



YOUR PROPERTY INSURANCE

HOME • AUTO • LIABILITY

Circular 610

**UNIVERSITY OF KENTUCKY
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AGRICULTURE AND HOME ECONOMICS**

(Adapted by Frances Stallard, with permission, from a publication of this same title by Barbara Higgins, University of Massachusetts Cooperative Extension Service. Suggestions on matters pertinent to Kentucky were given by Thos. D. Boyd, Lexington, Ky.)

Your Property Insurance

Home—Auto—Liability

Today's standard of living has brought greater comfort and well-being to modern families than ever before. It has also brought certain threats and dangers our grandfathers never knew. Insurance plans have been developed to help meet some of the financial consequences of these hazards, many of which are accidents and injuries to persons and property. Insurance—whatever kind it may be—operates on the principle of "spreading the risk."

Large groups of people pool and transfer their risks by making regular payments to an insurance company. The individual pays a specified amount, called his insurance premium, instead of running the chance of taking a larger financial loss. The company then assumes certain risks under the terms and conditions of an insurance contract.

When buying property insurance, one pays for protection only. If you do not have a loss, you do not collect anything. Most people, however, can not afford to take the insurance necessary to cover all financial risks, but few can afford not to insure against occurrences which would cause a major setback or wipe them out financially.

Inflation and changing values have affected property values and also the court awards given as a result of liability suits. Therefore, it is very important to have the right kinds and the right amounts of insurance if you are to get the most value from your insurance dollar.

Your Insurance Policy

Your insurance policy is a legal contract which states the rights and obligations of the policyholder and the insurance company. It cannot be transferred to another individual without the consent of the insurance company and an endorsement in writing.

The policy must describe what property is insured and where it is located and state what risks are being covered. Both time and money limits are also specified in the policy.

Types of Insurance Companies

The two main types of insurance companies are stock and mutual.

Stock companies are corporations. They obtain their capital by the sale of shares of stock, and the stockholders are entitled to the profit from the business.

In mutual companies, the policyholders are the owners. They are entitled to share in the profits of the company and may or may not be assessed an extra premium, depending on whether their policies contain a non-assessable clause.

HOME INSURANCE

Premium rates vary according to the location of the property and the type of materials used in the construction of the property. If premiums are paid in advance for a 3-year period, you will be given a 10 per cent reduction.

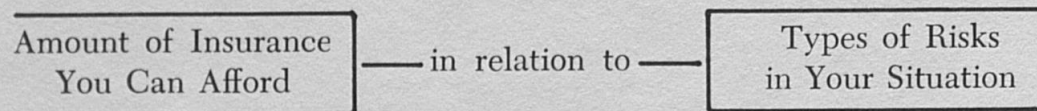
Most insurance agents will arrange for an evaluation of your real estate for insurance purposes. There is no charge for this service.

Insurance on real estate can be written:

1. On an actual cash value basis, which is the replacement cost of the buildings, with allowances for depreciation and certain uninsurable items.

2. On a replacement cost basis, which is the actual cost of replacement, with allowances only for uninsurable items. (It is recommended that most families have their property insured for at least 80 percent of the value of the property.)

If the premium for either type of replacement seems to put too great a strain on the family budget, you will want to make your decision on the following basis:



Adjustments should be made periodically in the amount and kind of protection you have. If improvements are made, new furnishings added, and your property increases in value, you will want to increase the amount of insurance. Likewise, as your property depreciates in value, you need less insurance.

Fire Insurance

Fire insurance covers direct loss and damage by fire and lightning. The policy on a home covers the dwelling and other privately owned structures, such as a garage. Household and personal effects are not covered unless the policy specifically states that they are covered.

Endorsements

Endorsements (or riders), which are actually additions to the policy, can be added to the standard policy at an additional cost and can cover almost any kind of loss.

Extended coverage is for damage from windstorm, hail, explosion, smoke, riot, riot during the time of a strike or civil commotion, aircraft, and vehicles.

Additional extended coverage is for damage from such things as vandalism, malicious mischief, damage to your own property by your own vehicles, water escapage, rupture of steam and hot water heating systems, falling trees, collapse, and glass breakage. (Some of the foregoing coverages are sold on a \$50 deductible basis.)

Contents insurance covers household furnishings and personal belongings. The rates are somewhat higher than they are for the standard fire policy on a house, but the chances of loss or damage to your furniture, clothing, and personal effects are as great as or perhaps even greater than they are to your dwelling itself.

Theft Insurance

This type of insurance covers losses by theft of personal property, either at home or away from home.

Theft insurance is automatically included in all packaged policies. Many theft policies, including Home-owners' Policies, exclude coverage of personal property in an automobile unless the vehicle is locked and there is evidence of forceful entry.

Comprehensive Liability Insurance On Your Property

Ownership or occupancy of property involves liability for injury to those who have occasion to come on the property. The property owner usually must be proved liable, and a court judgement must be rendered against him before a claim is paid. Court costs and legal fees are also furnished by this type of insurance.

Liability for property damage, as well as personal injury, caused by the activities of the insured, his wife, minor children, employees, or animals are covered under this type of insurance. Medical expense coverage for injuries to visitors or domestic employees is included.

Package Policies

In a package policy, combinations of the foregoing insurance have been put together at a reduced cost. Package policies provide broader coverage at a lower cost. They cost less than the same protection in

separate policies. Even for the most expensive package policy, the premium cost would be less than that for single policies giving the same coverage.

Protection in package policies includes: one- and two-family dwellings and other private buildings on the premises; your personal property at home and away from home; additional living expenses in the event you cannot live in your home as a result of damage from the insured perils; comprehensive personal liability, medical payments, and property damage; and theft insurance at home and away from home. Your insurance is then combined into a single contract and will cost, on the average, less than it would in separate policies.



Package policies are available for tenants as well as for home-owners. For tenants, the policy offers protection to personal property—home furnishings, clothing, and personal belongings. Liability for your responsibility to others is also included.

A package policy is known as a Homeowner's Policy. Families insuring their property should learn what the package policy covers before purchasing it, so that they will know exactly what insurable needs are covered in their contract. A brief outline of the more common types of package policies follows.

Homeowner's Policy - Standard Form is the simplest and cheapest policy, and it protects you against:

- Fire and lightning
- Extended coverage perils (explained under Fire Insurance)
- Theft at home and away from home
- Comprehensive personal liability and medical payments
- Physical damage to personal and real property
- Additional living expenses and rental value protection.

Homeowner's Policy - Broad Form costs slightly more than the Standard Form policy and includes:

- The coverage listed under Standard Form
- Additional extended coverage
(described under section on Endorsements)

The Farmowner's Policy is available to farm families as protection against hazards that affect them. These policies may be written to cover:

- Dwellings
- Private structures
- Personal property
- Additional living expenses
- Farm barns and other buildings

This package policy covers the main farm dwelling, appurtenant private structures, personal property on and away from the premises, additional living expenses, comprehensive personal liability with medical payments, and physical damage to both personal and real property. Farm personal property, barns, buildings, and structures may be added.

Superior farm dwellings and barns may qualify for lower rates. Credit is allowed for approved wiring, plumbing, heating, good repair, approved lightning rods, and a solid foundation for dwellings. Barns and outbuildings may qualify for lower rates if they are not over one story, have a solid foundation and incombustible floors, and do not have open sheds or hay storage.

The hazards that may be covered are: fire, extended coverage, vandalism, limited glass breakage and theft in the standard form and additional perils in the broad form policy. Employer's liability for hazards to farm employees may be included.

How To Make a Claim

Notify your agent or your company in writing. Arrange to have an inventory of the damaged property ready for the adjustor. Do not hesitate to sign a "proof of loss" form if a satisfactory figure to cover the damage has been reached.

When You Are Moving

When a person moves, special coverage should be secured from the mover or from an agent which would provide adequate protection while the property is in the process of being moved. Furthermore, it is necessary to change your regular policy to show the new location of the property.

AUTOMOBILE INSURANCE

Premium rates for liability insurance vary according to the locality and are based on accident frequency and awards for claims in that

locality. (The trend toward higher property damage and bodily injury claims has made many car owners realize that more than the minimum coverage may be desirable.)

The miles you drive in going to work and your total mileage also determine the premium rate. A car driven by a person under 25 years of age carries a much higher rate because of the claim experience for this class of drivers. However, satisfactory completion of an approved driver's training course usually brings a reduction of 10 per cent in the rate for teenagers. Persons over 65 may find their rates higher unless they have a good claim record and are in good physical condition.

The multiple car family usually receives a reduction in premium on their cars; however, this may not apply to the car usually driven by teenagers.

Your accident record is made a part of the insurance company's overall claim record and helps to determine the premium you pay for your automobile insurance. Too many claims may increase the cost of your insurance. You may also be placed in a higher bracket or the company may refuse to renew your insurance.



Liability Insurance For The Owner or Operator

Ownership of a car involves financial responsibility. Not only may the car be wrecked, but it may cause damage to property or injury to persons, or both, for which you are liable. Liability insurance protects the car owner no matter who is driving his car, as long as the driver is legally entitled to drive and is using the car with the owner's permission. It also gives you coverage when you are driving another person's car, if you are legally entitled to drive it.

The cost of automobile insurance is reduced for teenage boys who have passed the driver's training education program. Regardless of cost, this program is highly recommended.

BODILY INJURY LIABILITY AND PROPERTY DAMAGE

You can purchase liability insurance in varying amounts. It is frequently spoken of as "10-20-5," "25-50-10," etc. The first two figures

refer to personal injury, the last figure to property damage. For instance, with the "25-50-10" policy, you are protected up to \$25,000 for injury to one person, up to \$50,000 for injury to two or more persons per accident, and up to \$10,000 for property damage per accident. The larger amounts are recommended.

Comprehensive Insurance—Fire and Theft

This type of insurance includes protection for your automobile against fire, theft, flood, windstorms, glass breakage, and many other hazards, except collision and ordinary wear. If the entire automobile is stolen, there is a theft coverage up to \$100 on wearing apparel and luggage.

Medical Payments

This type of insurance covers necessary medical, hospital, professional nursing, or funeral expenses resulting from an accident in which your car is involved. This applies whether you are liable or not. It covers all persons, including the car owner and can be purchased in amounts from \$500 per person and up.

Collision Insurance

This type of insurance covers damage to your car by collision or upset. The cost of complete coverage for all damage is very expensive. Most people buy \$50, \$100, or even \$250 deductible. This means the car owner pays the first \$50, \$100, or \$250 of damage to his car, and the company pays any costs above that. The larger the share of damage assumed by the car owner, the lower the premium.

As a rule, adequate liability coverage should take precedence over collision coverage. The potential amount of a claim for personal injury for which you may be liable is much greater than the value of your own car.

Uninsured Motorist

Uninsured motorist insurance covers injuries to occupants of a car (up to the amounts required by the Kentucky Financial Responsibility Law), if the car is struck by a hit-and-run driver, an uninsured motorist, or a financially irresponsible driver. (In Kentucky, the limits of liability for this coverage are \$10,000 for each person, \$20,000 for each accident.)

It should be noted that this is only a bodily injury coverage and does not apply to any property damage done by an uninsured automobile. (Property damage is covered if the motorist involved in the accident has collision insurance.)

IF YOU HAVE AN ACCIDENT WITH A MOTOR VEHICLE

Protect the injured. Call a doctor or ambulance for assistance.

Call a law enforcement officer to the scene of the accident. (For the Kentucky State Police, dial the operator.)

Get police officers' names and badge numbers (note if county, city, or state).

Write down the full names and addresses of all persons involved, including witnesses.

Note damage to your car and other cars or to other property. If possible, get pictures of damage to cars and property.

Note the date, hour, weather, exact location of the accident, which side of the street, and condition of highway, and if your headlights were on or off.

There are many factors involved in determining who is legally at fault. Admit nothing. If you say, "it's my fault," you may make it difficult for your insurance company to settle any claims, but do make known your name, address, and car registration number.

Contact your insurance company regardless of whose fault the accident was.

Obtain from any State Police Post, State Police Trooper, or law enforcement officer an individual accident report form (SP-74), which you must complete and mail within 10 days to the Division of Driver Licensing, Frankfort, Ky. 40601, if \$100 property damage is sustained, or if anyone is injured or killed.

Within 60 days following the accident, you must comply with the Kentucky Financial Responsibility Law, if \$100 property damage is sustained, or if anyone is injured or killed in the accident. Proof of financial responsibility may be shown in *one* of the following ways:

1. You present evidence (within 60 days) of having automobile liability insurance sufficient to cover from \$10,000 to \$20,000 for personal injury and \$5,000 property damage, or
2. You can deposit a sum set by the Motor Vehicle Department to give evidence of your financial ability to pay damages of the accident.

CHOOSING YOUR AGENT

Choose an insurance agent who is acquainted with local conditions and is associated with an established agency.

Select an agency small enough to give you individual attention, but large enough to give you complete and thorough service.

Decide if your agent is well-informed, reliable, efficient, accurate, and courteous. Does he know the insurance business?

Find out what others think about his ability, his business record,

and the service and assistance he has given to his customers, especially when settling a claim.

Observe the attention given to your particular situation. Does he recognize the hazards you have, suggest the types of insurance to fit your situation, and consider cost advantages to you without using high pressure salesmanship?

After choosing an agent in whom you have confidence, it is usually wise to let him handle all of your insurance.

UNDERSTAND YOUR POLICY AND MAKE AN INVENTORY

Read your policy and endorsements. If you do not understand them, ask your insurance agent to explain them to you.

Make an inventory of the property you have insured, including the date purchased, cost, and present value. Keep this record in a safe place—if not in a safe deposit box, at least away from the property that the policy covers. The inventory serves two purposes: (1) it indicates the value of what you own, hence the amount of insurance needed; (2) it serves as reliable evidence if you have a loss.

Your inventory will be invaluable if you ever need to make a claim, because it will be necessary for you to prove the value of the property which has been destroyed or damaged. In the event of a loss, notify your insurance agent as soon as possible. When a satisfactory settlement has been reached, you will usually be asked to sign a "proof-of-loss" form. However, many small claims are now being settled without the filing of this form.

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