



REWARDING  
RESPONSIBILITY

# Perspective

NEWS AND INSIGHT FROM PEMCO INSURANCE



## YOU CAN PREVENT MOLD: DEAL WITH WATER DAMAGE IMMEDIATELY

*We'd love your feedback!*

*Drop us a note, or send your  
comments via e-mail to  
perspective@pfcenter.com.*

At best, it's smelly and ugly. At worst, it's an allergen, an irritant, and, according to the Centers for Disease Control, an outright risk to your health in rare cases.

It's mold—an unfortunate consequence for walls, attics, and carpets when moisture and heat combine owing to a burst pipe, leaky roof, or inadequate ventilation.

The only good news about mold is that it's often preventable by dealing with water damage right away and making sure your home has good air circulation. In fact, the Environmental Protection Agency (EPA) names *moisture* control as the key to mold control. These tips can help:

- The moment you notice a water problem (like a leaky water heater or a drip under the sink), mop up the water and repair the leak immediately.

- Check your roof for damage after a windstorm. Missing tiles or shakes can lead in water.

- Never block the foundation vents under your home with beauty bark or other landscaping materials.

- Don't allow attic insulation to plug eave and roof vents.

- Aim gutters and downspouts away from your home.

- Keep shower enclosures well caulked and tile grout thoroughly sealed.

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## TEENS CAN SAVE MONEY WITH THE RIGHT CAR

Your after-school job is about to pay off. Mom and Dad have given you the green light to buy your own car. As you comb the classifieds, remember that the car's sticker price is just the beginning. There's insurance to buy — and it can be steep.

By choosing the right car, you can hang on to a lot of your hard-earned money. The car's age, safety, theft, and repair records all help determine what you'll pay.

**Thief magnets.** Some cars just beg to be stolen, and if you choose one, you'll pay more for insurance. The National Insurance Crime Bureau names these as Washington's most-stolen vehicles: Honda Civic, Honda Accord, Toyota Camry, Toyota pickup, Acura Integra,

*cont. on page 3*

*The car's age, safety,  
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## CREDIT-BASED INSURANCE SCORES HELP ASSESS RISK

When you think about private information, “personal finances” probably top your list. It’s no wonder then, when consumers learn their credit histories can affect their insurance rates, they ask, “What does one have to do with the other?”

The answer, in a nutshell, is statistical correlation. About 10 years ago, the insurance industry realized that financial responsibility correlates strongly with the likelihood and potential severity of claims (in much the same way as the type of car you drive, where you live, and your years of driving experience).

PEMCO was a relative latecomer in the use of credit-based insurance scoring (Oct. 2001 for auto policies and March 2003 for homeowners policies), choosing to wait until more facts were in on its merit. Even before recent consumer legislation, PEMCO opted to use insurance scores only as a reward via our Good Credit Discount, never to determine eligibility for insurance.

Insurance scoring has actually *reduced* PEMCO’s revenue owing to the substantial discounts it’s generated. However, we expect our more-competitive rates to attract new customers. That should enable us to reach earnings goals by diffusing operating costs against a greater customer base. As a mutual insurance company, owned not by stockholders but by its policyholders, PEMCO is committed to returning profits to its customers. Discounts through insurance scoring offer one of the most direct ways to do that.

Currently, most PEMCO customers receive a discount of 21% or more on select coverages. Only a handful of customers—just 7%—receive no discount at all.

The new discount came at a good time for many PEMCO customers. Base rates for insurance are increasing due to rising labor rates, repair costs, medical costs, and settlement values. The Good Credit Discount allows us to offset or minimize those costs for many customers, meaning they may see little change in their bills (when, otherwise, their premiums may have gone up appreciably).

Still, the whole idea of an insurance company poking around in someone’s credit history makes some people nervous. It’s also frustrating for customers who don’t get the maximum discount because they pay cash for purchases (and haven’t developed an extensive credit history) or their credit was bruised through no fault of their own with the loss of a job, an illness, or a divorce.

We recognize that any sort of risk analysis has a degree of uncertainty. PEMCO tries to remedy that by checking scores annually. That way, short-term problems in a person’s credit history won’t have long-term impact.

Also, we NEVER see a customer’s actual credit report or even the “credit score” that a lender uses. Instead, CSC/Equifax (a credit-reporting agency) sends us an “insurance score” based on a statistical model developed by Fair, Isaac and Company (a firm that analyzes and predicts financial risks). Insurance scores combine information in consumer credit reports with statistical data related to insurance losses. They don’t take into account all credit

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*PEMCO is committed to returning profits to its customers*

## FREE INSURANCE — WHAT A DEAL!

If your home was built before 1940, chances are you have an underground heating-oil tank. If it leaks, it may pose a soil- or water-contamination threat for which you could be liable.

That’s why we want you to know about FREE oil-tank liability coverage through the state. The Pollution Liability Insurance Agency (PLIA) offers up to \$60,000 coverage at no cost, available to anyone who has an active oil tank on his or her property. “Active” is defined as a tank that’s been in use for the past 18 months and is currently being used. (Some exceptions apply if, for example,

your home is under construction or you’ve just converted to oil heat.)

PLIA’s coverage has some restrictions. For example, it doesn’t pay for removal, repair, and replacement of a heating-oil tank associated with piping or connection problems. It also limits coverage for landscaping restoration to \$1,500.

For more information, visit the PLIA Web site at [www.plia.wa.gov](http://www.plia.wa.gov) (where you can fill out a registration form) or call PLIA at 1-800-822-3905. ■



*PLIA offers up to \$60,000 coverage at no cost*



## THE RIGHT CAR (cont.)

and Toyota Corolla. Also, cars with modifications like mag wheels, spoilers, and expensive stereos attract crooks.

**Off-limits list.** If you want heart-pounding excitement behind the wheel, you're driving for the wrong reason. Driving is a responsibility—and PEMCO's list of teen-restricted vehicles reflects that. Here's a sample of cars PEMCO won't insure for teens: Camaros, Mustangs, and Firebirds with V-8 engines; muscle cars like old GTOs and Chargers; sports cars like the Mazda RX7; and less-than-stable SUVs like Suzuki Samurais and Jeep CJs. (Call PEMCO for a complete list before you set your mind on a particular car.)

**A real-life example.** Jason, 17, is deciding between two cars. He lives in Shoreline and drives five miles a day to school.

He'd pay \$2,558 a year\* for insurance if he chose a 1997 VW Jetta GLX. But he'd cut the bill to

\$2,258—saving \$300—if he drove a 1997 Honda Civic DX.

Jason could save even more if he didn't need a full-time car of his own and, instead, drove one of his parents' cars as an "occasional" driver (someone who drives the car less than 25% of the time or puts less than 25% of the miles on it). That would cost \$1,807 on the Civic. And a 1997 Chevy Malibu would cost only \$1,756 for occasional use.

The Web is filled with great tips on insurance-smart car buying. To get started, try [www.insure.com](http://www.insure.com), and be sure to visit [www.pemco.com](http://www.pemco.com) for more on teen drivers. ■

\*Examples shown include comprehensive and collision coverage; \$250,000/500,000 liability limits for bodily injury and underinsured motorists; \$100,000 property damage; and \$25,000 medical/PIP.

## QUESTIONS YOU ASKED US

### "What do I need to do, from an insurance standpoint, when I'm planning to remodel my home?"

Actually, very little. Your PEMCO homeowners or condominium policy covers building materials located on or next to your residence premises—no special endorsement is needed. We don't set a time limit for you to complete your remodeling project, nor do we require you to send us a copy of your building permit.

We do, however, ask you to notify us. Even a kitchen facelift can dramatically increase the value of your home, and we want to make sure your coverage limits are adequate to protect your new investment.

For new homes under construction, we offer a separate policy (called "course of construction") that can give you peace of mind.

### "I'm unclear on 'scheduled' items. What should I do about things like PCs, computerized sewing machines, and MP3 players?"

Your PEMCO homeowners, condominium, or rental policy automatically offers great protection for most of your belongings. You're covered for the items you mentioned. It does, however, have limits on certain items that you might want to cover or "schedule" separately. For Premier\* policyholders, the most common are:

- Loss by theft of jewelry, watches, and furs: \$3,000
- Loss by theft of firearms: \$2,500
- Loss by theft of silverware, goldware, and pewterware: \$7500.

"Scheduling" insures your items to the amount you select, and you pay no deductible. Scheduled items are covered for specific kinds of losses only. Among the items you can schedule are:

- bicycles
- cameras
- china/crystal
- coins
- certain collectibles
- fine arts
- furs
- golf equipment
- guns
- jewelry
- musical instruments
- silverware/goldware/pewterware
- sports equipment
- stamps.

Scheduling costs vary. For example, a diamond ring valued at \$4,000 costs about \$46 per year. Appraisals (less than five years old) are required for items worth more than \$10,000.

If you're not sure whether to schedule an item, please call our Customer Service Department or your PEMCO agent. ■

\*If you have a Super Plus rather than a Premier policy, your items are covered for actual-cash value with limits of \$1,000, \$2,000, and \$2,500 respectively in the bulleted example at left. You can add an endorsement to get replacement-cost value, if you choose.



*We want to make sure your coverage limits are adequate to protect your new investment*



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For more helpful information, visit Consumer Tips at [www.pemco.com](http://www.pemco.com)

Read current and past issues of Perspective at [www.pemco.com](http://www.pemco.com)

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*The EPA names  
moisture control as the  
key to mold control*

## PREVENT MOLD (cont.)

- Make sure range hoods, dryers, and bathroom exhaust fans vent outside (not in your attic or garage).
- Turn on your stove's exhaust fan when canning or cooking. Run the bathroom fan or crack a window when you shower.
- Replace washing machine hoses every five years to reduce the chance they'll leak or break.

Mold is a problem we didn't hear much about 20 years ago. Back then, homes weren't built as "tight" to maintain energy efficiency, and unwanted moisture had more of a chance to escape through the attic and walls.

PEMCO can pay to fix mold damage resulting from sudden events like a burst pipe or windstorm. But, because so many mold problems are really moisture-maintenance problems (that have occurred over time), we, like virtually all insurers, can offer little help under our contract. That's why homeowner vigilance is so critical.

More information about mold is available from the EPA at [www.epa.gov/iaq/molds/moldresources.html](http://www.epa.gov/iaq/molds/moldresources.html) and the Federal Emergency Management Association at [www.fema.gov/](http://www.fema.gov/) (search word, "mold"). ■

## INSURANCE SCORES (cont.)

information (like a true credit score does).

Because PEMCO doesn't have access to the proprietary "weighting" factors Fair, Isaac and Company use, we can't tell you specifically how you might raise your insurance score. Generally, however, your credit (and, consequently, your insurance score) will benefit if you:

- Pay bills on time. Late payments, bankruptcies, and collections can have a major impact on your score.
- Keep balances low on your credit cards.
- Apply for new credit cards only if needed.

Too many open accounts — even if they have \$0 balances — may lower your score.

• Periodically check your credit report for inaccuracies. If you do find an error and CSC/Equifax fixes it, please send us a copy of its letter of correction. We'll reorder an insurance score for you and adjust your Good Credit Discount accordingly.

Learn more about the Good Credit Discount on [www.pemco.com](http://www.pemco.com). Or, if you haven't received it already, watch for a "Straight talk from PEMCO" brochure included with your next renewal. ■