

Financial Literacy Event Handout

Protect Your Passions

Industry Basics and Evaluating your Home/Auto Policies

EVENT KEY NOTES

- ✓ **Brief Overview and History** – Insurance is an economic device that transfers risk from individuals to a company and reduces the uncertainty of risk via pooling. It is a method of financial protection used by individuals, businesses, non-profit organizations, and governments.
 - First insurance company in the US dates back to 1752 and was co-founded by Ben Franklin
 - Most early insurance companies formed to protect against losses due to house fires
 - 1759 The first Life Insurance company was founded in the US
 - 1898 first automobile insurance policy was issued.

- ✓ **Common Terminology**
 1. **Policy:** Legal written contract formalizing an insurance agreement
 2. **Premium:** Amount of money charged for an insurance policy
 3. **Loss:** The basis of a claim after a covered accident or misfortune. Could include property damage, bodily injury, loss of wages, etc.
 4. **Deductible** Portion of the insured loss (in dollars) paid by the policy holder
 5. **Coverage Limit** Maximum amount an insurance company will pay for a covered loss
 6. **Exposure/Risk** Potential and uncertainty of a loss
 7. **Underwriting** Process of identifying, examining, and classifying the degree of risk represented by a potential insured to determine if coverage should be extended and if so, at what rate
 8. **Endorsement/Rider** An addendum that adds, deletes, excludes, or changes insurance coverage and takes precedent over the original policy
 9. **Binder:** Temporary evidence of insurance coverage prior to the issuance of a formal insurance policy
 10. **Rating:** Process of determining the premium to be paid to insure or reinsure a risk

- ✓ **NAIC** offers and comprehensive glossary online at: https://content.naic.org/consumer_glossary

- ✓ **Carriers' vs Agents vs Agencies-** Insurance companies (also known as carriers) sell their policies through three main methods.
 - **Direct Writers:** An insurance company that sells policies directly to insureds through salaried representatives.
 - **Captive Agents:** Licensed insurance agents who sell policies from a specific insurer only
 - **Independent Agent:** Licensed insurance agents who sell and service insurance policies for multiple insurance companies and are not restricted to selling policies for a specific carrier.

- ✓ In New York State, **insurance agents** have a **common-law duty** to obtain coverage that their clients request within a reasonable time or inform their clients they are unable to do so. However, they are **NOT considered fiduciaries** and are NOT required to continually advise or direct their clients to obtain additional coverage.
 - **It's very important to review your coverage needs often and work with an insurance company or agent that you trust**

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✓ **Securing Your Home and Auto**

- Making sure you have adequate coverage first depends on the type of housing or vehicles you're insuring
- **Renter's Insurance** covers your personal belongings vs your landlord's property coverage which protects against losses to the building itself. Only about 41% of renters have rental coverage
- Your rating on your **Homeowners Insurance** can be affected by the replacement cost value of the property, the distance and size of the closest Fire Department, your credit score, your claim history, and protective devices
- **Auto Insurance** rates are affected by the age, experience, and accident history of household drivers plus other policies the insured has with the company (bundling).
- Separate insurance policies are needed for **recreational and watercraft vehicles** such as boats, jet skis, motorcycles, snowmobiles, RVs/Motorhomes, etc...
- **Being upfront and honest** with your insurance agent is essential
- Refer to the handout '**Questions to ask your insurance advisor**' for additional considerations

✓ **Personal Umbrella Policies**

- Provides personal liability protection beyond the coverage limits of your home/auto policies
- Covers injury to others or damage to their possessions
- Can protect not only the policyholder but also household members
- Personal Umbrella policies may not cover business related losses

✓ **Hobbies and Home-Based Businesses**

- Hobbies and side business do not need to generate a lot of income to qualify as a home-based business. Generally, **homeowners policies offer inadequate protection for home offices and home-based businesses**
- Evaluating the need for a supplemental home-based business policy includes
 1. Increased foot traffic to your property
 2. Inventory of supplies or goods sold
 3. Vehicles and equipment used for business purposes
 4. Data loss and record keeping requirements
 5. Potential of being sued by a customer, employee, or sub-contractor

INSURANCE PRODUCTS ARE: NOT FDIC INSURED | NOT BANK GUARANTEED | MAY LOSE VALUE | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | NOT A BANK DEPOSIT

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QUESTIONS FOR YOUR INSURANCE ADVISOR

✓ HOMEOWNER POLICIES

1. Does my homeowner policy have replacement cost value coverage for my personal property or only actual cash value?
2. Can you review the water damage and sewer backup portions of my policy? Are there options to enhance my coverage to protect against these types of losses?
3. What coverage do I have on my garage, shed(s) or other outbuilding? What about the contents inside of them?
4. Are my rings, jewelry and personal collections covered under my current policy? Is there a deductible?
5. Is there coverage for my personal identity? What about other household members?
6. What discounts are available to me and my family?

✓ AUTO & RECREATIONAL VEHICLE POLICIES

1. Are my limits enough or are they state minimum? If I am in an accident with a new or luxury car, will I have to pay out of my own pocket?
2. In a covered accident, do I have access to a rental car to get to work / school?
3. What value does my policy use when calculating a total loss? Actual Cash Value, Agreed Value or Stated Value?
4. Is my (snowmobile, ATV, Golf Cart, etc...) covered for liability and property damage?
5. What discounts are available to me and my family?

✓ HOBBIES and HOME-BASED BUSINESSES

1. Does my homeowner's policy include protection for a home-based business or home office?
2. Do I need product liability protection? Do I need general liability?

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