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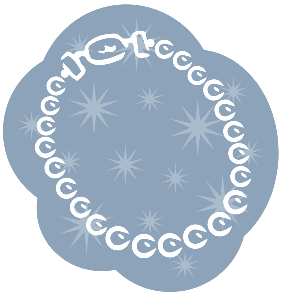
Quarterly Newsletter

Make Certain to Insure the Finer Things in Life



Do you own high value insurables such as coin collections, jewelry, furs, and collectibles? If so, it may be wise to develop a well-thought out strategy regarding the risk of loss or damage to the finer things in your home. Most homeowner's policies limit the amount of coverage for luxury items, and an additional specialized policy may be required.

These specialized policies or "floaters" are designed to cover valuable items at a pre-determined dollar amount as scheduled in the policy. If you prefer, your insurance company might be willing to cover your high value items on a blanket basis at an agreed upon value per type. For instance, if you own quite a bit of fine jewelry, and you are comfortable with insuring all of it on an aggregate basis, you might agree upon $100,000 as the coverage amount. If your home is decorated with antiques and you own fine china, check to see if your policy includes accidental breakage and if it needs to be scheduled. Under a typical homeowner's policy, such breakage would not be included.

One of the benefits of a floater is that it usually does not include a deductible, so you are covered from the very first dollar of loss. Furthermore, floater policies are often written on an "all-risk" basis. As such, unless the peril is specifically excluded, losses are covered for all perils regardless of whether or not they are named. Another attractive feature of floaters is "mysterious disappearance" coverage. Although many policies, especially inland marine policies, do not include mysterious disappearances of items, these floaters often will. As you may surmise, mysterious disappearance involves a loss where the cause is unknown.

The way you approach risk management will be a key element in the process of insuring your valuables. If you show a strong commitment to minimizing loss, most insurers will take your loss prevention strategies into consideration when pricing your coverage. For example, if you have a Monet hanging on your living room wall, and no alarm system, you should expect to pay a high price for coverage.

Some insurers will help you formulate your risk management plans by assisting you with the inventory process. It may be necessary to coordinate a third-party appraisal - a vital element of the risk management and insurance processes. In many cases, insureds underestimate the value of their own property, and consequently underinsure the property. A knowledgeable appraiser can offer assistance in assessing the value of your property, and can provide mandatory documentation of the value if you experience a loss.

Below are some guidelines to ensure proper coverage:

1. Take inventory of your most valuable items. Don't forget about less obvious valuables such as the autographed Pele soccer ball sitting on your book case. It may be worth more than you think!
2. Schedule an appraisal of special items, and be prepared to enlist the services of more than one specialist. For example, you wouldn't hire the same appraiser for the Pele soccer ball as you would for a piece of antique jewelry.

3. Discuss the possibility of floaters with your insurance agent. Learn what coverage and limits are available, and compare the coverage to your basic homeowners' policy in order to fully measure the value of the additional coverage.
4. Ask your agent what services they offer, in addition to the coverage they provide. If they can help you in the conservation and preservation of your valuables, and if they bundle these services in a cost-effective manner, it may create a win-win situation. If you take advantage of all your agent has to offer, they will also benefit from a loyal client who will hopefully be with them for many years to come.

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Investment Outlook Summary

(Italics denote changes from last newsletter)

ASSET CLASS	OUTLOOK	OBSERVATIONS
Cash / Stable Value	– Maintaining minimal levels of cash	Because of low yields and the low interest rate environment we're currently maintaining low balances of cash.
Bonds / Fixed Income	– Positive on bonds	*Bonds have seen a nice run over the past 12 months. We continue to be positive, but are highly selective with the areas of the bond market we invest in.*
	– Cautious of U.S. Treasuries	Currently we are at historic lows in interest rates. At some point in the near future we believe the Fed will begin to raise rates to fight inflation which makes Treasuries even less attractive.
	– Positive on short-term high-quality corporate debt	The default risk associated with high grade corporate debt is low at this time. Short-term corporate debt is also less prone to interest rate risk than Treasuries.
	– Positive on floating rate	Because of their short maturity dates, their yields adjust more quickly in a rising interest rate environment.
	– Positive on emerging market bonds	As emerging markets strengthen, their bonds become more attractive and are hedged the U.S. Dollar as well.
Stocks / Equities	– Currently underweight in stocks	With unemployment at current rates we are cautious of equities. *With the midterm elections in November, we are actively researching various stock positions and possibly adding to our overall equity portfolio.*
	– Positive on dividend-paying stocks	As the market continues to trade sideways, high-quality dividend-paying stocks present opportunities to get paid while we wait for the market to fully recover.
	– Positive on Consumer Staples	Consumer Staples tend to be fairly more recession resistant than other equities. Regardless of current economic conditions, people still purchase from Consumer Staple orientated companies in order to take care of their basic needs.
	– Positive on Infrastructure-related stocks	*In early September the government allocated an additional (in addition to the recent stimulus package) $50 billion specifically for infrastructure spending, we continue to have a positive outlook on this area.*
	– Positive on alternative energy	The current administration has very favorable policies towards alternative energy. This position is currently under review.
	– Real estate stocks show opportunities	We feel there is long term opportunity because of the recent commercial and residential real estate bubble.
	– International stocks show value	International stocks are a good long-term hedge against the U.S. Dollar and the stock market.
Alternate	– Positive on foreign currencies	With record high U.S. deficits, foreign currencies are a hedge against a falling U.S. Dollar.
	– Positive on energy trusts	Because of the high dividends energy trusts tend to pay, they are a good way to help alleviate some of the stock market's volatility.
	– Positive on oil	As the global economy rebounds, and the demand for autos in emerging markets increases, we feel that the demand for oil will continue to rise. *Oil is also a hedge against a falling U.S. dollar.*
	– Positive on natural gas	It's an energy source that is highly abundant in the U.S. and can be looked at as a way to help decrease our dependence on Middle Eastern oil.
	– Cautious on gold	Due to the record high prices we are concerned with the decreased upward mobility with gold at this time.

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