

DECODE YOUR WAY THROUGH INSURANCE JARGON:

A Guide to Take Young Adults from
Insurance Inexperienced
to Protected Pro

Content

Introduction

Getting Started: The Basics

Making Insurance a Priority

Navigating Insurance with an Advisor

A Closer Look: Insurance Types

Next Steps

INTRODUCTION

Younger individuals often have a limited understanding of the ins and outs of personal insurance because it's usually not something we are taught or think about until it's needed. This can leave most young adults in the dark when it's time to get insurance on their own.

This guide deciphers what all the insurance "jargon" means using real-life examples and provides a thumbnail sketch of how younger adults with little to no insurance experience can utilize it as a tool for financial protection.



Getting Started: The Basics

Personal insurance is the foundation needed to help protect your assets. Whether it's a car, home, electronics, or other valuables, your financial future is dependent on protecting those assets by effectively managing your **risks**.

Risk: A risk is the degree of financial loss associated with your assets and/or lifestyle.

Example: If you own a car, it's a risk because you could get into an accident and need to pay for repairs or medical bills if you injure someone else.



Insurance companies, also known as insurance carriers, cover the financial responsibility for your risks in case of a **loss**. Loss can come from damage, a disaster, theft, or vandalism, for example.

Loss: A "loss" is an event or situation that results in financial damage.

Example: If your car is damaged in a hurricane, it is considered a loss.



And when there is a loss, you make a request to the insurance carrier to help cover the costs of the loss—known as filing a **claim**.

Claim: A "claim" is a request you make to the insurance carrier to pay for a loss you have experienced. The loss must be covered under your policy for an insurance claim to be considered for payment.

Example: If you were in an auto accident and your car sustained significant damage, you could file a claim with your insurance company to pay for the repairs needed.



If you experience a disaster, accident, or other misfortune that results in the need to repair or replace assets, or compensate another for losses, you'd be fully financially responsible without insurance. When you do have insurance, the company absorbs your risk and covers costs associated with losses and damages. In exchange, you pay them a **premium**.

Premium: A premium is the amount of money you pay monthly, quarterly, semi-annually, or annually, to the insurance carrier to ensure you have the proper coverage you need.

Not having insurance can be like tempting fate—it doesn't increase the odds something can happen, but it certainly increases the likelihood you may wind up paying if a loss occurs.

It's important to be strategic and thoughtful while you take action to protect the assets you work hard to accumulate. This is known as managing risk. There are many different strategies you can implement to help reduce your risk. And while it may seem boring to think about, it's better to understand how to protect yourself instead of paying thousands or millions of dollars if you're not properly covered for losses.

DON'T RISK YOUR FUTURE.

Young adults often face ever-changing financial circumstances. These risks increase when entering the workforce, setting up households, and beginning to accumulate assets. As responsibilities and wealth grow, the likelihood of experiencing unforeseen events that could cause financial loss or hardship also increases. Insurance helps mitigate these risks and protect assets against unexpected losses.

An insurance advisor can help determine your best course of action.

Top 3 Reasons to Make Insurance a Priority

- 1** **Protect what you work for:** Your current wealth and personal possessions are the foundation you've established to build your life upon and protecting it helps prevent you from losing those investments and having to start all over.
- 2** **Manage your liability:** Liability is the legal responsibility for your actions. And with society becoming more prone to engaging in lawsuits, you must protect yourself with liability insurance coverage should you be sued for damages or injuries to someone else.
- 3** **Know you're covered:** By managing insurance risk, you know that you're covered in case of an event that results in a loss. Once you've established your insurance and risk strategy, you can focus on continuing to build your assets and investments with less worry.

Let an Experienced Advisor Help You

It's true – insurance advisors like talking about risk and insurance!

So, let them help guide you in the right direction to properly protect your assets and investments. The first step an advisor will take is to go through a discovery process with you to determine and understand your personal **risk profile**. Your risk profile will set the stage for acquiring the insurance coverage you need.



Risk Profile: Your risk profile is an evaluation of your willingness and ability to assume risk. The results help underwriters determine coverage options and the amount of money you will need to pay for coverage.

Underwriter: A professional who evaluates and analyzes your risks to establish your insurance pricing for those risks they are going to assume.

Once an underwriter has provided coverage options, your advisor will discuss the policy and premium options available to help you determine what the best decision is to achieve your goals.

THE C'S

Today, convenience and customization are the name of the game—and help make you a savvy consumer.

Digital convenience and tailored coverage options are two key insurance trends emerging in response to the growing demand from Gen Z and Millennial consumers. Today's advances in technology and data analytics enable insurance carriers to offer more flexible and customized options.

Rather than being limited to fixed policy types and coverage amounts, many insurance providers now offer more modular or customizable coverage options. For example, some auto insurance providers now offer usage-based policies that adjust premiums based on actual driving behavior.



A Closer Look at Types of Insurance

AUTO INSURANCE

Even if you think you're a great driver, it's important—and the law—to have auto insurance. Let's take a look at the types of required and optional coverages to talk about with your advisor.

- Liability insurance (required by law) – covers damage you cause to other people or their property in an accident.
- Personal injury protection (requirements vary by state) – also known as no-fault insurance, it helps cover your expenses, such as medical bills, funeral costs, and lost wages, regardless of who is at fault.
- Collision coverage (optional) –helps pay to repair or replace your vehicle if damaged in an accident with another vehicle, regardless of who is at fault.
- Comprehensive insurance (optional) – coverage that protects against damages to your vehicle that are not caused by a collision and are outside of your control, such as theft, vandalism, and fire.
- Uninsured/underinsured motorist coverage (optional) – can help cover the costs if you're involved in an accident with an at-fault driver who doesn't have enough insurance to fully cover your damages.

When you're ready to purchase a policy, be prepared to provide basic information about yourself and your vehicle, as well as discuss any discounts for which you might be eligible.

TIPS TO HELP LOWER AUTO INSURANCE PREMIUMS:

- Always wear seat belts and ensure your passengers do, too.
- Get regular safety maintenance checks on your vehicle.
- Complete defensive driving classes.
- Install auto theft devices on your vehicle.
- Maintain good credit.



RENTERS INSURANCE

Renters insurance is a smart, and often required, investment for anyone who is renting an apartment, house, or mobile home.

There are three main coverage components to renters insurance:

- **Personal possessions:** covers the personal contents of your rented dwelling in the event they are damaged from named perils, such as theft, fire, or plumbing malfunctions. Note: a “named peril” is something that is specifically listed in your insurance policy.
- **Liability:** protects you against lawsuits for bodily injury or property damage that policyholders or family members cause to other people. It also pays for damage caused by your pets.
- **Additional living expenses:** if your rental dwelling becomes uninhabitable due to a covered peril (meaning it is covered under your renters policy), this coverage will pay for temporary housing costs.

When buying renters insurance, the first step is to determine with your advisor how much coverage you need. This will depend on the value of your possessions and any additional coverage you want, such as flood or floater insurance. You can estimate the value of your possessions by creating an inventory and accounting for the replacement cost of your items.

Your advisor will find the best rate and coverage options for your unique needs and review them with you to ensure you choose what fits best with your risk tolerance and financial ability to pay deductibles.

TIP: Stay on top of the current replacement costs of your assets to ensure you have enough coverage.

Note: If you own expensive items, such as jewelry, art, or electronics, you may want to consider adding Floater Insurance. This insurance comes as a rider, or an add on to your existing policy, to provide an additional layer of coverage over what normal policies cover. A Floater Insurance policy only covers one item, so a separate floater is required for each asset you would want to cover.

HOMEOWNERS INSURANCE

Homeowners insurance covers damage to your property, as well as liability for any injuries or property damage the policyholders cause to other people. A typical homeowners insurance policy includes four essential types of coverage:

- 1 **Structure of the home:** pays to repair or rebuild a home if it is damaged or destroyed by a covered peril listed in your policy, such as a fire. Standard policies usually also cover structures not attached to the house, such as a garage or shed, but always check your policy terms to be sure.

Note: damages caused by earthquakes, floods, or routine wear are generally not paid for by your homeowners policy. Always check your policy and talk with your insurance advisor to be sure you have the coverage you need.



- 2 Personal possessions: furniture, clothes, and other personal items are covered if they are stolen or destroyed by a disaster that is covered in your policy. If you own valuable items, such as jewelry or furs, they are covered but only up to a specific limit. People will usually add a floater for each of those items to insure them up to their full value.
- 3 Liability: protects you against lawsuits for bodily injury or property damage that policyholders or family members cause to other people. It also pays for damage caused by your pets.
- 4 Additional living expenses: if your home becomes uninhabitable due to a covered peril listed in your policy, this coverage will pay for temporary housing costs.

STRATEGIES THAT CAN HELP SAVE MONEY WITHOUT SACRIFICING QUALITY COVERAGE:

1. **Work with an experienced advisor:** Advisors will put their long-standing relationships to work for you to get the best coverages at the best rates.
2. **Increase the deductible:** By increasing your deductible, you can lower your monthly premium. However, make sure you can afford to pay the higher deductible in the event of a claim.
3. **Install safety features:** Installing safety features in your home, such as smoke detectors, motion sensors, and fire alarms, can help reduce your insurance costs. Check with your insurance provider to see if they offer any discounts for safety features.
4. **Maintain good credit:** A good credit score can lead to lower insurance premiums, so make sure to keep your credit score in good standing by paying bills on time and reducing your debt.
5. **Check for discounts:** Your insurance provider may offer discounts for things like protective devices, good credit, going paperless, and more. Check with your insurance advisor to see what discounts may be available from your insurance carriers.

UMBRELLA INSURANCE

Umbrella insurance is a type of personal liability policy that provides additional coverage for claims exceeding what your existing homeowners, auto, and watercraft policies will cover. An umbrella policy will cover the policyholder, as well as additional household members. This could be a son, daughter, or nanny, but make sure you understand how your specific policy defines a household member.

In the lawsuit-driven society we live in, adding umbrella insurance can help protect your assets in the event of a very costly judgement against you.

Example: If a guest at your house slips by the pool and suffers a head injury. They sue you and the jury awards the person a judgement of \$1 million. If you have a \$300,000 personal liability limit, that means the remaining \$700,000 would have to come out of your pocket. If you had an umbrella policy with a \$1 million limit, you'd be fully covered.

When purchasing an umbrella policy, be sure to read the terms and conditions carefully. Ensure you understand the exclusions or limitations in the policy and be sure to choose a coverage limit that offers adequate protection for your assets.

CYBER INSURANCE

Cybercriminals target anyone—no matter the age. Yet, younger consumers make up half of the most targeted demographic. With cyber criminals becoming more sophisticated and cyberattacks increasing in frequency, adding cyber insurance to your portfolio of coverages can help further protect your assets hard-earned assets.

A typical personal cyber liability policy covers financial losses from various cybercrimes, such as:

- Cyberattacks
- Online theft or online fraud
- Cyberbullying
- Data breach
- Cyber extortion



If you are the victim of a cybercrime, with the appropriate insurance, your coverage would help pay for legal fees, ransom payments to release your documents, fraudulent charges on your credit card, and more.

Work with an experienced advisor to understand which policies cover cyber-related losses to be sure you aren't under covered or covered for the same loss under multiple policies. For example, since cyberbullying and stalking fall under liability yet are cyber risks, your insurance advisor can help discern if your homeowners policy coverage options and deductibles include protection against these threats.

While you can't do anything to completely protect yourself from being the victim of a cyberattack, there are measures you can take to help prevent one or lessen the severity.

HERE ARE A FEW TIPS TO GET STARTED:

Use Password Best Practices

- Create strong passwords and never reuse them.
- Use two-factor authentication to help ensure it's you logging into your sites or systems.
- Use a different password for each website or system.
- Consider using a password manager.
- Secure your password reset options

Avoid Oversharing on Social Media

Scammers and cyberbullies prey upon individuals who tend to consistently overshare personal details online. Oversharing can be avoided by turning off social network sharing, avoiding disclosing where and when you plan to go on vacation, and not taking what appear to be fun quizzes online, which is a tactic often used by hackers to gather personal information in hopes of cracking your passwords.

Create a Family Social Media Policy

Implementing rules for how your family will interact online and use their devices can help protect family members and build a culture of social responsibility. These rules could include not using surnames or nicknames for your Wi-Fi network, changing passwords on a regular cadence, and asking permission from an adult to download any apps or create new accounts on social media.

Engage in Responsible Email Use

Individuals who learn the tell-tale signs of email scams can help prevent financial theft or identity theft.

These signs include unusual spellings, an unknown sender, or an unexpected urgent request for credentials or money. Avoid clicking on suspicious links in emails that could potentially lead to unsafe web browsers or documents.

Avoid Sending Private Data Online

Sending a credit card number, password, phone number or any other type of identification number online is unsafe. Unless using encryption, too many risks exist that allow cybercriminals access to private information.

Identify the Strength of Your Internet Security

Should your devices end up lost or in the wrong hands, do you have measures in place to prevent people from gaining access to them? Consider adding multi-factor authentication as a second security step to ensure only the device owner can access your data.



PET INSURANCE

Getting pet insurance is an important step in protecting your furry friend and your finances. Pet insurance can help cover unexpected veterinary costs, including surgeries, injuries, illnesses, and chronic conditions. Without insurance, these costs can quickly add up and become a significant financial burden, potentially leading to difficult choices between paying for necessary veterinary care and other household expenses.

Some insurance providers offer a range of coverage options, including accident-only, illness-only, or comprehensive plans, which may offer benefits, such as coverage for prescription medications or preventive care.

Once you've selected a pet insurance policy, you will typically need to complete an application and provide information about your pet's age, breed, and health history. In some cases, your pet may need a veterinary examination or medical records to qualify for coverage.

Though pet insurance can be a valuable investment for pet owners, it's worth noting that not every pet may benefit equally from insurance coverage. Some breeds may be known for not often requiring expensive veterinary care, while others may be more prone to accidents or illnesses, requiring more frequent or costly treatments. Additionally, pet insurance premiums can vary depending on factors such as your pet's breed, age, and overall health, so it's important to carefully consider the costs and benefits of coverage before deciding.

FREELANCING OR HAVING A SIDE GIG

Young adults who freelance or have side gigs may have additional insurance needs including:

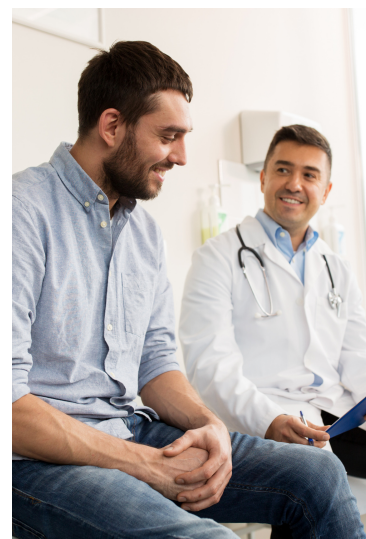
- **Health Insurance:** If you are self-employed or don't receive health insurance through your main employer, you may be able to purchase individual health insurance through a private insurance provider or through the health insurance marketplace. Be sure to talk with your advisor about different plans and compare coverage options and costs to find the best fit for your needs and budget.
- **Liability Insurance:** Depending on the nature of your freelance work or side gig, you may need liability insurance to protect yourself against the risk of lawsuits or damages. For example, if you are a freelance writer, you may want to consider professional liability insurance to protect against claims of plagiarism or libel. If you rent out a property on a short-term basis, you may need liability insurance as part of your homeowners insurance policy. Be sure to discuss the different types of liability insurance available with your advisor and consider your exposure to risk to determine which policies are right for you.
- **Business Insurance:** If you operate a small business or run a side business in addition to your freelance work, you may need business insurance to protect your assets and employees. Business insurance policies can provide coverage for property damage, lost income, liability, and more, depending on your needs.
- **Personal Insurance:** Even if you do not have a traditional employer, you may still need personal insurance coverage to protect your assets and income. This can include auto insurance, renters or homeowners insurance, disability insurance, and life insurance. Be sure to discuss your needs with your advisor to find the right fit for your individual circumstances.

Obtaining insurance coverage while freelancing or having side gigs can be a complex process, but it is an important part of protecting your financial security and managing your overall risk. By carefully evaluating your needs and researching different coverage options, you can find the policies that provide the right amount of protection for you and your assets.

HEALTH INSURANCE

If you are interested in obtaining health insurance through work, there are several options to consider:

- **Does your employer offer health insurance benefits?**
Many employers offer health insurance benefits as part of their employee's compensation package. Check with your employer's HR department to see if this is an option for you.
- **Does your employer make contributions to healthcare plans?**
If your employer does offer health insurance, find out if they contribute to the cost of the premiums or if there are subsidies or tax breaks available to you.
- **Your employer doesn't offer health insurance?**
You may be able to obtain coverage through a family member's plan, purchase individual coverage through a private provider, or enroll in a government-sponsored plan, like Medicaid.





Is enrolling in a group health plan an option?

If your employer offers health insurance, you may be able to enroll in a group health plan. Group health plans typically offer lower premiums and better coverage than individual plans, making them a popular option for many young adults.



Which type of health plan is best for you?

If your employer offers multiple health plans, take the time to research the different options and compare costs and coverage. Be sure to consider factors such as the plan's deductible, copayments, and out-of-pocket maximums.

Overall, obtaining health insurance through your employer can be a valuable option, providing access to affordable coverage and protecting against unexpected medical expenses.

Protect your Insurability

When applying for insurance, many factors influence whether you are approved for or denied (insurability) the insurance coverage being offered. One way to help protect your insurability is to adopt “Preferred Claims Practices” because insurance carriers look at all claims you’ve submitted when reviewing applications for coverage. Examples of these “Preferred Claims Practices” include having higher deductibles and covering smaller losses out of your own pocket, while utilizing your insurance for the larger, catastrophic losses.

Consider When to File a Claim

There are many factors to consider when thinking about filing a claim to help avoid your premiums increasing unnecessarily or potentially having your policy non-renewed. Insurance carriers may view clients who have a history of claims as higher risk and less desirable to insure, as they are more likely to file claims in the future. In some cases, depending on the severity of the claims history, certain types of coverage may be unavailable to the policyholder, or they may be offered coverage at a higher premium to offset the increased risk.

YOU SHOULD CONSIDER FILING AN INSURANCE CLAIM IF:

- You experience a significant loss or damage that is covered by your policy.
- Someone is injured on your property, or if you are at-fault for an accident involving injury or damage to property.
- Your home has been burglarized or vandalized.
- There is a natural disaster that causes damage or loss to your property.
- Your vehicle is stolen or damaged in an accident.

YOU SHOULD CONSIDER NOT FILING AN INSURANCE CLAIM IF:

- The cost of repair is less than your deductible or only slightly higher.
- The damage is cosmetic and does not affect the function of the property.
- The loss occurred due to normal wear and tear.
- You can afford to pay for repairs out of pocket.
- The damage was caused intentionally or through illegal activity.

It is important to review your policy terms and deductible, and to carefully evaluate each situation to determine if filing a claim is the best course of action. Not every instance of loss or damage warrants an insurance claim.

TOP 5 NEXT STEPS

Even if you are in the phase of life where you are just beginning to accumulate assets, it's essential to learn about the different types of insurance options available. As Benjamin Franklin once quipped—an ounce of prevention is worth a pound of cure.

1 Assess your risks: Understand the value of your assets, your liability exposure, and your susceptibility to potential losses. This will help you determine what insurance coverage you need to consider.

What is susceptibility to potential loss?

Your susceptibility to loss refers to the degree to which you are vulnerable to experiencing financial losses or hardship. This can depend on many factors, like your personal circumstances, financial situation, or exposure to risk.

Example: If you have a significant amount of debt, low income, or few assets, you may be more susceptible to financial losses due to unexpected events, such as illness or layoffs. However, if you have a high income or significant assets, you may be less susceptible to financial losses.

2 Work with an experienced advisor: Working with a qualified and seasoned insurance advisor can help ensure you get the coverage you need within your budget to address the risks you've identified.

3 Review your coverage regularly: As your life circumstances change, so will your insurance needs. It's important to review your coverage regularly to ensure that it still matches your needs.

4 Consider deductibles: Consider choosing a higher deductible to lower your monthly premiums.

Deductible: A deductible is a specified amount of money that an individual must pay out of pocket before an insurance carrier will pay for covered losses or damages. Only opt for a higher deductible if you have the funds to cover the deductible in the event of a claim.

5 Bundle policies: Many insurance carriers offer discounts on the premiums you pay if you bundle multiple policies together, such as home and auto insurance. Your insurance advisor can help you walk through this process and determine if it makes sense to bundle your policies.

When you want to manage your financial risks and protect your assets, an experienced insurance advisor can provide personalized guidance to help you understand the different types of insurance coverage, processes, and requirements.

Our team of insurance advisors can help with your enrollment process, claim filings, and other insurance-related tasks—saving you time and reducing the risk of confusion or errors. We offer access to a broader range of policy options and providers than what may be available to the public, potentially leading to more competitive pricing and more comprehensive coverage options. Our goal is to help you feel more confident in your financial planning and prepared for whatever the future may hold.

[Contact us today to help protect your now and your future.](#)