

The Graduate's Guide to **INSURANCE**

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Independent Insurance Agent



The Graduate's Guide to Insurance

Congratulations! You've got your degree and you are ready to take advantage of the exciting new opportunities life has to offer. However, with new opportunities come new risks—particularly financial risks.

Insurance is your major protection against financial risks, and knowledge about basic insurance facts can make you a better consumer.

This guide is a product of Trusted Choice® and will introduce you to the different types of insurance—which ones you need and which ones you don't. While this guide addresses the most common questions about insurance, your Trusted Choice® insurance professionals can answer your specific questions, and make sure you have the coverages you need.

Trusted Choice® agents represent multiple insurance companies, so they offer you a variety of coverage choices and can customize a plan to meet your specialized needs. Most importantly, a Trusted Choice® insurance professional isn't an employee of an insurance company, so you have someone who works for you.

To find a Trusted Choice® agent, go to www.TrustedChoice.com and click on "Find a Trusted Choice® Agent."



Questions Index

1. What is insurance and what kinds are there?
2. How do I decide which kinds of insurance I should buy?
3. Am I still covered by my parents' policies?
4. What kinds of insurance aren't necessary?
5. Can I get all the insurance I need from one insurance agent?
6. What does auto insurance cover?
7. Should I look into auto insurance before I buy my first car?
8. Can I get insurance through my employer?
9. If I receive no benefits through my employment, what do I do?
10. Does it matter that I'll be moving around a lot in the next few years?
11. I'll soon be renting my own apartment. Is there insurance for that?
12. Do I need insurance if I go into business for myself?
13. Will getting married change my insurance needs?
14. How will becoming a parent affect my insurance needs?
15. How do I file a claim?
16. Help! I've lost everything! Where do I start?
17. Who keeps an eye on the insurance companies?
18. What factors affect the cost of insurance?
19. What should I look for in an agent?
20. Glossary



Q: **What is insurance and what kinds are there?**

Insurance is a means of guaranteeing your financial protection against various risks. Policies are available for business purposes and for personal needs. Personal insurance is divided into:

Property-Casualty Insurance—Provides protection for property like homes, cars and household possessions, in addition to protection from liability as a result of their use.

Life Insurance—Provides funds to a designated beneficiary or beneficiaries in the event of an insured's death.

Health Insurance—Pays for costs related to your health (i.e., doctor visits, hospital stays and diagnostic tests).

Disability Insurance—A form of insurance that combines elements of life and health insurance and pays you for income lost due to a disabling injury or illness.

Life, health and disability insurance are often provided through employers. Ask your employer about these coverages and check with your Trusted Choice® insurance professional to make sure they meet your needs.

Government Benefits—**Social Security** is a retirement and disability program in which almost all workers in the United States are required to participate. **Medicare** is the federally sponsored health program for people over 65 and individuals with disabilities.

Medicaid—Medicaid is jointly funded by the states and the federal government to extend health coverage to poor Americans. Additionally, laws in most states require employers to carry **workers' compensation** insurance so that workers injured or exposed to an illness on the job can receive compensation. Many states also require employers to pay into **unemployment** insurance, so if a worker is laid off, he or she will receive some money while seeking a new job.

[Return to Index](#)

Q: How do I decide which kinds of insurance I should buy?

Upon graduation, you probably should consider five basic types of insurance and determine if they apply to your situation:

Auto Insurance—If you own or lease a car, or are planning to in the near future, you will need to protect that investment with auto insurance. This coverage helps you cope with the expense of accidents, vandalism or theft.

Additionally, if you are financing the vehicle, the lending institution probably will require that you carry auto insurance. Another area that needs protection is your liability. If you are sued because of damage your vehicle caused, auto insurance will help with legal expenses and any damages you have to pay.

Health Insurance—To cope with today's high medical costs, virtually everyone needs health insurance. After graduation, you likely will no longer be covered by your parents' policy, so you may need one of your own.

Homeowners or Renters Insurance—Whether you own a home or rent your residence, make sure your possessions are protected. Both homeowners and renters insurance offer comprehensive coverage at home and when you travel. They also offer liability protection should you be sued.

Life Insurance—If you have dependents or are interested in purchasing life insurance that builds value as you pay the premiums, talk with your agent about the plans available.

Disability Insurance—This coverage is designed to provide necessary income should you be injured or disabled. The extent of coverage should be enough so that, when combined with your other assets, you would have enough to live on.

[Return to Index](#)

Q: **Am I still covered by my parents' policies?**

It depends on the policy and its terms. For example, health insurance policies are now required to cover children up to age 26.

Check with your Trusted Choice® agent about specific options.

[Return to Index](#)

Q: **What kinds of insurance aren't necessary?**

You probably do not need the following unless there are special circumstances:

Air travel insurance—It costs too much and is not comprehensive.

Very specific policies like contact lens insurance or cancer insurance—It is usually better to have comprehensive policies like renters or health.

[Return to Index](#)

Q: **Can I get all the insurance I need from one insurance agent?**

Yes. Trusted Choice® insurance professionals are licensed in their states to sell various lines of insurance, from homeowners and renters insurance to auto and life insurance.

[Return to Index](#)



Q: What does auto insurance cover?

Auto insurance is divided into several different types of coverage:

Liability covers damage to other people's property and injuries you may cause while operating an automobile.

Collision covers damage to your own vehicle in an accident.

Other-than-Collision covers fire damage to your vehicle, break-ins, vandalism or theft, as well as natural disasters (earthquake, hail, hurricane, flood, etc.—unless the vehicle is overturned, then it is considered a collision).

Medical payments insurance guarantees emergency and related medical payments, usually in the range of \$5,000 to \$10,000, for you, your passengers and other parties, regardless of who is at fault. It also covers you and members of your household in any accident involving an automobile, whether you are on foot, in a friend's car, riding a bicycle, etc.

Uninsured motorist (UM) and underinsured motorist (UIM) coverage protects you and your passengers if injured in an accident with drivers carrying insufficient liability coverage.

Extra coverages include expenses for towing, labor, temporary replacement vehicles, etc. These are generally defined as add-ons or endorsements to your policy.

Your Trusted Choice® insurance professional can offer you more information on the limits and type of coverage that will best suit your situation.

[*Return to Index*](#)



Q: Should I look into auto insurance before I buy my first car?

Yes. Factors such as safety and frequency of theft or specific makes and models can play an important role in determining your insurance rate. Some cars are safer than others to drive and some are less apt to be stolen. Choosing one of these will help lower your insurance rate.

Your Trusted Choice® insurance professional can help you estimate your insurance needs and premiums.

[Return to Index](#)

Q: Can I get insurance through my employer?

Probably. Check to see if you will receive health, disability and life insurance through your employer. If there are several different plans available, be sure to examine each thoroughly to find the one that best fits your needs. Ask your company's program administrator to explain the employee benefits thoroughly.

[Return to Index](#)



Q: If I receive no benefits through my employment, what do I do?

Check with your parents to see if you are still covered under their policies. If not, a Trusted Choice® insurance professional can explain the plans available and the best match for your needs.

[Return to Index](#)

Q: Does it matter that I'll be moving around a lot in the next few years?

Yes. Your policies usually can follow you, though some adjustment may be necessary. To keep your coverage intact, it's best to keep your Trusted Choice® insurance professional posted on address changes.

[Return to Index](#)



Q: I'll soon be renting my own apartment. Is there insurance for that?

Yes. Renters insurance is a property-casualty policy to protect your property and to protect you against liability. For example, if you negligently started a fire and burned down your apartment building and the contents of all the tenants, your renters policy's liability coverage would cover the damage up to your policy limit. Since your limit may very well be inadequate, you should ask your Trusted Choice® insurance professional about an umbrella policy. All of your possessions up to the monetary limits listed in your policy also would be covered for specified damages (both at home and when you travel).



Liability coverage means that if somebody sued for damages caused by you or your possessions (other than a vehicle covered by your auto insurance policy), the cost of the suit—both defending it and settling it if necessary—would be covered by your renters insurance up to the limit of coverage chosen.

[*Return to Index*](#)

Q: Do I need insurance if I go into business for myself?

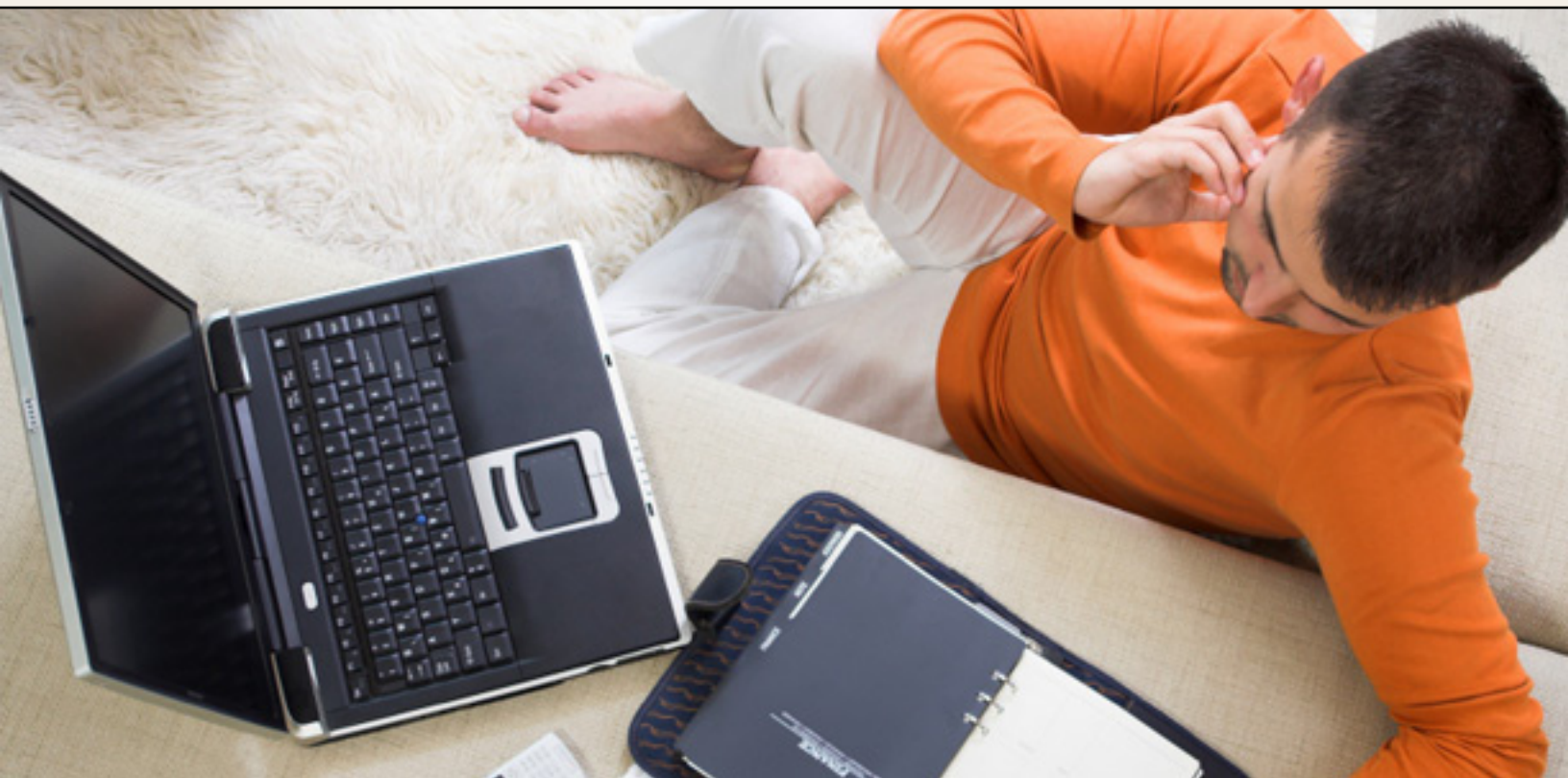
Yes. Commercial or business insurance, like the personal insurance described thus far in this guide, offers property and liability coverage.

If you are self-employed, in effect you own your own business and are responsible not only for your own equipment and supplies but also for any damage to your clients and their property.

If you decide to work seasonally for another young person or for an informal group of people who have started their own business, be sure to check to see if they have the necessary insurance and that you are not personally liable.

Speak with your Trusted Choice® insurance professional for more details.

[Return to Index](#)



Q: Will getting married change my insurance needs?

Yes. It may increase your needs in some areas (more property insurance if you are combining households) and decrease them in other areas (one of you may be able to receive coverage under the other's health plan; two vehicles can be covered under one policy, which is usually less expensive). If you receive health and life insurance at work, consult with your program administrator to make adjustments. For other policies, such as auto insurance, talk with your Trusted Choice® insurance professional.

[Return to Index](#)

Q: How will becoming a parent affect my insurance needs?

Check your life insurance terms. You may want to increase the amount, change the beneficiary, or if you have no life insurance, purchase a policy. Also, because your child will need health insurance, you should see if dependents can be added to your current plan.

[Return to Index](#)



Q: How do I file a claim?

You file a claim with the insurance company that issued your policy. To file a claim on health insurance received through your employment, check with the insurance program administrator at work. If you need to file an auto claim or other property damage claim, check with your Trusted Choice® insurance professional.

Be thorough and exact when reporting damage and always tell the truth. Withholding vital information or exaggerating the facts will not only lessen your chances of the claim being settled to your satisfaction, but also may be considered a crime. Insurance fraud costs consumers millions of dollars a year. In fact, a dime of nearly every dollar of your premium is used to cover fraudulent claims.

Once your claim reaches the insurance company, it will be handled by an adjuster. The adjuster is charged with investigating your claim and then making a recommendation to the insurance company.

The recommendation can be to accept the claim and pay the full amount requested, accept part of the claim and make partial payment, or refuse the claim and make no payment. The insurance company will then make a decision regarding your claim and notify you of its final decision.

The amount of compensation offered can vary according to the adjuster's analysis. You do not have to accept the first amount offered if you feel it is too low. While you may have to do some research to prove a higher payment is valid, it may be worth it.

Your Trusted Choice® insurance professional should be able to assist you.

[*Return to Index*](#)

Q: Help! I've lost everything! Where do I start?

The best place to start after a great loss of property is with an inventory of that property. And the best time to make an inventory is before all is lost. If most of us suddenly found ourselves without any possessions due to some calamity, we would be hard pressed to know all that we had lost. When was the last time, for example, that you counted the number of shoes or DVDs you own, not to mention furniture, dishes or audio/video equipment? How much is it all worth and where would you start if you had to replace it?

Now is the time to make a list of your major possessions. Where possible, it is wise to list the item's serial number, date and cost of purchase and to hold onto the receipt.

Perhaps an even easier way to inventory your possessions is to use a still or video camera. As you take the video, you can also talk about the items, when you purchased them and how much they cost.

Whichever method you choose, make a copy. Ask a friend or family member to hold onto it or store your copy in a safe deposit box. Also, check with your Trusted Choice® agent, who may be able to store a copy for you. If the worst happens and your possessions are destroyed, the inventory will be safe at another location.

[Return to Index](#)

Q: **Who keeps an eye on the insurance companies?**

Insurance is heavily regulated. Every state has a department, administration or agency that regulates and monitors every insurance company and insurance agent operating within the state's border. In addition to approving rates, your state's insurance department is involved in all insurance matters on behalf of private citizens and businesses. It issues operating licenses to insurance companies and insurance agents, based on their ability to meet the state's requirements for conduct and knowledge about insurance issues.



Your insurance company and agent work closely with your state's insurance department to ensure you are getting the best and fairest possible service within the state's guidelines. If you ever have difficulty settling a claim, work with your Trusted Choice® insurance professional to resolve the difficulty. You also can contact your state insurance department (listed in the back of this guide) if you wish to know more about your options and rights as an insurance consumer.

[*Return to Index*](#)

Q: What factors affect the cost of insurance?

The likelihood of a loss occurring:

The greater the probability a loss will occur can mean a higher rate (i.e., earthquake insurance in California).

The potential size of the claim:

If you purchase a large amount of coverage (that is, if the item you are insuring is quite valuable), the chances are there could be a large claim and the premium will need to cover that possibility.

The percentage of loss the insurance company will be required to pay:

If you have no deductible, the company will pay 100 percent on a covered loss. This increases the company's risk and your premium. To understand how a deductible works, consider the following: If the deductible on your auto insurance is \$100, it means you agree to pay this amount first, and your insurance company will pay for damages exceeding this deductible. By increasing your deductible from \$100 to \$250, or even \$500, this decreases the insurance company's risk, which may mean a savings on your premium.

Other factors can influence premiums such as the number of lawsuits and the average amount awarded in a given state. In short, your insurance company tries to ascertain how much it needs to accumulate to cover all the claims it will receive.

[Return to Index](#)

Q: What should I look for in an insurance agent?

Agents are there to help you. At the most basic level, any agent should be able to answer your questions about insurance, provide you a thorough assessment of your insurance needs and offer you a choice of insurance products to meet those needs. Also, your insurance agent should provide you with prompt, quality service in the case of a claim.

Just as important is the level of professional confidence and personal comfort you feel with the agent. Many people stick with the same insurance agent for decades, even generations. It helps to find an agent you can get to know and trust.

An important, but sometimes overlooked, factor to keep in mind is that there are two kinds of insurance agents: those who represent only one insurance company and those who represent more than one insurance company.

Agents offering only the policies of one insurance company often are referred to as “captive agents,” because the company they represent does not allow them to offer their customers competitive alternatives.

By contrast, agents offering through their agencies the policies of more than one insurance company are called “independent agents” or Trusted Choice® insurance professionals, because they can shop around for their customers for the best insurance values among a variety of competing companies.

[Return to Index](#)



Glossary of Insurance Terms

Additional Coverages

Extra coverage that can be purchased to provide protection above and beyond that provided in the original or standard policy (i.e., purchasing a higher amount of coverage against the theft of jewelry). When such additional coverage is purchased, it becomes an **Endorsement** or **Rider** to the original policy.

Adjuster

An insurance company representative who seeks to determine the extent of the company's liability for loss when a claim is submitted.

Agency

An insurance sales office that is directed by a general agent, manager, Trusted Choice® agent, independent agent or company manager.

Agent

A person licensed by a state insurance department who solicits, negotiates or effects insurance contracts on behalf of one or more insurers.

Auto Insurance

A type of insurance that protects the policyholder against losses involving automobiles. Different coverages can be purchased depending on the needs and wants of the insured.

Beneficiary

A person named by the insured to receive the benefits or proceeds from an insurance policy.

Business Insurance See **Commercial Lines**.

Captive Agent

An agent who sells insurance for only one company, as opposed to an independent agent who represents several companies.

[Return to Index](#)

Glossary of Insurance Terms (con't.)

Claim

A demand made by the insured, or the insured's beneficiary, for payment of benefits provided by an insurance policy.

Collision Insurance

An optional auto insurance coverage that pays for damage to the policyholder's car caused by its collision with another vehicle or object.

Commercial Lines

Insurance coverages designed for and purchased by businesses, professionals and commercial establishments, as opposed to personal lines insurance which is designed for and bought by individuals.

Comprehensive Coverage

See **Other-than-Collision Coverage**.

Conditions

Provisions of an insurance policy that state the rights and duties of the insured or the insurer. Typical conditions have to do with such things as the insured's duties in the event of loss, cancellation provisions and the right of the insurer to inspect the property.

Condominium Unit Owners Insurance

Though similar to personal property and liability coverage to homeowners insurance, structurally, the condo unit owners policy is from the "walls in" and does not cover the building itself.

Coverage

The scope of protection under an insurance contract.

[Return to Index](#)

Glossary of Insurance Terms (con't.)

Deductible

The amount of an insured loss paid by the policyholder. For example, if you select a deductible of \$250 for your auto insurance policy, you agree to pay the first \$250 of damages to your car if you are in an accident.

Depreciation

A decrease in the value of property over a period of time resulting from use, obsolescence or wear and tear.

Disability Insurance

A type of health insurance that pays a monthly income to the policyholder when he or she is unable to work because of an illness or accident.

Employee Benefits

Benefits offered employees at their place of work covering medical expenses, disability, retirement and death. These benefits are usually insurance coverages and are paid in whole or in part by the employer.

Endorsement

An attachment to an insurance policy that amends and alters the coverage provided in the policy. Also called a **Rider**.

Exclusions

Specific situations, conditions or circumstances that are listed in the insurance policy as not being covered.

Floater

Property insurance for items that are moved from location to location, covering losses wherever they occur. It is typically bought to cover jewelry, furs and other items whose full value may not be covered in standard homeowners policies.

[Return to Index](#)

Glossary of Insurance Terms (con't.)

Health Insurance

A general term for insurance against loss by sickness or bodily injury. This usually includes coverage for medical expenses such as doctor visits and hospital stays and can cover normal and preventive care such as check-ups, prenatal care and well-baby care.

Homeowners Insurance

A “package” policy providing coverage against property and liability perils facing homeowners.

Independent Agent

An agent who represents more than one insurer, often eight or more different companies. Also see **Trusted Choice® insurance professional**.

Insurance

A formal device for reducing the chance of loss by transferring the risks of several individual entities to insurance companies.

Insurance Fraud

Intentional lying or concealment by policyholders to obtain payment of an insurance claim that otherwise would not be paid.

Insured

The party covered by an insurance arrangement, to which an insurer agrees to indemnify for losses, provide benefits or render services.

Liability

Individual responsible for causing, through negligence, injury to another person or damage to another person's property. Also called **Personal Liability**.

[Return to Index](#)

Glossary of Insurance Terms (con't.)

Liability Insurance

Insurance that pays and renders services on behalf of a policyholder who is unintentionally, but legally responsible for bodily injury or property damage that is caused to another person and covered in the policy.

Life Insurance

A policy that guarantees the payment of a stated amount of monetary benefits upon the death of the insured to a designated beneficiary, typically a family member or business.

Medicaid

A joint federal-state public assistance program for people whose income and resources are insufficient to pay for health care. Because it is administered by the states, benefits and eligibility vary from state to state.

Medical Payments Insurance

A form of coverage, optional in various liability policies such as auto insurance that provides for the payment of medical and similar expenses regardless of liability.

Medicare

A federal program for persons age 65 or older that pays part of the cost associated with hospitalization, surgery, doctor visits, home health care and skilled nursing care.

Other-than-Collision Coverage

Personal auto insurance policies use this term for physical damage coverages for losses by fire, theft, vandalism, falling objects and various other perils. Commercial policies refer to this coverage as “comprehensive.”

[Return to Index](#)

Glossary of Insurance Terms (con't.)

Liability Insurance

Insurance that pays and renders services on behalf of a policyholder who is unintentionally, but legally responsible for bodily injury or property damage that is caused to another person and covered in the policy.

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[Return to Index](#)

Glossary of Insurance Terms (con't.)

Package Policy

A single insurance policy that combines several coverages available separately. For example, homeowners insurance is a package policy, combining property, liability and theft coverages.

Peril

A property insurance term referring to the possible cause of loss such as a fire or windstorm.

Personal Liability See **Liability**.

Personal Property

All tangible property not classified as real property.

Policy

A written contract for insurance between an insurance company and the policyholder.

Premium

The amount of money an insurance company charges, based on a given rate, to provide the coverage described in the policy, or, simply stated, the price of insurance protection for a specified risk for a specified period of time, typically one year.

Property Coverages

Insurance that covers damage to or loss of the policyholder's property.

Property-Casualty Insurance

Property insurance covers damage to or loss of the policyholder's property. The terms "casualty" and "liability" insurance are often used interchangeably. Both cover the policyholder's legal liability for damages caused to other persons and/or their property.

[Return to Index](#)

Glossary of Insurance Terms (con't.)

Rate

The cost of a unit of insurance as determined by insurance companies and state regulators. The rate serves as the basis for the premium.

Real Property

Land and most things attached to the land such as buildings and vegetation.

Regulation

Insurance is a state-regulated business. State insurance laws are administered by insurance departments, whose job includes approval of rates and policy forms, licensing of insurance companies and insurance agents, investigation of company practices, review of annual financial statements, periodic examination of books, and liquidation of insolvent insurers.

Renters Insurance

A form of homeowners insurance offering coverage for personal property and liability, but excluding real property.

Rider See **Endorsement**.

Risk

This word has two meanings for insurers: (1) the chance of loss, such as from a peril; and (2) the person or entity that is insured by a policy.

Social Security

The programs provided under the U.S. Social Security Act of 1935 plus its amendments and additions. These programs encompass retirement, disability and annuity to dependents and survivors.

[Return to Index](#)

Glossary of Insurance Terms (con't.)

Social Security Tax

A tax paid by workers and employers on wages earned. The taxes support the benefits program under the Social Security system.

Trusted Choice® Insurance Professional

A Trusted Choice® insurance professional represents multiple insurance companies, so they offer you a variety of coverage choices and can customize a plan to meet your specialized needs. Most importantly, a Trusted Choice® agent isn't an employee of an insurance company, so you have someone who works for you.

Underwriter

A company representative who reviews applications for insurance coverage to ensure they are acceptable and appropriately priced.

Unemployment Insurance

Insurance against loss of income due to unemployment. This type of insurance is funded by payroll taxes and subject to the control of both state and federal governments.

Uninsured Motorists (UM) Coverage

A coverage in an automobile insurance policy under which the insurer will pay damages to the insured for which another motorist is liable if that motorist is unable to pay because he or she is uninsured. This coverage usually applies to bodily injury damages only. Injuries to the insured caused by a hit-and-run driver are also covered.

Workers' Compensation

A policy, conforming to state law, which pays benefits to an employee (or an employee's family) if the employee suffers a job-related injury (including death), or occupational disease.

[Return to Index](#)



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