



Perspectives from Fran Doran

On the corner of my desk sits a photograph of our three children taken in 1988, shortly after we opened our firm. Standing on the sidewalk in front of our offices, with a folding table, cooler and homemade lemonade sign, they were poised to experience American capitalism at ages 6, 4, and 3.

The intervening 18 years have brought many changes. Our oldest daughter is in grad school in England for two years, our middle daughter graduated from college this year, and our son enters his sophomore year in college. They still regularly apply the lessons they learned selling lemonade! What began as a small Duxbury insurance office with one wonderful assistant has now grown into a firm that serves over 1,100 clients served by a professional staff of 12 with offices in Duxbury and Concord.

One of the most gratifying aspects of our business is that we know virtually all of our clients on a first-name basis, and we've experienced the changes in their families' lives. Press clippings that once described Brownie packs or sporting achievements now announce weddings and birth announcements. Of course, we've shared the sadness of the loss of loved ones too. Indeed, coming to know and do business with our clients and so many of their advisors has been a privilege that we treasure.

I hope you find this newsletter informative. From time to time we include information from professionals that we meet through our clients. In this edition is an article from Klaus Jensen, a successful professional mortgage broker in eastern Massachusetts.

Best wishes to you and your loved ones. May you be blessed with health, a loving family and loyal friends.

Best Wishes, Fran

Creative Mortgage Financing of College Education Costs

Rising interest rates and a softening real estate market can make it more important than ever to work with a resourceful mortgage professional who can help custom tailor the right loan structure for you and sort through the many loan products that are available. Funding a college education, for example, is an area where the unused equity in your home can be a valuable source of financing. In such an example, leveraging the unused equity in your home can unlock a favorable interest rate and minimize the payments. Your home equity is a powerful financial resource that offers flexible options, and the use of tax deductible interest.



Mortgage Master represents more than 35 lenders and is licensed in over 30 states, creating the flexibility to find the right loan product at the best rate. They underwrite most loans in-house up to \$1.5 million, thereby streamlining the loan process.

Klaus Jensen is a graduate of Duxbury HS '84, earned a BS from Yale University in 1988, and an MBA from the Tuck School of Dartmouth College in 1995. He joined Mortgage Master Inc. in 2002. When not in the office, he enjoys spending time with his two daughters and his wife at their lakeside cabin in Maine. Klaus is also an avid snowboarder and enjoys woodworking. He has established himself as a specialist in unique and creative loan offerings for affluent clients and jumbo mortgages.

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The National Impact of Recent Hurricanes on Homeowners Insurance

Hurricane damage that has occurred in recent years in the south has had a major spillover effect on homeowner's insurance rates across the nation. The response from the insurance regulators and insurance companies of how best to manage these risks is evolving, but here's our snapshot overview of the state of the homeowner's market in 2006:

The Cost of the 2005 Storms

The 2005 hurricanes caused an estimated \$26 billion dollars of damage. Those who have traveled to Florida and the Gulf Coast recently have seen hundreds of properties that are not yet repaired, and in certain sections, thousands of temporary trailers that act as replacement housing for people whose homes or condominiums were damaged. The scope of the damage was beyond the capacity of available labor and materials to repair.



Impact on Insurer Solvency

The insurance industry was adequately capitalized to withstand its share of hurricane and other losses through the year 2005. Many carriers have withdrawn from insuring properties in Florida and other coastal areas in the south, or have written coverage that does not provide wind coverage. For those policies that are sold without wind coverage, the client can access wind coverage in some states through the government backed wind insurance policy programs.

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• Recognition for Excellence

The Doran Agency was once again selected as a Cornerstone Agency. We've been privileged since 1988 to represent the Chubb Group of Insurance Companies, long recognized as the preeminent insurers of affluent families and individuals, distinctive homes, and fine possessions. Of the 39,000 licensed insurance agents in America, Chubb has selected 3,200 to represent their organization. Of that group, only 320 are chosen as Cornerstone Agents, a designation recognizing the excellence of those agencies in the area of personal lines insurance. We are honored and proud to have been selected a Cornerstone Agency since 1999, every year that the designation has been available. In March 2006 Fran Doran was one of two agents from the Boston area selected to attend the annual Cornerstone Agent's meeting at the Royal Palm Hotel in Phoenix, a meeting attended by 35 other Cornerstone Agents from across the country.

• Flood Insurance: Measuring the Risk

Flood insurance is available for most properties in the United States. According to the National Flood Insurance Program, 90% of all natural disasters in the United States involve flooding. Approximately 25% of floods occur in low to moderate flood hazard areas, often due to heavy rains which cause flash flooding. Television coverage of recent flooding in the area north of Boston showed millions of dollars of damage and thousands of structures with water on the first floor of the buildings. Flood insurance policies pay for damage to the foundation and building systems (electrical, heating, etc.) in a basement, and damage to the structure and possessions on the first floor and above. For properties located in the highest risk areas, the rate for a "special flood hazard area" applies. Rates can be approximately \$500 to \$5,000. In a low risk area, a basic flood policy can be purchased for less than \$200. To learn more about flood insurance, please call us.

Government Backed Wind Insurance Programs

Florida was first to establish a wind insurance program, called Citizens Insurance, for its property owners, a development that took place following Hurricane Andrew in 1992. Most of the claim reserves of Citizens Insurance that had been built over the prior decade were depleted as a result of the 2005 storm losses, causing rates to be increased more than once last the year. South Carolina has also established a wind pool program for its residents, and the idea of a wind pool has been floated for the northeast states.

Insuring a home for wind risk in Florida is expensive. Deductibles on wind coverage typically range from \$10,000 to \$150,000. We recently provided \$1,000,000 wind coverage for a home in Vero Beach at a cost of \$16,000, and we recently insured a home in the Palm Beach area at a cost of \$18,000 for \$1,100,000 of wind coverage. In both cases the homeowners insurance cost on the homes was less than \$3,500.



A Warmer Atlantic Ocean

Scientists have determined that the temperature of the Atlantic Ocean is up to 3 degrees warmer than normal, and expert's project that powerful storms following the Atlantic seaboard will now hit New England with more power than has been the case in the past. The result has been that as far north as New England there has been a major disruption to the coastal property insurance marketplace.

The largest insurer of homes in Massachusetts, The Andover Companies, has announced that as of August 2006 they will no longer insure most homes within 3 miles of the ocean in Massachusetts. It is now very difficult to obtain any insurance on Cape Cod, Martha's Vineyard, or Nantucket, other than thru the state-created insurance pool, the Fair Plan. Allstate Insurance recently withdrew from writing property insurance near the coast in New York State. Despite dramatic price increases in coastal areas, there appears little appetite on the part of other insurers to enter the marketplace. While most insurers will not write any property within 1,000 to 5,000 feet of the coastline in New England, Chubb remains a market for some larger homes.

Impact on Construction Costs

A spillover effect of large storms is that they draw construction materials out of the normal distribution flow and to the impacted area. Significant increases in building material costs results. We contacted one of the great people in the building materials business, Sam Wakefield of Goodrich Lumber in Kingston Ma., to measure pricing trends. Sam told us that in the past twelve months the cost of finished woods has increased 10-15%; asphalt, plastic and other petroleum products have increased by 50%; and steel has doubled in cost. If you need building materials, and want to deal with a top flight individual and his company, call Sam at 781-422-0131.

Impact on Reconstruction pricing for all Homes

Although many parts of the country are experiencing a period of softening house pricing, the reconstruction costs of homes have actually continued to raise dramatically, in part because of the disruption the costs of materials to the hurricane-damaged areas. For example, in the last twelve months we've experienced 8% general construction cost increases in many of the affluent communities of Eastern Massachusetts, and 11% or higher increases in many of the affluent communities of Cape Cod.