

# INSURANCE 101

Everything You Need to Know



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# Introduction

Welcome! If you're looking to learn more about homeowners, auto, renters, life insurance and more, you're in the right place.

We're committed to helping you protect what you have today and to prepare for tomorrow with dynamic insurance policies and financial guidance. We are proud to have deep roots in the Nashville community and are honored to help our clients protect their investments, families, and futures.

Whether you're shopping for the best homeowners policy, looking to update your auto insurance coverage, considering renters insurance for the first time, or navigating the complexities of life insurance, we have the experience and the compassion to help.

Understanding the fundamentals of insurance helps you prepare for the worst, while enjoying the best that life has to offer.

Thanks for trusting us to point you in the right direction.

Sincerely,  
Royce Williams



# The Fundamentals of Home Insurance

Congratulations! You've finally found the home of your dreams. Now, the next step is protecting your investment with the appropriate level of [homeowners insurance](#). With so many options available and so many different components involved, making sure you select a product that is the right fit for your needs can be challenging.

Relax, we can help.

## What Does Homeowners Insurance Cover?

First, it's important to understand that when you purchase homeowners insurance you are protecting two different things: the structure of your home and your personal belongings.

Let's begin by discussing the ways in which you can protect the structure of your home:

### Replacement Cost

This type of insurance pays out the cost of replacing the damaged property without deducting for depreciation but limited to a specific maximum amount.

### Extended Replacement Cost

Extended replacement cost insurance covers up to a certain specified percentage (typically 20%) over the limit of the replacement cost policy

## Actual Cash Value

Actual Cash Value policies cover the cost to replace your home less the costs associated with depreciation due to age and use.

When determining which of these types of homeowners insurance coverage options is the best fit for your specific situation, it's a good idea to sit down with an insurance professional who understands how insurance coverage works and what the pros and cons of each option are.

In terms of personal property that you maintain within your home, there are two different ways to insure these things:

## Replacement Cost

This type of coverage pays the dollar amount required to replace the damaged or stolen personal property without deducting for depreciation.

## Actual Cash Value

This insurance covers an amount equal to the replacement value of the damaged or missing property minus depreciation.

It's important to note that unless a home insurance policy specifically states that it covers replacement cost for personal property, the default is typically actual cash value.

For accuracy, create an inventory of any and all items of value and include as much pertinent information as possible, such as dates of purchase, serial numbers, purchase prices and appraisals. Keep this inventory in a secure place, such as in a safety deposit box at your local bank.

# WHAT HOMEOWNERS INSURANCE COVERS

To avoid being sidelined by damages and other expenses that aren't covered by your home insurance, understand ahead of time what, exactly, is covered under your insurance policy.

Generally speaking, most homeowners insurance covers damage from any of the following:

- **Fire**
- **Wind**
- **Hail**
- **Water Damage (excluding floods)**
- **Explosions**

It can also cover other sudden or unexpected losses, such as theft. Additionally, many policies also include clauses that cover extra expenses that may be incurred as result of one of the above events, such as the need to live elsewhere during repairs and other incidental costs.

House insurance also covers your legal liability (up to the policy limits) in the event that anyone within the home (including household pets) causes harm to another person or their property.

This is an important point and one that should be carefully considered and discussed with your insurance representative to ensure that you protect yourself, your family and your investment from potential financial ruin.

# HOME OWNERS INSURANCE CHECKLIST

When the time comes to purchase a home insurance policy, there are a number of things you can do proactively to ensure that the process goes as smoothly as possible and that you end up with the right product and coverage you need.

- **Start early.** Even if you haven't yet signed the papers on your new home, it's never too early to start shopping for the right insurance agency.
- **Know how old your furnace is,** the square footage of your new home, what kind of roof and siding it has, and make sure that you have smoke detectors and fire extinguishers! Discounts may be available for centrally-monitored alarm systems.
- **Make sure you're covering everything.** The goal is to get enough coverage so that you don't end up paying through the nose in the event of loss, damage or theft, so take the steps ahead of time to ensure that you're adequately protected.
- **Ask about additional coverage options.** Beyond the basic home insurance policy, there are a number of additional coverage options available to you that might also be a wise investment, such as umbrella policies, flood insurance and special riders for jewelry and other collectibles. Again, your best bet is to sit down with an experienced insurance professional who can help you get the coverage you need at the right price.

# The Fundamentals of Auto Insurance (and More)

Auto insurance is about much more than your car (or boat, motorcycle, and ATV): it's about protecting yourself, your family and everything you've worked for and hold dear. That's why in most states and even in many countries around the world, purchasing car insurance isn't just an option – it's mandatory.

For those who aren't yet familiar with exactly what an auto or motor vehicle insurance policy is and how it works, here are a few of the basics to keep in mind.

## What is auto insurance?

Car insurance provides financial protection for the policyholder, his or her vehicle and other third parties that are involved in an accident or other motor vehicle related incident. It's worth noting that motorcycle, ATV, and boat insurance work in much the same way as car insurance. Car and other motor vehicle policies include passengers, pedestrians, drivers of other vehicles and, in cases for which the vehicle is not owned outright, the bank or lender that has a lien on the property. When discussing your vehicular insurance needs with an agent, make sure that all of your vehicles are covered appropriately.

## Replacement Cost

This type of insurance pays out the cost of replacing the damaged property without deducting for depreciation but limited to a specific maximum amount.

## Extended Replacement Cost

Extended replacement cost insurance covers up to a certain specified percentage (typically 20%) over the limit of the replacement cost policy



# WHAT DOES AN AUTO INSURANCE POLICY COVER?

There are four main types of coverage that can be purchased, either separately or as a package from the insurance provider. This allows the policyholder to customize their coverage to suit their specific needs and their budget.

These four categories are as follows:

## **Collision/Comprehensive Insurance**

Collision insurance covers the damage to the vehicle caused by an accident up to the book value of the car. Comprehensive coverage is applied to damages to a vehicle caused by other means, such as fire, theft or vandalism. If the cost of the damages exceeds the book value of the vehicle in question, the insurance company will pay out an amount equal to that book value.

## **Medical Expenses**

In most states, the insured party is required by law to maintain insurance coverage that includes payments for medical expenses as a result of an incident with the vehicle. This coverage typically applies to the driver and passengers as well as other parties involved in the accident.

Liability Insurance – This type of coverage applies to property damage or injury caused to others by the insured. The coverage amount for liability insurance is typically in a fixed dollar amount pre-determined at the time the policy is chosen. For instance, the policy might provide liability coverage of up to \$100,000.

## **Uninsured/Underinsured Vehicle Operators**

Despite the fact that auto insurance is compulsory in most areas, some drivers choose to operate their vehicles without insurance. Others have some coverage, but the amount isn't enough to cover significant damages. Uninsured / underinsured motorist insurance helps to pay for the damages or injuries that cannot be adequately covered by the driver at fault.

# Specialty Auto Insurance

Beyond the four categories listed above, some drivers choose to invest in additional coverage as part of their auto insurance policies. These specialty features may include (but are not limited to):  
Loss of Use – Covers the costs associated with having to rent a vehicle while the policyholder's own vehicle is in the shop for repairs.

- **Loan/Lease Payoff (GAP Insurance)**

Sometimes when a vehicle is damaged beyond repair (totaled), there is a gap between its market value and the outstanding balance on the lease or loan. This type of coverage pays the difference between the two so the owner isn't out of pocket the expense.

- **Towing Insurance**

This feature provides roadside assistance coverage for instances such as dead batteries, flat tires or a car that's run out of gas.

# COMPONENTS OF A CAR INSURANCE POLICY

Now that we've gone over the various types of damages that car insurance covers, let's take a few moments to go over the essential components of an auto insurance policy.

## Premiums

This is the amount the policyholder must pay in order to maintain current insurance coverage. These amounts will vary and are calculated as part of an auto insurance quote taking a number of circumstances into consideration, such as age, driving record, and other risk factors. Premiums can be paid a number of ways, including monthly, quarterly and annually.

## Deductible

This is the "shared expense" amount that the policyholder is responsible for before the insurance company will pay out a claim. For example, if a policy has a deductible of \$500 and an accident occurs causing \$2,000 in damages, the policyholder would pay the \$500 and then the insurance company would cover the balance. Similar to coverage amounts, deductibles can vary based on preference and are predetermined at the time the policy is purchased.

## Declarations Page

This is the main document of an insurance policy which contains all of the pertinent information surrounding the coverage in question, including the insured's name, policy number, policy period, type and amounts of coverage, premium information and the maximum dollar amount payable for a claim under each coverage, among other things.

Before speaking with an insurance agent of shopping for coverage, it's a good idea to have a sense of your car's worth and your net worth to determine the appropriate level of coverage. An insurance professional should be able to provide guidance and recommendations based on your financial situation.

# The Fundamentals of Renters Insurance

## DO I REALLY NEED RENTERS INSURANCE?

Without a doubt, it's a question that renters throughout the ages have posed. For many renters who live on a tight budget, the idea of adding yet another bill to the daunting list of payables is a pretty unattractive notion. It's an investment that's well worth the nominal cost.

## REASONS WHY YOU REALLY, REALLY NEED RENTERS INSURANCE

### It's Not as Pricy as You Think

Here's the good news: renters insurance isn't nearly as costly as homeowners or auto insurance. In fact, it's one of the cheapest forms of insurance available. For pennies per day, or about \$20 a month (or, to put it another way: the price of a pizza or your daily coffee habit), your personal possessions and electronics are covered from theft, fire, flooding, and more. Policy rates may vary, so be sure to shop around and look for the best policy at the best possible price.

## You'll be Surprised by How Much Your Stuff is Worth

Renters insurance is an excellent idea for every renter, even for those who have just flown the coop or who are fresh out of college. You may be thinking, "But I don't have that much stuff and the stuff I do have isn't worth anything!" In an article published by [US News and World Reports](#), Keith Rutman, a former Chief Operating Officer at Allstate encouraged renters to conduct a detailed inventory of their apartment, room by room, and take note of everything from towels to toasters to iPads. "Most people usually only think of the big-ticket items, like electronics, but if you really think about it, it's so much more in that...We find that the average renter in a two-bedroom apartment has about \$30,000 worth of stuff."

## Your Landlord Won't Cover Your Personal Losses

One of the delightful things about renting is that you have a landlord to maintain the property, shovel the sidewalks, arrange for garbage disposal, and replace major appliances when they go on the fritz. While a good landlord is responsible for a good many things, and their policy covers the roof over your head, your personal possessions are not on your landlord's maintenance list. If someone breaks into your apartment and takes off with your \$2000 computer or the aged freezer goes kaput the day after you stocked it with \$200-worth of groceries, your renters insurance will help you recoup your losses.

## Renters Insurance Protects You From Yourself

Let's say, hypothetically, that you accidentally left the faucet running in the bathroom and your tub wound up in your downstairs neighbor's apartment, or your good friend stumbled over a power cord, broke his toe, and decided to sue you. You, good renter, would most likely be responsible for replacement, repairs, and damages. With the personal liability coverage that renters insurance provides, you're well-covered in any event, regardless of who's at fault. Renters insurance could be a financial lifesaver.



## Everyone's Doing It

Okay, not everyone has gotten on the renters insurance bandwagon, but in 2015, 40% of renters reported having the insurance. While that's still a shockingly low percentage, it's up drastically from the 29% reported by the [Insurance Information Institute](#) in 2011.

Now that you're ready to take the plunge, shop for renters insurance carefully. There are two basic kinds of renters insurance: replacement cost value or actual cash value. While replacement value will cost you a little more (although we're likely talking about pennies per day, here), it's probably wise to invest in replacement value over the actual cash value of your well-loved and well-used possessions.

# The Fundamentals of Life Insurance

## WHAT YOU NEED TO KNOW ABOUT LIFE INSURANCE

We all know we need car insurance and homeowners insurance (and very compelling argument can be made for the necessity of renters insurance). We can even pretty easily understand and imagine the value of these policies, but for many, life insurance is a bit more mystifying and a lot more daunting.

Perhaps it's the complexity of life insurance policies, conflicting messages from providers, or a very natural disinclination to think about our own mortality, but far too many Americans file life insurance away in the "I'll get around to it" corners of their minds. And all too many never manage to get around to it. Now's the time to check life insurance off the to-do list. It's never too late to consider the financial security of our loved ones and a good life insurance policy is a great way to make sure your family members are protected, no matter what the future may bring.

## WHY YOU NEED LIFE INSURANCE

Life insurance provides families with financial security in the event that a spouse or parent dies unexpectedly. Life insurance benefits can be used to pay off a mortgage, fund education expenses, or pave the way for retirement. It can also be a key factor in estate planning. A common myth propagated by noir movies, genre novels, and late-night TV is that life insurance simply applies a cold, hard monetary value on someone's life. In reality, a good life insurance policy helps compensate your loved ones for the financial consequences (whether loss of salary or loss of services) that accompany death. Life insurance lessens the burden on families during tragic and difficult times.

Put simply: if someone relies on your income or your contributions to the household, then you need life insurance.

# A GLOSSARY OF LIFE INSURANCE TERMS

## **Policy**

Life insurance is a contract (also known as a policy) between the life insurance company and someone who has a financial stake in the life and livelihood of another individual.

## **Death Benefit**

Insurance companies compile the premiums of policyholders and pay out claims in the event of a death.

## **Insurer**

The insurance company responsible for the policy

## **Owner**

The person responsible for paying the premiums

## **Insured**

The person covered by the policy

## **Beneficiary**

The person (or trust) designated to receive the claim (or death benefit) in the event the insured passes.

# TYPES OF LIFE INSURANCE AVAILABLE IN TENNESSEE

## Term Life Insurance

Term life insurance provides the easiest and most affordable way to protect your family. With term life, the insurance company calculates the premium on the probability that the insured will pass away within a stated term (typically 5, 10, 20 or 30 years) and the premiums are guaranteed for the length of the term.

## Universal Life Insurance

Universal life insurance gives policyholders greater flexibility with the low-cost protection of term life insurance and the bonus of a saving element. Premiums can be reviewed and modified over time and interest from savings can be applied toward the premium payments.

## Whole Life Insurance

Whole life insurance is a form of permanent life insurance with guaranteed premiums, benefits, and cash value, in perpetuity. These kinds of policies may be great for retirement planning purposes.

# QUESTIONS TO ASK YOUR INSURANCE AGENT ABOUT LIFE INSURANCE

Now that you know the basics of life insurance, it's important to know the right questions to ask when shopping for a new policy.

- How much coverage do I need?
- I'm a stay-at-home parent, do I need life insurance?
- My employer provides life insurance, is it enough?
- What kind of life insurance policy is best for my family?
- Will my survivors receive Social Security benefits?
- Will I be covered if I am unable to work or become disabled?
- Will my premiums increase?
- Is a medical examination required?
- What kind of exclusions are there?



Thanks for taking the time to learn more about your insurance options. We hope that we've answered a lot of questions and made finding the right coverage just a little bit easier! If you have any questions or would like a free quote, we'd be honored to assist you.

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