

IN THIS ISSUE:

**Are Money Market Accounts
As Safe as High-Yield Savings
Accounts?** Pg 1-5

Mike's Notes Pg 2-4

Meet our Representative Pg 5

**Despite Warnings, Weak
Password Policies Still Invite
Cybercrime** Pg 6-7

Joke of the day Pg 6

**Home Alone: Would
Homeowners Insurance Cover
Kevin's Damage?** Pg 6-7

ABM Referral Program Pg 8

Save with ABM Insurance Pg 8



Are Money Market Accounts As Safe as High-Yield Savings Accounts?

Written by Christopher Smith

Natural savers emerged from the dark ages of late to revel in annual yields often higher than 5%.

Not long ago, even competitive high-yield savings accounts paid many percentage points lower than inflation. So your purchasing power was shrinking at even the best high-yield savings accounts.

That's no longer the case. The U.S. Consumer Price Index (CPI), which the government uses as the official inflation number, currently sits at 3.2%. It's trending down over time, although much more slowly now. The Fed often mentions that it targets 2% inflation.

So if you can get 5% interest, you're outrunning inflation by almost 2%.

However, the elevated interest rates aren't limited to savings accounts. CDs, Series I savings bonds and money market accounts have gone through periods of attractive rates as well.

Relative boom times have caused savers to evaluate and re-evaluate their options. For example, is a money market account as safe as a high-yield savings account?

I'm considering a money market account for my savings. Is it as safe as a savings account at a bank?



Mike's Blog

Why are rates going up?

Home and auto insurance are essential for protecting one's property and vehicles from unexpected events and accidents. However, it's not uncommon for policyholders to notice that their insurance rates are increasing this year. Unfortunately, our agency cannot control carrier rate increases and or rate changes. It is frustrating for us as well, especially since we are insurance consumers as well and our rates are increasing too. As an Independent Insurance Agency, we work with over 50 personal insurance carriers and will work to find our clients the best value in the market. Read below to see what can be done to

help reduce the rate increases of your home and auto insurance.

While this can be frustrating, several factors contribute to the rise in insurance premiums. In this comprehensive explanation, we'll explore twelve key reasons behind the increasing costs of home and auto insurance.

Increasing Risk

One of the primary factors influencing insurance rates is the level of risk involved in providing coverage. Insurance companies assess the likelihood of claims based on historical data and statistical models. Over time, various factors contribute to increased risk. For instance, the rise in extreme weather events such as hurricanes, tornadoes, wildfires, and floods can lead to more frequent and severe property damage claims. Similarly, the increase in accidents on the roads can result in higher auto insurance claims. As these risks intensify, insurers must adjust their rates to ensure they can meet their financial obligations and remain solvent.

Climate Change

The ongoing impact of climate change is a significant concern for the insurance industry. Changes in weather patterns and rising global temperatures have led to more frequent and severe natural disasters. These catastrophes can result in substantial losses for insurers due to the higher number of claims they receive. As a result, insurance companies may adjust their rates to account for the elevated risk of property damage and loss associated with climate change-related events.

Rising Repair Costs

The cost of repairing homes and vehicles has been steadily increasing over the years. Advancements in technology and the use of specialized materials in modern vehicles and homes have made repairs more complex and expensive. For example, the integration of advanced safety features in cars, such as sensors and cameras, can significantly increase repair costs if they get damaged in an accident. Likewise, building materials for homes may have become more expensive, leading to higher repair or replacement costs for insurers. To cover these rising expenses, insurers adjust their premiums accordingly.

Inflation

Like any other industry, insurance companies are impacted by inflation. As the general price level of goods and services in the economy rises, the costs of providing insurance coverage also increase. Insurers must account for inflation when setting their premiums to ensure they can continue to provide the same level of coverage without suffering losses. We are experiencing historical inflation and insurance is not immune to inflation. Inflation also affects the valuations of property. Your homes replacement cost valuation has to increase with inflations since the cost to repair / replace your property has increased. A \$350,000 replacement cost valuation in 2020 is now close to \$500,000. Even though you don't think you can sell your home for this amount, the replacement cost to repair your home has increased to this level. Your insurance company has a contract to replace your property up to the replacement cost levels of the policy. If you are not adequately insured..... You are self insuring.

Medical Costs

Auto insurance rates, in particular, can be affected by the escalating costs of medical care. In the event of an accident, auto insurance policies often cover medical expenses for injuries sustained by the involved parties. As medical costs continue to rise, the amount insurers pay for these claims also increases. To compensate for this, auto insurance premiums may rise to ensure adequate coverage for medical expenses.

Distracted Driving

In recent years, distracted driving has become a major concern on the roads. With the proliferation of smartphones and other electronic devices, drivers are more likely to be distracted while driving, leading to an

increase in accidents. The rise in accidents translates to more claims being filed with auto insurance companies, which, in turn, may result in higher premiums for policyholders.

Auto Technology

While advanced technology in vehicles has improved safety and reduced the frequency of accidents in some cases, it has also contributed to higher repair costs. Modern cars are equipped with sophisticated sensors, cameras, and computer systems that enhance safety but can be expensive to repair or replace if damaged. Moreover, the increasing complexity of these systems often requires specialized training and equipment for repairs, adding to the overall cost. Consequently, insurers may raise auto insurance rates to account for these higher repair expenses.

Frequency of Claims

The frequency of insurance claims plays a crucial role in determining the overall cost of insurance coverage. If there is an uptick in the number of claims being filed, it can strain an insurer's financial resources. An increase in claims may occur due to a variety of factors, such as changes in demographics, economic conditions, or social trends. To maintain financial stability and ensure they can meet their obligations to policyholders, insurers may adjust rates to align with the increased claim frequency.

Population Density

Population density in a given area can influence the likelihood of accidents, theft, and property damage. Highly populated regions tend to have more traffic congestion, which can lead to a higher risk of accidents. Similarly, densely populated urban areas may experience higher rates of property crimes and burglaries. Consequently, insurance companies adjust their rates to reflect the varying risk levels associated with different geographical locations.

Fraudulent Claims

Insurance fraud is a significant problem for the industry. Fraudulent claims, whether related to home insurance or auto insurance, impose considerable financial burdens on insurance companies. These costs are eventually passed on to policyholders through higher premiums. Insurers employ various measures to combat fraud, but as the sophistication of fraudulent schemes increases, so does the need for insurers to adjust rates to mitigate the impact of fraudulent claims.

Insurance Market Conditions

The overall state of the insurance market can have an impact on insurance rates. When the market is highly competitive, insurers may reduce premiums to attract more customers. Conversely, during periods of reduced competition or increased financial pressures, insurers may raise rates to maintain profitability. Market conditions are influenced by factors such as industry consolidation, changes in regulatory environment, and shifts in the economic landscape. Texas and Louisiana have had 7 and 10 insurance companies, respectively, become insolvent and file for bankruptcy. Those carriers that remain in the market have to absorb the risk and as risk in an area increases, so too does the rate. This is where we are right now and we can only hope and pray this will change soon.

Reinsurance Costs

Reinsurance is a mechanism that allows insurance companies to transfer a portion of their risk to other insurers (reinsurers) to protect themselves against catastrophic losses. Reinsurers provide coverage to insurers in exchange for a portion of the premium collected from policyholders. If the cost of reinsurance increases, insurance companies may pass some of these expenses to policyholders by adjusting their rates.

Conclusion

The increase in home and auto insurance rates is a complex issue influenced by a multitude of factors. Insurance companies continuously assess risk, market conditions, repair costs, and claim trends to set appropriate premiums. While rising insurance rates can be frustrating for policyholders, they are necessary to ensure that insurance companies can effectively cover claims and maintain financial stability.

As a consumer, it's essential to regularly review your insurance coverage and compare quotes from different insurers to find the best rates and coverage for your specific needs. Additionally, adopting safe driving practices and implementing security measures for your home can potentially help lower your insurance costs in the long run.

Remember that insurance is a valuable tool for protecting your assets and providing peace of mind, even in times of unexpected events. By understanding the factors driving insurance rate increases, you can make informed

decisions to protect yourself and your property effectively.

What can you do to reduce your cost without losing protection? Call our office at 800-362-2809. Often we can find discounts that are not available with your current coverage.

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Lots of opportunities to reduce your cost.

Call us at 800-362-2809 or visit us at www.getagreatquote.com. Our team is dedicated, creative and will work to provide you with the best value in the market.

Continued from Page 1- Are Money Market Accounts As Safe as High-Yield Savings Accounts?

That's what a listener recently asked Clark. Asked Ed in California: "I'm planning to move my savings from a monster mega bank to a high-yield online bank. But I see Fidelity is offering 4.98% on its money market account.

"I would like to move the money to Fidelity since I already have an account there even though I could get slightly more at a high-yield online savings account. Is their money market account as safe as a high-yield account?"

Money market funds are not covered by FDIC insurance. Earlier this year, the collapse of the Silicon Valley Bank among others caused the public to re-examine what it means to have FDIC insurance. If you're putting money into an account backed by FDIC, typically your money is safe up to \$250,000 — even if the bank goes out of business or suddenly implodes.

A money market fund invests in short-term, high-quality debt. According to Clark, though, money market funds at Fidelity, Schwab and Vanguard that invest in U.S. Treasuries offer "superior" protection to FDIC insurance. "Money market accounts are very safe," Clark says. The chance of doing what they call break the buck is so remote. And there's so much attention by the Federal Reserve and other regulators on this issue, I'm not freaked out about it."

What Does 'Breaking the Buck' Mean for a Money Market Account?

The share price of a money market fund is designed to stay at \$1. When the fund's income isn't enough to cover expenses or investment losses, like in 1994 or 2008, the price can fall below \$1. This is called "breaking the buck," and it's bad news for investors.

However, those previous incidents led to stricter government regulations. Now, it would take something like a nuclear war for it to happen again, Clark says. That's why he feels safe to put his own money in money market funds. "I sleep well at night knowing that these obligations are ultra short term and I'm not worried about them breaking the buck," Clark says.

Consider CDs Instead of Money Market Funds

For Ed, getting 4.98% instead of perhaps 5.3% is worth it. Especially since he already has a Fidelity account and doesn't need to fiddle with a new username and login.

However, Clark thinks that we've reached peak interest rates. The prediction markets agree, suggesting that it's likely that the Fed will cut rates, particularly in the second half of 2024. In that case, Ed may want to look at CDs. Clark loves for people to buy CDs via Fidelity, Schwab and Vanguard. So that would maintain Ed's desire to avoid unnecessary hassle. And it may also get him more yield for a longer period.

"I think we're nearing a peak on interest rates on savings. And if there's money that you can put aside that is not for potential immediate needs, I'd rather see you put it into CDs of longer duration," Clark says. "As long as it's

comfortable for you, you could even ladder CDs. The money that you don't need to have immediate access to. Because the rates on CDs are [so attractive] right now. And those are FDIC insured. And you can buy those through Fidelity Investments."

Money market accounts aren't FDIC insured. But they are incredibly safe. That's especially true if you buy money market funds focused on reliable U.S. government debt from Fidelity, Schwab and Vanguard, Clark says. However, interest rates likely are peaking. If you've got savings that you can put aside for a considerable period, you may consider long-term CDs so that you can lock in a great yield for years to come.

Meet Our Representative



Maura Guevara-Mendez

Name: Maura Guevara-Mendez

Title: Renewal Specialist

Email: maura@getagreatquote.com

How long have you worked at ABM ? 5 years as of November 1st 2023

What do you do at ABM? I handle personal lines renewals and also assist with customer service

What do you love about your job? Being able to help people and give them clarity when in doubt

Why do you think ABM is a great company? We are a FAMILY

Fun Fact about yourself: I own over a 100 pair of shoes, I have a pit-bull who I named MANGO and I am from El Salvador

Despite Warnings, Weak Password Policies Still Invite Cybercrime

By Max Dorfman

It's Cyber Security 101: Multi-factor authentication and hard-to-crack passwords are table stakes for preventing incursions.

Nevertheless, "Password," "12345", and "Qwerty123" are among the most commonly found passwords leaked on the dark web by hackers, according to mobile security firm Lookout. And, despite the amount of attention the issue receives, the situation does not appear to be improving.



A survey by EY, a consulting firm based in the United Kingdom, found that only 48 percent of government and public sector respondents said they are "very confident in their ability to use strong passwords at work." The problem is exemplified by a recent study by the U.S. Office of Inspector General – part of the Department of the Interior (DOI), the agency responsible for managing federal lands and natural resources.

Hacking DOI, it turns out, is relatively easy. In fewer than two hours – and spending only \$15,000 – the Inspector General's Office was able to procure "clear-text" (non-encrypted) passwords for 16 percent of user accounts. In total, 18,174 of 85,944 – 21 percent of active user passwords – were hacked, including 288 accounts with elevated privileges and 362 accounts of senior U.S. government employees.

Much of this issue, according to the report, stems from a lack of multifactor authentication, as well as password complexity requirements that allowed unrelated staff to use the same weak passwords. The Inspector General's Office found that:

- DOI did not consistently implement multifactor authentication
- Password complexity requirements were outdated and ineffective and
- The department did not timely disable inactive accounts or enforce password age limits, which left more than 6,000 additional active accounts vulnerable to attack.

ABM Bad Joke Of The Month...

**How do you fit 100 math teachers, in a room that only fits 99?
You carry the one**



Continued from Page 4- Despite Warnings, Weak Password Policies Still Invite Cybercrime

The most commonly reused password was used on 478 unique active accounts. Investigators found that five of the 10 most-reused passwords at DOI included a variation of “password” combined with “1234”.

With the average person having over 100 different online accounts with passwords, reusing passwords is understandable – but simple passwords make it easy for hackers to access personal data and accounts. “Compromised, weak and reused passwords still account for the majority of hacking-related data breaches and are one of the top risk issues for most enterprises” said Gaurav Banga, CEO and founder of cybersecurity firm Balbix. In 2020, Balbix found that 99 percent of enterprise users recycle passwords across work accounts or between work and personal accounts. “The cost of ransomware attacks has increased as criminals have targeted larger companies, supply chains and critical infrastructure,” Allianz says in its Allianz’s 2023 Risk Barometer. “In April 2022, an attack impacted around 30 institutions of the government of Costa Rica, crippling the territory for two months.”

Part of this growth is due to the rise of “ransomware as a service” – a subscription-based business model that enables affiliates to use existing ransomware tools to execute attacks. Based on the “software as a service” model, it helps bad actors attack their targets without having to know how to code or hire unscrupulous programmers.

Michael Menapace, an insurance attorney with Wiggin and Dana LLP and a Triple-I Non-resident Scholar, told people that “ransomware as a business model remains alive and well.” What has changed in recent years, he said, is that “where bad actors would encrypt your systems and extract a ransom to give you back your data, now they will exfiltrate your data and threaten to go public with it.” The types of targets also have changed, Menapace said, with an increased focus on “softer targets—in particular, municipalities” that often don’t have the personnel or finances to maintain the same cyber hygiene as large corporate entities.

Organizations and individuals must take the threat of cyberattacks seriously and do as much as possible to reduce their risk. Improved cyber hygiene policies and practices are a necessary first step.

Home Alone: Would Homeowners Insurance Cover Kevin’s Damage?

by AnneMarie McPherson Spears

Forget the emotional toll of leaving a child at home while jetting off to Paris—what would the repair bill be for the McCallister family after the credits roll for “Home Alone”?

“Home Alone,” the endearing—and violent—’90s holiday comedy, follows Kevin McCallister (Macaulay Culkin) after his parents accidentally leave him home alone. Kevin must defend his home from persistent burglars Harry (Joe Pesci) and Marv (Daniel Stern), aka the Wet Bandits. From ice traps on exterior steps to an iron to the face, Kevin’s traps were creative, destructive ... and may not have been covered by his parents’ insurance policy.



we asked licensed insurance agent Anuj Desai to review the claims the McCallisters would have filed after Kevin’s battle with the Wet Bandits. Additionally, Tim Rhatigan, weighed in on potential lawsuits prompted by

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Continued from Page 6- Home Alone: Would Homeowners Insurance Cover Kevin's Damage?

Kevin's attacks on the helpless bandits. Estimates for damages were provided by TheQuikFix.

Here's what it would have cost the McCallisters to leave Kevin home alone for Christmas:

Kevin's Shelf Climb: Estimated cost: \$838

Claim verdict: Approved

When Kevin attempts to climb wall-mounted shelves to get to his older brother Buzz's life savings, the shelves come crashing down. Drywall damage and repainting, as well as the cost of the shelves and their contents, could have put the McCallisters back a bit. However, "even though Kevin climbs on the shelves, this damage could be covered under an HO-5 policy," Desai says. "This type of homeowners insurance offers much broader protection and higher coverage limits than a standard HO-3 policy. A claim for the shelves and items on them would fall under Coverage C, which pays for personal property."

Heated Doorknob: Estimated cost: \$90

Claim verdict: Denied

Harry was the unlucky victim of Kevin's use of an electric charcoal starter to heat the front doorknob. The doorknob itself could have been replaced for \$90 on eBay, but the real question is whether the McCallisters could be on the hook for a premises liability lawsuit.

"While defense of one's dwelling is allowed, the Wet Bandits aren't trespassing or committing burglary until they enter the house itself," Rhatigan says. "The airsoft gun fired through the doggie door, the slippery steps, and the hot-doorknob injuries all occur outside the house. These instances of use of force could be construed as unreasonable."

Iron Down the Laundry Chute: Estimated cost: \$434

Claim verdict: Denied

Marv caught an iron in the face after Kevin attached it to a light chain and threaded it through the laundry chute. If this happened in real life and not a children's holiday movie, Marv likely would have needed extensive medical treatment. While the McCallister family's insurance would not cover the incident due to it being an intentional trap, they probably wouldn't need to pay for Marv's injuries if he chose to sue.

"Illinois is a 'Castle Doctrine' state," Rhatigan explains. "This statute allows people to use force to protect their home (their 'Castle') to stop unlawful entry, felonies, or 'great bodily harm.'"

"For this law to apply and block all liability for Kevin McCallister, he would have to show that the entry was violent and the force was necessary to prevent his injury, or that the force was necessary to prevent a felony in the house (which would likely include burglary)," Rhatigan says. "Especially since Kevin is a child who is literally 'Home Alone,' it is unlikely any court would see it as unreasonable for him to think he was in danger, even if he doesn't have a good conception of what qualifies as a felony."

The McCallisters would have to pay for the damaged laundry chute, which costs about \$434 to replace.

ABM Insurance & Benefit Services hopes everyone has a stellar new year. We wish you all the best in 2024!

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Awesome help with my insurance needs! Thanks to Mike Alexander and Crystal Calaway for their over the top service.

- Sharon H.

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As Safe as High-Yield Savings
Accounts?** Pg 1-5

Mike's Notes Pg 2-4

Meet our Representative Pg 5

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Password Policies Still Invite
Cybercrime** Pg 6-7

Joke of the day Pg 6

**Home Alone: Would
Homeowners Insurance Cover
Kevin's Damage?** Pg 6-7

ABM Referral Program Pg 8

Save with ABM Insurance Pg 8

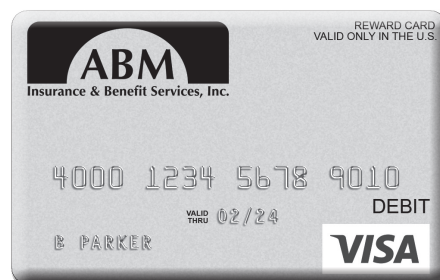
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