



*We're There When
You Need Us Most!*

Fall/Winter 2001



UNITED WE STAND!



The events of September 11th have deeply touched us all. The year 2001 will mark a human tragedy of enormous proportions from the terrorist attacks on our soil. The human cost is simply beyond measure. Many, more eloquent than I, have made commentary on the social aspects of this event. As your insurance advisor I would like to inform you today of the economic impact on the worldwide insurance capital markets and how that will begin affecting every insurance consumer.

My goal is to prepare you for what's coming and minimize the financial impact of increased insurance premiums.

My hope is that the articles in this newsletter will help us work as a team to benefit you. **"United We Stand"** speaks to our resolve to seek justice and not be diminished as a great people either emotionally or economically.

It also speaks to what insurance is all about - standing together, side by side, arm in arm for strength and stability during times of crisis. Insurance is the way we withstand the overwhelming financial burdens that would break us individually.

Insurance rebuilds property, rebuilds lives, rebuilds hopes and dreams.

I am proud to be an American and I am proud to be in an industry that helps people in their time of need.

American Insurance is now in its 79th year of operation. The new year of 2002 approaches with a new opportunity to say "thank you". Thank you so much for your continued confidence and trust in us. We appreciate your business!

GOD BLESS AMERICA -
John Sullivan , & the entire staff

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This newsletter is published periodically by American Insurance to bring important news about insurance and safety to our clients. The content of this newsletter is taken from sources which we believe are reliable but are not guaranteed to completely state all available information. This newsletter provides general information and is not intended as a substitute for legal, financial, or professional counsel for individuals.

Contact Information

John Sullivan—President

johns@lewiston.com - Ext. 260

Shawn Sullivan—Vice President

shawns@lewiston.com - Ext. 300

Dave Root - Agent

daveroot@lewiston.com - Ext. 270

Tim Gleason - Medical/Benefits

timg@lewiston.com - Ext. 310

Melani - Accounting

melanis@lewiston.com - Ext 190

Jackie - Commercial Lines CSR (A - K)

jackiep@lewiston.com - Ext 140

Pat - Commercial Lines CSR (L - Z)

patj@lewiston.com - Ext 150

Tina - Personal Lines CSR (A - J)

tinah@lewiston.com - Ext 120

Helen - Personal Lines CSR (K - Z)

helend@lewiston.com - Ext 130

Krista - Reception

kristas@lewiston.com - Ext. 100

Ph: (208) 746-9646 or

(800) 735-6355

Fax: (208) 746-9640

Email:

american@lewiston.com

Web Page:

www.americaninsuranceid.com

Carmen Johnson - Systems Admin.

carmenj@lewiston.com—Ext. 200

WTC IMPACT ON INSURANCE CONSUMERS

Even before the World Trade Center and related terrorist attacks the insurance industry was coming to grips with red ink. After more than a decade of what insurers call a "soft" market -- where market conditions and competition prevented insurers from charging what they consider an appropriate premium amount in light of their costs -- conditions had begun to change quickly. A "hard" market characterized by a double-digit rise in premiums was already developing.

Consumers will surely be impacted by pricing increases in every line of insurance and face withdrawals of coverage based on unfavorable consumer credit scoring, claims history or certain higher risk classes of business

The steep decline in the stock market led by e-stocks in midyear 2000 vaporized investment earnings and combined with escalating claim losses signaled profitability problems for insurance companies. 2001 began with virtually all insurance companies increasing premiums by a benchmark of 10% on business insurance policies and 5% on personal insurance. A.M. Best reported that the property/casualty insurance industry saw its worst second-quarter catastrophe losses

in history for the period ended June 30, 2001. And, this was before the terrorist attacks of September 11th.

WTC losses are estimated to exceed \$40 billion dollars making it the largest single insurance loss in the history of the world. A distant second was a natural disaster, Hurricane Andrew on Aug. 24, 1992 at \$19.09 billion. The previous worst man made disaster was the Piper Alpha Oil Platform at only \$2.75 billion in 1988.



Standard & Poors has lowered financial ratings on a number of the largest insurance companies and placed scores of others on credit watch. The brunt of the losses are borne by the large multi-national reinsurance companies. Lloyd's of London reported WTC losses of \$7.7 billion. Trade publication National Underwriter said reinsurer Berkshire Hathaway could be on the hook for \$2.2 billion, \$1.95 billion for Munich Re and \$1.65 billion for Swiss Re. Dazed reinsurers will try to recoup losses by raising rates to the primary insurance companies. In this way pricing is affected in every segment of consumer insurance.

Even though strained, the basic insurance system remains financially strong and is expected to recover in short order. Re-capitalizing the system will be spread across the board to every consumer on a world wide basis. There will be significant market disruption in Commercial Lines with business owners needing to either budget more money for premium or make coverage changes for premium savings.

At American Insurance we are committed to finding ways to help our clients find the best coverage at the lowest premium rates available. See our article titled "Let's Work Together" inside this newsletter. We have lots of ideas on how to help!

PROFESSIONAL SOCIETY RECOGNIZES LOCAL AGENT

The Society of Certified Insurance Counselors (CIC) recently honored Dave Root, CIC, of American Insurance, Lewiston for dedication and leadership in the insurance industry. Mr. Root was awarded a certificate of achievement, recognizing five consecutive years of active affiliation with the Society of CIC. The CIC designation carries meaningful prestige in the insurance profession as it signifies commitment to advanced knowledge and customer service.



Dave Root, CIC

Congratulations Dave

Call Dave for all your business & personal insurance needs. His training and experience will provide you the right coverage at the right price.



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746-9646

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108 9th St. ▲ Lewiston, ID 83501 daveroot@lewiston.com

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CREDIT SCORING – KEY TO AFFORDABLE INSURANCE

Credit scoring is emerging as a new and key component to the underwriting of auto and home insurance policies. The Federal Fair Credit Reporting Act now allows insurance companies to obtain and use credit information in their underwriting practices. Depending on an individual's credit score it may have a positive or negative effect on insurance pricing and availability. A higher score is providing additional premium discounts while a lower score may increase premiums. As your insurance agency we have concerns

Most companies are using credit scores to non-renew coverage when there are claims or if premiums have not been paid on time.

about the negative application of credit scoring on you, our customer, especially during the current economic downturn. It seems especially important right now for us to work together to keep premiums as low as possible. Please feel free to call your Customer Service Representative here at American Insurance to review your policies.

There are a couple of ways to guard your insurability: (1) Consider higher deductibles for premium savings. This also means you would self-insure the smaller claims to keep them off your record. (2) Use available premium payment methods to make it easier to pay all premiums before the due dates. Auto and home insurance can be paid monthly by automatic checking draft with minimal service charges. You may not realize that when you pay a premium late it sets in motion a series of events by law that increases the expenses of the insurance company (ie. late payment notifications, cancellation letters, reinstatement letters). If a person is paying late every month and it is multiplied by thousands of other late payers the expenses add to the cost of insurance. A low credit score coupled with chronic late payments will cause non-renewal of coverage.

We are here to make sure you are treated fairly. As an Independent Agency we represent many of the

best insurance companies. Nearly every company uses credit scoring and claims information is shared on a central database. So, we want to do everything we can to prevent you from ever being cancelled. It might be a difficult and expensive process to find new coverage.

For additional information about Credit Scoring please read the following excerpts from a May 2001 article written by Mike Kreidler, Insurance Commissioner, Washington Department of Insurance.

What Is Credit Scoring?

A 'Credit Score' is a number insurance companies assign consumers based on their credit experiences, such as bill paying history, the number and type of accounts they have, late payments, collection actions, outstanding debt and the age of their accounts. The total number of points received determines a credit score which will range between 300-850. Credit scores may be different depending on the company, as every company weighs factors differently.

Scoring formulas are developed by a third party vendor or by the insurer itself. Fair Isaac Co. is the largest third party vendor of scoring models and has recently, due to federal legislation and consumer pressure, begun offering credit scores to consumers for a fee upon request on their web site www.myfico.com

How Is Credit Scoring Used?

Insurance companies have been actively using credit information to determine your level of risk before selling or renewing auto, home or renter policies. Insurers believe that there is a direct statistical relationship between financial stability and risk. They may use a consumer's credit score as one factor in assigning premiums, deciding whether to accept or decline coverage or in the decision to place a consumer with a nonstandard insurer.

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Shawn Sullivan



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In good times or bad times we are your partners to find the best insurance solutions.

Especially now - **"We're there when you need us most!"** The current pricing and coverage disruptions in the insurance industry create real challenges for every business and personal insurance consumer.

At American Insurance we are your agents of choice. As your Independent Agency we have access to the world of insurance and the leading insurers.

We constantly review the insurance marketplace for any new programs and trends that may benefit you in coverage or pricing. It is rare that there is an insurance company that we do not represent or a program that we don't have special knowledge in regards to your insurance needs.

Come to American first! Working together with people you know and who know you will assure the best results. When it's time to shop for insurance we will...

- * Survey your insurance needs completely to expose the risks to your assets and earnings.
- * Provide professional advice through risk management and risk retention to minimize claims and maximize your insurance dollars.
- * Recommend coverage options and seek discounts that reduce your costs.
- * Solicit insurance quotations that match your needs with special insurance programs providing you more coverage at lower premiums.

So, let's work together during these uncertain times. Our experience since 1922 will guide you through. Thank you for your continued trust and confidence in all of us at American Insurance.



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601 W. 1st Ave Dept. 141000
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JOHN SULLIVAN
INVESTMENT REPRESENTATIVE
DIRECT (208) 746-9646 or (800) 735-6355

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