

AN INSURANCE PRIMER

What is Insurance?

- Transfer of Risk
- Designed to cover exposures you can't or won't absorb
- Unilateral Contract of Adhesion
 - Drafted by one party
 - Ambiguity
 - “Reasonable Expectations”
 - Money for a Promise
 - 1st, 2nd and 3rd party to the contract
- Components to an Insurance Contract
 - Declarations
 - Insuring Agreement (the Promise)
 - Conditions
 - Exclusions
- Regulated by the State to make sure insurance companies keep their promises
 - Financial Stability
 - Insurance Practices (Compliance to Insurance Regulations)

History and Origin of Insurance

- Phoenicians spreading risk through spreading goods on multiple ships
- Lloyd's of London Coffee House
 - “Underwriting” – getting a piece of the action

Types of Insurance

- Just about anything *can, will or has been* insured
- Insurance adapts to changing times and needs
- Personal Insurance Coverage
 - **Health**
 - Group, Individual or Governmental
 - Traditional 80/20 or HMO

- **Life**
 - Term
 - Coverage for *life insurance only* for a set period of time
 - Whole
 - Coverage is for *life insurance for life and* a savings component
 - Multiple Products
 - Traditional
 - Universal
 - Variable Annuity
- **Property and Casualty (P&C)**
 - Homeowners (HO)
 - Fire and EC (1st Party Coverage)
 - Building
 - Other Structures
 - Contents
 - Additional Living Expenses (ALE)
 - Comp. Personal Liability (CPL) (3rd Party Coverage)
 - Bodily Injury
 - Property Damage
 - Personal Injury (no on all policies)
 - Renters
 - Contents
 - CPL
 - Other types
 - Condo and Townhouse
 - Landlord
- **Auto**
 - 1st Party Coverage(protects you and your investment)
 - Comprehensive (Comp) – *also protects your mortgagees interests*
 - Collision - *also protects your mortgagees interests*
 - Uninsured Motorist (UM)
 - Underinsured Motorist Property Damage (UMPD)
 - Medical pay (Med Pay)
 - Other
 - Towing
 - Rental Car
 - 3rd Party Coverage (Protects your assets from a monetary damages award)
 - Bodily Injury (BI)
 - Property Damage (PD)

Purchasing Considerations

- Level of Service Desired
 - 1(800) Companies
 - Broker v Captive Agent
 - Independent Adjusters v Company Employees

- Financial Strength and Size of the Company
 - Bond Rating
 - AM Best
 - Standard and Poors

- Reputation of the Company
 - Department of Insurance (DOI) Service Rating (caution)
 - JD Powers and Associates
 - Word of Mouth (consider the source)

- Cost
 - Deductibles
 - Limits
 - Redundant Coverage
 - Unnecessary Coverage