



Insurance Guide

TABLE OF CONTENTS

- 1 Introduction
- 2 How insurance works
- 3 What to look for when buying insurance
- 4 Homeowners, condo and renters insurance
- 7 Auto insurance
- 9 Flood insurance
- 11 Personal umbrella liability insurance
- 12 Tips for keeping you and your family safe



This summary is designed to be an overview of how insurance works, and what coverages and tools are available to prepare and protect your loved ones and possessions. Individual company offerings will vary. Discuss your personal insurance needs with your insurance agent, and check back in when your circumstances change.



Introduction

TRAVELERS INSTITUTE INSURANCE GUIDE

The Travelers Institute, the public policy division of The Travelers Companies, Inc., has launched a consumer insurance education program designed to provide consumers with the information and understanding they need to buy insurance that meets their needs for protecting their assets. We believe that the more consumers understand about how insurance works, the better prepared they can be to choose which coverage fits their family's needs.

Superstorm Sandy, which devastated many coastal communities in Connecticut, New York and New Jersey on October 29, 2012, showed us that many consumers need, or want, more help understanding their insurance policies and options. For instance, how does private insurance and the National Flood Insurance Program (NFIP) work? Knowing that is not only critical for residents living in coastal communities, but for residents everywhere.

Given the importance of this public policy initiative, the Travelers Institute is hosting a series of symposia to bring information directly to consumers across the country. Toolkits will be available in both print and electronic formats.

In this booklet, we'll cover such topics as how insurance works, types of homeowners and auto insurance coverages, limits and deductibles, flood insurance, and basic disaster preparedness.

How insurance works

PROTECTING WHAT IS IMPORTANT TO YOU

If you ever wondered what you were buying when you paid your insurance premium, the answer is pretty simple. You're buying insurance to protect yourself and your loved ones if something goes wrong. The policies you purchase cover you from losses specific to that policy – whether it's a car accident, a house fire or a lawsuit. Without insurance, you would have to personally pay the full cost to repair your car, rebuild your home or defend yourself in court.

Thankfully, these events and calamities don't happen to everyone. They do happen to some people though – and the risk is always

there. The concept of insurance allows us to share and manage that risk over a large group by pooling premiums to help pay for the losses experienced by some.

But insurance isn't a one-time event. It's protection that changes with you throughout your life. From your first car insurance policy as a young driver to the asset protection as you advance, you want the peace of mind that comes with knowing you're protected at every life stage. An independent insurance agent or insurance company representative can help guide you with that.

To get an idea of how insurance helps you at each life event, [click here](#) to review a timeline of life events. This guide will help you determine the coverage that's right for your family's needs.



Life changes. Has your coverage?

Whether you're starting out, settling down, or retired, protecting what's important—that's what matters most. Our guide describes factors that can influence your insurance decisions, offers some coverages to consider, and leaves you with key questions to ask so you can find what's right for you.

Personalize your keychain with what's happening in your life, or just get started:



Starting Out



New Home



Getting Married



New Additions



Empty Nest



Retired



Just Livin'

What to look for when buying insurance

FIVE EASY STEPS TO CONSIDER WHEN CHOOSING INSURANCE

Navigating the world of insurance is not always easy. To create the insurance policies that are right for you, think about what you would like covered, what you can afford to pay for that coverage and how much you can personally pay if a loss occurs.

Here are a few easy steps to help you make the right insurance choices:

- 1.** Start with a self-assessment. Write down some key facts about yourself, your family, your home, your belongings and your driving habits. Review your financial picture. List your assets, determine what you want to protect, and outline your budget.
- 2.** Learn about the auto insurance coverages required by state law and the homeowners insurance coverages required by your mortgage lender versus those that are optional. Even if you think you already know, take a few minutes to walk through these simple coverage basics and optional coverages.
- 3.** Select the deductible and limits that meet your needs.
 - Limits. Coverage limits, also known as limits of liability, is the most your insurance will pay if you have a covered claim. It's important to choose coverage limits that meet your needs.
 - Deductible. A deductible is the amount you would pay out of your own pocket before the insurance coverage takes over. The amount you choose for your insurance deductible depends on how much you are prepared to pay if you have a covered loss. For instance, if you choose a \$1,500 deductible, then you will pay the first \$1,500 of a claim.

- 4.** Find out what discounts and advantages are available for you. Some insurers offer multi-policy discounts when you have more than one policy with the company. Safe driving habits, home security systems, and being loss free are several ways a company may offer certain options.
- 5.** Finally, choose an insurer who will be there when you need them. Look for an insurer with responsive claim service and around-the-clock claim reporting. Pay attention to the insurer's financial strength rating – you want an insurer with the ability to pay your claim.

Get help from an independent insurance agent or your insurance company representative to develop policies that fit your needs.

Click below to learn more:

[Understanding auto limits and deductibles](#)

[Understanding homeowners limits and deductibles](#)





Homeowners insurance

Your home is likely your biggest investment. Homeowners insurance can help you keep it safe and secure by paying for damages to your home, or its contents, as a result of an event, such as fire. It also can help cover the damages and court costs if you or a family member injure someone or damage their property. Most mortgage lenders require homeowners to have homeowners insurance.

There are different types of insurance policies, ranging from a basic policy to those that will provide a much broader range of protection.

What is covered? What is not...

Most homeowners insurance policies will cover damage caused by fire, windstorms, hail, lightning, theft or vandalism. It is important to talk to your independent insurance agent or insurance company representative to learn what your policy may and may not cover. There may be supplemental insurance you can purchase for what is not covered.

What most standard homeowners policies provide:

- **Coverage for your home, also known as “dwelling coverage.”** It pays to repair or rebuild your home – including electrical wiring, plumbing, and heating and air conditioning – if damaged by type of loss covered in your policy. It is important to buy enough coverage to cover the cost to rebuild.

- **Coverage for other structures on your property (“other structures coverage”).** Pays for damage to detached structures like garages, sheds and fences on your property.
- **Personal property coverage.** Reimburses you for the personal items in your home that may be damaged or destroyed. That could include your furniture, clothes, sporting goods and electronics.
- **Loss of use coverage.** Pays your additional housing and living expenses if you must move out of your home while it is being repaired to fix covered damage to your home.
- **Liability insurance.** Helps protect your assets and cover your defense costs in case you are sued because you or other family members accidentally injure another person or damage their property.

For more information regarding homeowners insurance, including additional coverages you can add on to your homeowners policy, contact your independent insurance agent or insurance company representative.

Click below to learn more:

[Understanding Home Insurance video](#)



Condominium insurance

As a condo owner, you have unique requirements for protecting your property. Why? Because your building and your individual unit have separate needs. While your condo association most likely has an insurance policy, it won't cover your personal property or personal liability. You can purchase condo insurance for that.

A condo policy can cover:

- Damage to your furniture, clothing, appliances and other personal items
- Your personal belongings, whether they are in your home or elsewhere

- Common loss assessments made by the condo association for all unit owners
- Your personal liability in the event someone is injured or their property is damaged

Talk to your independent insurance agent or insurance company representative to see if you have all the coverage you need. They can help you understand what your policy will cover and suggest any extra coverage you may want. For instance, you can select extra coverage for your belongings that will pay to replace them at their current market price (full replacement cost) and not at the depreciated amount.

Renters insurance

Even if you don't own a home, you still have a lot at stake. After all, your personal belongings, like clothes, furniture and electronics, have significant value.

A renters policy can cover:

- Damage to furniture, clothing and other personal items
- Damage to your personal belongings, whether they're in your rented home or elsewhere

- Your personal liability in the event someone is injured or their property is damaged

You can also select extra coverage for your belongings that will pay to replace them at their current market price (full replacement cost) and not the depreciated amount.

Cost to rebuild

Your home is one of your most valuable assets. Make sure you have enough coverage on your homeowners insurance policy to rebuild it to its original state if it is destroyed by fire or some other type of loss that is covered. And while the current market value of your home may be lower than you would like, the cost to rebuild may be higher than you think.

Cost to rebuild

The cost to rebuild your home is based on a number of factors and can often be higher than what you could sell it for. That can happen over time when the price of building materials goes up while the value of real estate has decreased.

Key factors that impact the cost to rebuild your home include:

- Total living area (square footage of home)
- Style of home (e.g. ranch, contemporary, colonial)
- Exterior wall construction (e.g. frame, brick)
- Number of kitchens and bathrooms and quality of materials
- Garage type (e.g. attached, detached, built-in)
- Special features such as fireplaces, porches, skylights, moldings
- Additions or enhancements such as finished basements or in-law apartments

Why rebuild costs can differ

Costs to rebuild your home often differ from home market values, mortgage requirements, tax assessments and real estate appraisals. Below are some reasons why:

- Costs for building materials have increased in recent years, in some cases significantly.
- You may need to hire specialized workers to prevent further damage.
- Building codes may have changed since your home was built.

Make sure you have the right coverage

If you update, improve or add on to your home, discuss the changes with your independent insurance agent or insurance company representative to determine whether you need more insurance coverage. Installing hardwood floors, updating a kitchen or bath, or adding a deck are the most common changes that could increase the amount of coverage.



Auto insurance

Auto insurance is meant to protect you if you cause injuries to others or damage their property in an auto accident. Depending on the coverage you purchase, it can also provide protection if your car is damaged in an accident or is stolen. An auto insurance policy is a contract between you and an insurance company. You, the customer, pay a certain amount (“premium”) to the insurance company in exchange for a set of coverages you selected. Your policy sets forth what the insurance company will or will not cover.

When you’re shopping for auto insurance, you want to have the insurance that meets your needs in case of an accident. After all, you are protecting your life and your investment, as well as the lives of those around you. Here is a quick overview that outlines the basics of auto coverage.

- Liability coverage is the most important coverage and is required in most states. Basically, if you cause an accident, hurt someone or damage someone’s property, it can pay for covered damages and to defend you if a lawsuit results.
- Collision coverage helps pay for damage to your vehicle if your car hits another car or object, is hit by another car, or your vehicle rolls over. This coverage is generally required if your car is financed or leased.
- Comprehensive coverage helps pay for damage to your vehicle that is not caused by a collision. Examples include theft, vandalism, hitting a deer or other animal, storms and certain natural disasters.

- Medical payments coverage helps pay for covered medical expenses for anyone injured while in your vehicle, regardless of who is at fault.
- Uninsured/underinsured motorist coverage can help pay for damages and medical costs resulting from an accident caused by someone who has no insurance or inadequate insurance coverage.
- Personal injury protection (PIP), also called no-fault insurance, is available in certain states and pays medical expenses, and in some cases, lost wages and other damages regardless of who is at fault in an accident.

When putting your insurance plan together, you might want to discuss with your independent insurance agent or insurance company representative other optional coverages that might be important to you, such as towing or rental reimbursement. Though there are a variety of coverage options available, they may vary by state and company.

Click below to learn more:

[Understanding Auto Insurance video](#)

[Auto Coverage Guide](#)



How these auto coverages work in action



Scenario #1: A tree falls on your car during a thunderstorm causing major damage.

Here's where your comprehensive coverage proves its value.

You will pay your deductible – say \$1,000 – and then your comprehensive coverage pays the rest of the bill. If your car is considered a total loss, your insurance will cover the actual cash value of the car or what it is worth today, minus that \$1,000 deductible.



Scenario #2: Your car collides with a stopped car at an intersection. Both cars are damaged, but no one is hurt.

Your collision coverage covers the repairs on your vehicle, minus the deductible. If your car is considered a total loss, you will get the actual cash value of the car, minus the deductible. If you are liable for damage to the other vehicle, your property damage liability coverage provides coverage up to the limit for the car you hit.



Scenario #3: You are driving alone when your vehicle collides with a car carrying three people. Everyone is injured.

As in scenario #2, your collision coverage covers the damage to your car; and your property damage liability covers damage to the other car up to your property damage liability coverage limit.

Where it is available, personal injury protection, also known as PIP, may pay covered medical expenses up to the PIP limit, regardless of who was at fault in the accident.

If the other driver is liable, but has no insurance, your uninsured/underinsured motorist coverage could provide protection up to the limits of your uninsured/underinsured motorist liability limit.

If an injured person sues you, your bodily injury liability provides your defense and, if you are found responsible, that same coverage pays damages up to your bodily injury liability limit.

These scenarios are for illustrative purposes only, to give you a general idea of how auto insurance coverages could respond to various scenarios. It is not a representation that coverage does or does not exist for any particular claim or loss under any particular policy. Coverage depends on the facts and circumstances of the specific claim or loss, your actual policy provisions, and any applicable law.



Flood insurance

Flood insurance protects your valuables from rising or surging waters

While floods can cause major destruction, the damage caused by floods is not covered by standard homeowners insurance. The federal government offers flood insurance through the National Flood Insurance Program (NFIP) at a reasonable cost to homeowners.

A separate flood insurance policy helps provide the specialized coverage you need to help protect your home in the event of flooding. Costs vary depending on how much insurance is purchased, the date and type of construction, and the property's flood risk. According to the NFIP, from 2007 to 2011, the average residential flood claim amounted to almost \$30,000.

Congress created the NFIP in 1968. The NFIP is a Federal program, managed by the Federal Emergency Management Agency, FEMA. The Standard Flood Insurance Policy is a federal policy and is identical regardless of whether it is obtained directly from the NFIP or a private insurer, called a Write Your Own insurer. Flood insurance coverage, limitations and exclusions will differ from what you will find in a homeowner policy. As with any insurance purchase, it's important to understand what your policy does and doesn't cover.

Flood policies can provide coverage for:

- Flood damage to your home as well as items like your furnace and water heater
- Flood damage to your furniture, rugs, appliances and clothing (with limitations for basement areas)

- Expenses for sandbagging or other measures you take to protect your home against imminent flood damage
- Clean-up costs for covered items after a flood, including debris removal

Generally, there is a 30-day waiting period from the date you purchase the policy to when it becomes effective. That means that if you need it, now is the best time to buy flood insurance.

Affordable options

Some may only consider purchasing flood insurance when their mortgage company requires it. However, you should carefully consider whether protection against a flood is important to you regardless of whether it is mandatory.

Flood insurance may not be as expensive as you might think, and the benefits of coverage can vastly outweigh the costs. Properties located in low-to-moderate-risk zones may be eligible for a Preferred Risk Policy (PRP), a low-cost option that will allow property owners and businesses to protect themselves against the devastating effects of flooding.

For more information regarding the NFIP, visit [floodsmart.gov](https://www.floodsmart.gov) or contact your insurance agent or company representative.

Click here to access an interactive flood damage calculator to estimate common flood-related expenses and determine your flood risk.

Flood insurance – Understanding the myths and facts:

MYTH: A standard homeowners policy covers flooding.

FACT: Standard homeowners policies do not cover damage caused by flooding. You can, however, purchase a separate flood policy through the NFIP. These policies are sold directly by the NFIP or through FEMA's Write Your Own Program of participating property casualty insurance companies who issue and service NFIP's standard flood insurance policy in their own names. Visit [floodsmart.gov](https://www.floodsmart.gov) to learn more.

MYTH: You cannot buy flood insurance if you live in a high-flood-risk area.

FACT: You can buy National Flood Insurance regardless of where you live as long as your community participates in the NFIP. The only exception is in Coastal Barrier Resources System (CBRS) areas or Other Protected Areas (OPA).

MYTH: You cannot purchase flood insurance immediately before or during a flood.

FACT: You can purchase National Flood Insurance at any time. However, in most cases, there is a 30-day waiting period from the time you apply and pay your premium to when the policy takes effect. It's important to note that a policy that has just become effective will not cover a loss that is already in progress as of the effective date of that policy.

MYTH: You are not eligible for flood insurance if your property has previously flooded.

FACT: As long as your community participates in the NFIP, you can purchase a policy, even if your home or business has previously flooded.



MYTH: Federal disaster assistance will reimburse you for a flood loss so you don't need to buy flood insurance.

FACT: Federal disaster assistance is only available during presidentially declared disasters. Federal disaster assistance is often in the form of a loan that you must pay back with interest. Flood insurance policies pay claims whether or not a disaster is declared.

MYTH: If you do not live in a high risk flood zone, you do not need to buy flood insurance.

FACT: You do not have to live near water to suffer a flood loss. Floods can be caused by many things such as heavy rain, melting snow, inadequate or overloaded drainage systems, dam or levee failure, or hurricanes, etc.

Personal umbrella liability insurance

Homeowners and auto policies both provide liability coverage to pay for damages or court costs if you are sued for injuring another or damaging their property. The policies will pay up to the limits of liability you have selected. However, you may want an extra level of protection. Personal umbrella liability can provide that. This provides additional coverage beyond your other “primary” policies – auto, homeowners, renters, condo or boat.

It will also cover you for things such as libel and slander. Umbrella insurance can provide an extra \$1 million to \$10 million of liability coverage.





Tips for keeping you and your family safe

Whether it is preparing for a natural disaster like Superstorm Sandy or avoiding common causes of everyday disasters like water damage, fires and carbon monoxide poisoning, there are resources for home and business owners that can help protect lives and property.

3 steps for disaster preparedness

1. Create a survival kit

In creating a survival kit, think about what you would need if you were stranded away from home for three to seven days. Prepare your kit well in advance so that if you have to evacuate quickly you are able to take your essentials with you.

- Canned food and other nonperishable food, along with a non-electric can opener
- Enough water for a gallon of water per person, per day
- Toiletries and personal items
- Flashlights and plenty of batteries
- A portable radio and/or television
- Prescription medications
- Extra clothing and blankets
- A first-aid kit
- Emergency cash and credit cards
- A copy of your homeowners insurance policy
- A copy of an inventory of your home's contents
- Other personal documents

2. Have a plan

Well before a disaster strikes, you should be thinking about your evacuation plan. An evacuation plan that is spelled out and distributed to everyone in the family well in advance is a good strategy for success in case of disaster.

- Designate a place for all family members to meet. Make sure the meeting place is outside the impacted area.

- Map out an evacuation route. While there may be one well-traveled route to your meeting place, make sure you have alternate routes mapped out in case your main route is blocked.
- Keep your fuel tank filled in your car. Determine how much fuel you will need to reach your meeting place.
- Identify a contact person outside the affected area. Give their contact information to everyone in the family so they can serve as a point of contact should you get separated.

3. Build an inventory

In the event of severe damage to your home or business, having a current inventory of your possessions – including make and model numbers – can help you get your insurance claim settled faster, verify losses for your income tax return and help you purchase the correct amount of insurance.

- Take pictures. Take pictures of rooms and important individual items. Label pictures with a description, including where you bought it and the make, model and serial number.
- Create an electronic file. Use your computer to make your inventory list. Personal finance software packages often include a homeowner's room-by-room inventory program.
- Store the list, photos and tapes. Regardless of how you create it (written list, flash drive, photos, video or audio), keep your inventory, along with receipts, in your safe deposit box or at a friend's or colleague's home.
- Consider expensive items. Valuable items like jewelry, art and collectibles may have increased in value since you received them. Check with your agent to make sure that you have adequate insurance for these items. They may need to be insured separately.

Click below to learn more:

Visit our Prepare & Prevent site for more information on risks specific to your location.

The Travelers Institute, the public policy division of The Travelers Companies, Inc., engages in discussion and analysis of public policy topics of importance to the insurance marketplace and the financial services industry more broadly. The Travelers Institute draws upon the industry expertise of Travelers' senior management and the technical expertise of many of Travelers' underwriters, risk managers and other experts to provide information, analysis, and solutions to public policy makers and regulators. Based in Washington, D.C., the Travelers Institute is led by Joan Woodward, President of the Travelers Institute and Travelers Executive Vice President, Public Policy.

To Learn More

For more information on the Travelers Institute consumer insurance education project, contact Katie Reilly, Manager, Public Policy Initiatives, Travelers Institute, 860.954.2551 kareilly@travelers.com



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