

TOP 10 COMMON INSURANCE QUESTIONS



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DO I NEED INSURANCE?

Life often turns on a dime, making it difficult to determine when or to what extent you'll need insurance. Securing the proper insurance is the best way to protect yourself and your property, business, and investments from loss or liability claims.

There are some situations where you must carry insurance by law (purchasing a vehicle in some states or taking out a mortgage to purchase a business). There are also contractual obligations you may have with your lenders and other companies you do business with that require certain types of coverage and limits.

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WHAT'S THE DIFFERENCE BETWEEN REPLACEMENT COST AND ACTUAL CASH VALUE?

Insurance policies that insure for the replacement cost provide funds to replace the items that were lost or pay for the labor and materials, up to the limits stated in the policy. Policies that insure items by their cash value will require the insurance company to conduct a valuation of your items, including any depreciation in value, at the time of the loss.

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WHAT ARE THE DIFFERENT TYPES OF INSURANCE?

Insurance policies are written for either personal or commercial use and generally cover the property or protect against liabilities. Simply put, property insurance covers your stuff, and liability insurance covers you in case a third party claims you have done damage to someone else or someone else's stuff.

Personal lines property coverage provides protection for your home, your belongings, or your automobile.

Personal lines liability insurance provides coverage in the event a lawsuit is brought against you for causing bodily injury to someone or for damaging their property.

Commercial lines property insurance covers your commercial building, business property (i.e. office contents, business inventory, or income from rental properties), or automobiles used for commercial purposes

Commercial lines liability insurance protects your business in the event it is presented with a claim alleging bodily injury or damaging someone's property while conducting business.

There's also professional liability insurance commonly referred to as errors and omissions (E&O) insurance that protects professionals from advice or services that result in a claim from a third party (typically a negligence, misrepresentation, or violation of good faith claim).

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WHAT FACTORS MAY CAUSE MY PREMIUM TO VARY?

There are many factors that will impact the cost of your policy's premium. The location of your home or business, new construction, and appliance upgrades may influence the premium.

Your premium may also change from year to year based on new valuation and ratings structures that the insurance provider uses to assess the types of risks they can or cannot support. This ultimately protects you because it ensures the proper funds will be in place if you experience an accident and need to submit a claim.

There are also market swings in terms of the overall cost of insurance for a particular coverage due to the number of carriers willing to quote that coverage, average claims costs increasing at various rates and the cost of your insurance company to find re-insurers behind their portfolio.

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AM I COVERED FOR...?

While some brokers may say "don't worry, you're covered!" we believe it is important for clients to understand their policy and speak to their insurance professional about the items they are seeking to protect. We know insurance, but you know your home or your business better than anyone, which is why we encourage all of our customers to read policies carefully for exclusions and coverages so there are no unpleasant surprises should a loss or accident arise.

Sometimes there is neither explicit coverage for a specific scenario, nor a specific exclusion, so interpretation could be based the facts of the specific claim. Make sure to discuss any questions with your agent/broker

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HOW MUCH OF MY STUFF DO I NEED TO PROTECT?

Ultimately, your insurance policy should factor in the potential cost to replace the value of your items if they are destroyed or to protect your assets if a lawsuit is brought against you.

Taking a thorough inventory of your items will help you assess the value of your possessions. The process will also help you identify whether you need special types of insurance (riders or endorsements) for unique items such as jewelry, heirlooms and artwork that go beyond the limits of a standard policy.

Inventory applies to assets, too! Accounting for stocks, savings, and real-estate investments helps you to understand how high to set your liability coverage limits.

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WHAT CAN I DO TO REDUCE MY PREMIUM COST?

There are many things you can do. Some companies offer discounts for having multiple policies (auto and home, for example, or any policy with an umbrella for higher limits), well as improved security and building improvements (low-energy appliances, fire and/or burglar alarms, observing new building codes).

Companies will reduce premiums if the deductible is increased, and others may offer a discount for better loss experience or demonstrating a commitment to risk management or investment in your property.

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HOW FAST CAN YOU GET ME A QUOTE?

It depends on the type of policy you need to protect yourself and/or your property. In some cases, we can turn quotes around in a matter of hours, while others may take a few months to go through the evaluation (also known as underwriting) process.

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WILL I BE PENALIZED IF I CANCEL MY POLICY EARLY?

It all depends on the type of policy that's in place. Most personal lines policies (auto, homeowners, renters) and many commercial lines policies can be cancelled pro rata, meaning that the insured will receive a refund of the premium that's equal to the remaining time left on the policy. Some policies do not issue refunds and are considered fully earned, meaning that if you cancel, even after only one day of coverage, you are still on the hook for the full policy premium. Other policies have a certain amount that is guaranteed before any refunds can be issued. Also, certain taxes and fees are non-refundable.

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CAN COMMERCIAL POLICIES BE SUBJECT TO YEAR-END AUDIT?

Yes, many commercial insurance policies are subject to year-end audits. Depending on the financial documents provided to the insurance company at the time of your application, you may be due a refund—or you may be responsible for paying additional premium. For example, if you have a policy based on \$100,000 of annual revenue and at the end of the year the audit shows you actually had \$300,000 of revenue, the company can charge you for the difference. In the opposite scenario, if you have a policy based on \$500,000 of revenue, but the year-end audit shows only \$250,000, you may be refunded up to half of the premium.



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