

Section 6-3 Protecting Property

# **PERSONAL RISK MANAGEMENT**

# Property

- ⦿ Real property-permanent structures, such as buildings.
  - Example: Home
- ⦿ Personal Property-the contents of a home.
  - Example: furniture, appliances, clothing, and home decorations.

# Homeowner's Insurance

- ⦿ Policy that protects the policyholder from risk of loss to a home and its contents.
- ⦿ Covers three basic types of risks:
  - Fire and other hazards
  - Criminal activity
  - Personal liability

# Homeowner's Insurance (continued)

## ◎ Fire and other Hazards:

- Fire, water, wind and smoke can damage a house and its contents.
- Unpredictable loss
- Coverage protects:
  - Home
  - Plants, trees, shrubs
  - Garage or shed
  - May cover lodging while house is being repaired

# Homeowner's Insurance (continued)

## ◎ Criminal Activity

- House is burglarized
- Home or property vandalized
- Damage during other criminal activity
- Unpredictable event
- Consequences expensive
- Coverage protects:
  - Home and property
  - Reimbursement for contents stolen or damaged
  - May have to pay a deductible
- May not be able to prevent, but may reduce by:
  - Locking windows and doors
  - Installing a security system
  - Lights on timer when gone
  - Holding mail when gone
  - Don't post online about your whereabouts when on vacation

# Homeowner's Insurance (continued)

## ◎ Personal Liability

- Provides protection if others are injured while on your property or as a result of your actions
- Pays for medical care and related costs of the injury
  - Examples:
    - Guest falls and breaks a leg
    - Pedestrian falls on icy sidewalk
    - Neighbor's child falls out of your tree

# Homeowner's Insurance (continued)

## ◎ Acts of Nature

- Not typically included in a regular home owner's policy.
- A separate policy must be purchased
  - Examples:
    - Hurricanes, floods, volcanoes or earthquakes
  - Policies available through private insurance companies and some Federal programs

# Home Inventory

- ⦿ A list of all the items of value in your home
- ⦿ Provides documentation for insurance reimbursement in the event of a loss
- ⦿ List should include:
  - Item, cost and where purchased
  - Serial numbers
  - May organize by room
  - Take pictures or video the areas
  - Store inventory list in a safe place, fireproof box or safe deposit box.
- ⦿ Insurance riders need to be purchased for certain items-items need to be appraised
  - Valuable artwork, jewelry, collectibles (stamps, baseball cards)



# Replacement Cost

- ◎ Items are replaced at the current cost it would take to replace them, regardless of original cost
- ◎ Example: Television: paid \$500.00, in two years it is only worth \$250.00
  - If destroyed in fire or stolen, you would get the money to replace it, even if the television would cost \$1,000

# Actual Cash Value

- ◎ The depreciated value of an item—the remaining value of an item is all that you receive to replace it
- ◎ Items depreciate in value as they get older
- ◎ Example: Television: \$500 (new), worth \$250, all you get is the \$250 to replace it even if a new television costs \$1,000

# Renter's Insurance

- ⦿ A tenant's policy that protects against the loss of personal property in a rented residence
- ⦿ Losses of property from:
  - Fire
  - Smoke, theft, freezing, water damage
- ⦿ Purchase a rider for expensive items
- ⦿ Prepare inventory of items
- ⦿ Personal Liability-protection if a visitor is injured in your rented residence

# Home Owner's Insurance Rider

- ◎ A policy attached to a main policy to cover a specific item
- ◎ The item has to be appraised
  - Items usually put on a rider include: jewelry, paintings, baseball cards, and many more expensive items

# Automobile Insurance

- ◎ Financial Responsibility Laws: require drivers to be prepared to pay for damages caused to others.

# Automobile Insurance

- ⦿ Protects a vehicle owner from losses as a result of accidents and other events
- ⦿ Factors that influence premiums
  - Model and make of vehicle
  - Driver's age
  - Age of vehicle
  - Driving record
  - Credit rating
  - Location
  - Miles driven to/from work

# Types of Auto Insurance Coverage

- ◎ Liability-protects against loss as a result of injury to another person or damage to that person's property.
  - Required by law in most states
  - Doesn't cover insured person's own losses
  - Expressed in three numbers
    - Example: 100/300/50
      - 100-amount paid for injuries to one person (\$100,000)
      - 300-amount paid for all people in accident (\$300,000)
      - 50-amount paid for property damage (\$50,000)
  - \*\*\*this only pays for another person's vehicle or property when you are at fault—will not pay for your car damage.

# Types of Auto Insurance Coverage

## ◎ Collision Coverage

- Protects against damage to your own vehicle if you hit another car or lose control and roll over
- Pays when you are at fault
- If other driver is at fault, their insurance pays
- This covers damages to your care when you are at fault for an accident.



# Types of Auto Insurance Coverage

## ◎ Comprehensive Coverage

- Protection against damages to your car from causes other than collision or rolling over
- Examples:
  - Fire, theft
  - Hail, water
  - Falling objects (rocks, branches)
  - Vandalism

# Types of Auto Insurance Coverage

## ◎ Personal Injury Protection (PIP)

- Pays for medical, hospital, and funeral costs of the insured, insured's family and other passenger's in the insured's car in the event of an accident

# Types of Auto Insurance Coverage

## ◎ Uninsured Motorist

- Provides protection against damages caused by a motorist who is at fault and doesn't have insurance or means to pay for your damages

## ◎ Underinsured Motorist

- Provides protection against damages caused by a motorist who is at fault and has insurance, but doesn't have sufficient coverage to pay for the full extend of your damages
- Coverage also protects you as a pedestrian who is injured by a motorist.

# Types of Auto Insurance Coverage

## ◎ Towing/Rental coverage

- Covers towing charges for when your vehicle has stalled or won't start
- Rental coverage pays for a rental car while yours is being repaired

# No-Fault Insurance

- ◎ Some States have on-fault insurance laws
- ◎ Under these laws:
  - Your auto insurance company will initially pay for your damages (up to policy limits)
  - Insurance companies will sort it out later
  - Idea behind these laws is to avoid years of legal battling to determine fault

# Ways to Reduce Premium Costs

- ◎ Higher Deductibles:
  - Increasing your deductible will lower your premium
- ◎ Change Driving Habits
  - Getting good grades in school
  - Taking driver training classes
  - Car with high safety rating
  - Security devices
  - Parking car in a secure area (garage or protected area)
- ◎ Combine or decrease coverage
  - Purchasing more than one insurance policy through an agency (home, auto, life)
  - Decrease coverage on an older vehicle, could drop comp/collision and just have liability

# Ways to Reduce Premium Costs

## ◎ Comparison Shop

- Check with several insurance agencies for policy prices

## ◎ Timing of Premiums

- Lower premiums are offered if you pay every six months or yearly

## ◎ Piggybacking

- Add on policy to a parent's insurance policy

# Potential Discounts for Insurance

- ⦿ Good driving record
- ⦿ Age
- ⦿ Safe vehicle
- ⦿ Being married
- ⦿ Good grades
- ⦿ Combining policies
- ⦿ Discounts may be available if you have airbags or other safety devices (anti-lock brakes, auto seat belts)



# Reason Rates Could Rise

- ⦿ Speeding ticket
- ⦿ New vehicle
- ⦿ Accident
- ⦿ Teenage driver

# Umbrella Insurance Policy

- ◎ Umbrella Insurance-provides liability coverage above that of your homeowner's and car insurance
  - Must have liability insurance on car and home to purchase
  - Takes over after home and car policies have reached limits