SILVER KEY INSURANCE, INC.

Frequently Asked Questions

Q:What kinds of questions should I be expected to answer when I am applying for an insurance policy? Why do insurers need so much information?

A:When you apply for an insurance policy, you will be asked a number of questions. For example, the agent might ask you your name, age, gender, address, etc. In addition, you will be asked a number of other questions which will be used to determine how likely you are to make a claim.

When an insurance company is deciding whether or not to offer automobile insurance to a potential customer, it will want to know about the person's previous driving record, whether they have any recent accidents or tickets, and what type of car is to be insured.

Insurance companies have different programs for different customers. Adults with good driving records will generally pay less for auto insurance than will a young driver with traffic tickets. In order to determine which program you qualify for, an insurance company needs basic information about you.

In addition to your age, gender and driving experience, information about the vehicle you drive, and how you drive it, is also needed to determine a fair price. For example, a large luxury car costs more to repair or replace than a sub-compact; and, someone who commutes 30 miles each way is more likely to be in an accident than someone who rides the bus to work and drives only on weekends.

Q:What are the advantages to using an agent to purchase insurance?

A:By using an agent to purchase insurance, the policyholder receives more personal service. An agent with whom there is direct contact can be vital when purchasing a product and absolutely necessary when filing a claim. A local, independent agent is able to deliver quality insurance with competitive pricing and local personalized service.

Q: I have an older car whose current market value is very low - do I really need to purchase automobile insurance?

A: Most states have insurance laws that require drivers to have at least some automobile liability insurance. These laws were enacted to ensure that victims of automobile accidents receive compensation when their losses are caused by the actions of another individual who was negligent.

It is often the case that the cost of repairing the damages to an older car is greater than its value. In these cases, your insurer will usually just "total" the car and give you a check for the car's market value less the deductible. Many people with older cars decide not to purchase any physical damage coverage.

Q: What is the difference between collision physical damage coverage and comprehensive physical damage coverage?

A: Collision is defined as losses you incur when your automobile collides with another car or object. For example, if you hit a car in a parking lot, the damages to your car will be paid under your collision coverage.

Comprehensive provides coverage for most other direct physical damage losses you could incur, including theft. For example, damage to your car from a hailstorm will be covered under your comprehensive coverage.

Q: What factors can affect the cost of my automobile insurance?

A: A number of factors can affect the cost of your automobile insurance -- some of which you can control and some that are beyond your control.

The type of car you drive, the purpose the car serves, your driving record, and where the car is garaged can all affect how much your automobile insurance will cost you.

Even your marital status can affect your cost of insurance. Statistics show that married people tend to have fewer and less costly accidents than do single people.

Homeowner FAQs

Q: What are some practical things I can do to lower the cost of my homeowners insurance?

A: There are a number of things you can do to lower the cost of your homeowners insurance. The easiest thing to do is get a comprehensive review of your policy and needs from your local agent.

It is not surprising to find quotes on homeowners insurance that vary by hundreds of dollars for the same coverage on the same home. When you shop, be careful to make sure each insurer is offering the same coverage.

Another way to lower the cost of your homeowners insurance is to look for any discounts that you may qualify for. For example, many insurers will offer a discount when you place both your automobile and homeowners insurance with them. Other times, insurers offer discounts if there are deadbolt exterior locks on all your doors, or if your home has a security system. Be sure to ask us about any discounts for which you may qualify

Another easy way to lower the cost of your homeowners insurance is to raise your deductible. Increasing your deductible from $250 to $500 will lower your premium, sometimes by as much as five or ten percent.

Q: What does homeowners insurance cover?

A: The typical homeowners policy has two main sections: Section I covers the property of the insured and Section II provides personal liability coverage for the insured. Almost anyone who owns or leases property has a need for this type of insurance. Usually, homeowners insurance is required by the lender to obtain a mortgage.

Q: What is the difference between "actual cash value" and "replacement cost"?

A: Covered losses under a homeowners policy can be paid on either an actual cash value basis or on a replacement cost basis. When "actual cash value" is used, the policy owner is entitled to the depreciated value of the damaged property. Under the "replacement cost" coverage, the policy owner is reimbursed an amount necessary to replace the article with one of similar type and quality at current prices.

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Q: What factors should I consider when purchasing homeowners insurance?

A: There are a number of factors you should consider when purchasing any product or service, and insurance is no different.
Here is a checklist of things you should consider when you purchase homeowners insurance.
Determine the amount and type of insurance that you need. The coverage limit of your house should equal 100% of its replacement cost. If your policy limit is less than 80% of the replacement cost of your home, any payment from your insurance company will be less than the full cost to replace your home -- you'll have to pay the rest out of your own pocket. Also, decide if the personal property and personal liability limits are adequate for your needs.
Determine which, if any, additional endorsements you want to add to your policy. For example, do you want the personal property replacement cost endorsement, an earthquake endorsement or a jewelry endorsement?
Once you have decided on the coverage you want in your homeowners insurance policy, consult us. We will be able to help you determine if there are any gaps in coverage you might not have been aware of, explain the details of the policy's exclusions and limitations as well as recommend an insurance company that will live up to your expectations.

Q: What are the policy limits (i.e., coverage limits) in the standard homeowners policy?

A: [Note: this answer is based on the Insurance Services Office's HO-3 policy.]
The dwelling and other structures on the premises are protected on an "all risks" basis up to the policy limits. "All risks" means that unless the policy specifically excludes the manner in which your home is damaged or destroyed, there is coverage. The policy limit for the dwelling is set by the policyowner at the time the insurance is purchased. The policy limit for the other structure is usually equal to 10% of the policy limit for the dwelling.
Losses to your personal property are covered on a "named perils" basis. "Named perils" means that you have coverage only when your property is damaged or destroyed in the manner specifically described in the policy. The policy limit on the coverage is equal to 50% of the policy limit on the dwelling. Limits for the coverage for the additional expenses that the policyowner may incur when the residence cannot be used because of an insured loss is equal to 20% of the policy limit on the dwelling.
The coverage limit on personal liability is determined by the policyowner at the time the policy is issued. The coverage limit on medical payments to others is usually set at $1000 per injured person.

Q: Where and when is my personal property covered?

A: Personal property (except property that is specifically excluded) is covered anywhere in the world. For example, suppose that while traveling, you purchased a dresser and you want to ship it home. Your homeowners policy would provide coverage for the named perils while the dresser is in transit -- even though the dresser has never been in your home before.

Q: Do I need earthquake coverage? How can I get it?

A: The standard insurance policy does not pay for direct damages caused by "earth movement." "Earth movement" is a much broader term than earthquake. It includes earthquake, volcanic activity and other earth movement. This coverage may be available by endorsement for an additional charge. If you live in an area that is more likely to have an earthquake, you'll pay more than if you live in an area that is unlikely to have an earthquake.. We can help you weigh the costs and benefits of this coverage before you decide to purchase.

Life FAQs

Q: How much life insurance should an individual own?

A: "Rule of thumb" suggests an amount of life insurance equal to 6 to 8 times annual earnings. However, many factors should be taken into account when determining the right amount of life insurance for you and your family.

Important factors include:

- Income sources (and amounts) other than salary/earnings
- Whether or not you are married and, if so, what is your spouse's earning capacity
- The number of individuals who are financially dependent upon you
- The amount of death benefits payable from Social Security and from an employer-sponsored life insurance plan
- Whether any special life insurance needs exist (e.g., mortgage repayment, education fund, estate planning need, etc.)

Calculating the correct amount of life insurance to buy is not as simple as it appears. We recommend contacting us for help determining the right amount of coverage. As independent agents, we are unbiased advisors that will help you avoid buying too much, show you appropriate optional coverages for your need and recommend a company that will best serve your interests.

Q: What about purchasing life insurance on a spouse and on children?

A: In certain circumstances, it may be advisable to purchase life insurance on children; generally, however, such purchases should not be made in lieu of purchasing appropriate amounts of life insurance on the family breadwinner(s).

It is of utmost importance that the income-earning capacity of the primary breadwinner be fully protected, if possible, through the purchase of the required amount of life insurance. This should be done before contemplating the purchase of life insurance on children or on a non-wage-earning spouse. Life insurance on a non-wage-earning spouse is often recommended for the purpose of paying for household services lost due to this individual's death. In a dual-earning household, it is important to protect the income earning capacity of both spouses.

Q: Should term insurance or cash value life insurance be purchased?

A: This is a difficult question -- one whose answer will vary depending on your personal circumstances.

First, recognize that in any life insurance purchasing decision, two questions must be answered:

"*How much* life insurance should I buy?"

"*What type* of life insurance policy should I buy?"

The first question should always be resolved first. For example, the amount of life insurance that you need may be so large that the only way you can be afford is through the purchase of term insurance, since term insurance has a lower premium.

If your ability to pay life insurance premiums is such that you can afford the desired amount of life insurance under either type of policy, it is then appropriate to consider the second question -- what type of policy to buy. Important factors affecting this decision include your income tax bracket, whether the need for life insurance is short-term or long-term (e.g., 20 years or longer), and the rate of return on alternative investments possessing similar risk.

Q: How does mortgage protection term insurance differ from other types of term life insurance?

A: The face amount under mortgage protection term insurance decreases over time, consistent with the projected annual decreases in the outstanding balance of a mortgage loan. Mortgage protection policies are generally available to cover a range of mortgage repayment periods, e.g., 15, 20, 25 or 30 years. Although the face amount decreases over time, the premium usually remains the same. Further, the premium payment period often is shorter than the maximum period of insurance coverage -- for example, a 20-year mortgage protection policy might require that level premiums be paid over the first 17 years.

Q: Can an existing life insurance policy be used to provide for the repayment of an outstanding mortgage loan?

A: Yes. An existing policy, either term or cash-value life insurance, can be used for many purposes, including paying off an outstanding mortgage loan balance in the event of the insured's death. Although a lender may offer a mortgage protection term policy to you, the lender rarely requires it.

Credit life insurance is frequently recommended in conjunction with the taking out of an installment loan when purchasing expensive appliances or a new car, or for debt consolidation. Is credit life insurance a good buy?

Credit life insurance is frequently more expensive than traditional term life insurance. Further, if you already own a sufficient amount of life insurance to cover your financial needs, including debt repayment, the purchase of credit life insurance is normally not advisable due to its relatively high cost.

Renters FAQs

Q: Why would I want to buy renters insurance?

A: If you live in an apartment or a rented house, renters insurance provides important coverage for both you and your possessions. A standard renters policy protects your personal property in many cases of theft or damage and may pay for temporary living expenses if your rental is damaged. It can also shield you from personal liability. Anyone who leases a house or apartment should consider this type of coverage.

Q: How does a renters policy protect my personal property?

A: A renters policy provides named perils coverage. This means that the policy only pays when your property is damaged or destroyed by any of the ways specifically described in the policy. These usually include:

- Fire or lightning
- Windstorm or hail
- Explosions
- Riots
- Aircraft
- Vehicles
- Smoke
- Vandalism or malicious mischief
- Theft
- Falling objects
- Weight of ice, snow, or sleet
- Accidental discharge or overflow of water or steam
- Freezing
- Sudden and accidental damage from artificially generated electrical current
- Volcanic eruptions (but this doesn't include earthquake or tremors)

Renters coverage applies to your personal property no matter where you are in the world. This means you're covered when you are on vacation as well as at home.

Q: Why do some apartment complexes require tenants to have renters insurance?

A: Owners of apartment complexes buy insurance policies for their liability and to cover their buildings and personal property. However, these policies do not cover any of the tenant's property or liability. By requiring their tenants to have renters insurance, the apartment owner is assured that the tenants will not mistakenly believe the apartment complex owner's policy will provide coverage for a tenant's property or personal liability. Although this type of requirement benefits that apartment complex owner, there are benefits to the renter as well. We recommend that you purchase renters insurance regardless of what your landlord requires.

Q: What if I share my apartment with a roommate? Do we both need to have renters insurance?

A: Standard renter's policies cover only you and relatives that live with you. If your roommate is not a relative, each of you will need your own renter's policy to cover your own property and to provide you liability coverage for your own actions.

Umbrella FAQs

Q: What is a personal umbrella liability policy?

A: The personal umbrella liability policy is designed to increase your liability protection. This single policy acts as an "umbrella" over all of your other personal liability policies -- home, auto, boat, RV, etc. -- so you have a higher personal liability limit than what would otherwise be available. In certain circumstances, an umbrella policy may provide personal liability coverage that is otherwise excluded from your other policies. For example, an umbrella policy provides coverage anywhere in the world, whereas your auto policy usually provides coverage in the US and Canada only.

Q: How do I know if I need a personal umbrella liability policy?

A: It used to be that the only people who needed personal umbrella liability policies were wealthy individuals who had sizable amounts of personal assets that would be at risk in a lawsuit.

However, in our very litigious society, even individuals with modest incomes and assets are often subjects of large lawsuits. Since they are even less able than a wealthy individual to pay large damage awards, they recognize the need to have coverage limits greater than what can be obtained from their homeowner or auto policies.