

Subscribers

American Family Mutual Insurance Company
American Insurance Association
Bliss McKnight
Erie Insurance Group
Grange Mutual Casualty Company
Indiana Compensation Rating Bureau
Mutual Insurance Companies Association of
Indiana
PricewaterhouseCoopers
Professional Insurance Agents of Indiana
Property Casualty Insurers Association of
America
Reinsurance Association of America
Standard Mutual Insurance Company
West Bend Mutual Insurance Company
Western Reserve Group
Westfield Group
Wolverine Mutual Insurance Company

Associates

American Agricultural Insurance Company
GeneralCologne Re



INSURANCE
INSTITUTE
of
INDIANA

201 North Illinois Street
Suite 1410, South Tower
Indianapolis, IN 46204

ph: (317)464-2450 • fax: (317)464-2450

www.insuranceinstitute.org

