

Colorado Insurance Survival Guide



A guide to help you find the right
Home & Auto Insurance



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What it is and why it's important

At the most basic level, homeowners insurance protects you financially should you experience a total loss of your home and possessions.

Key considerations for the homeowners insurance shopper:

- » Make sure you get enough insurance to be able to completely rebuild your home should you experience a total loss.
- » When insuring your house and belongings, know the difference between replacement cost and actual cash value (see glossary).
- » Make sure your new policy has a Replacement Cost Extension of at least 120% and preferably 125%
- » Make sure your home insurance provides at least 25% of the home coverage for ordinance or law coverage to pay to bring your home up to code during a rebuild.
- » Take an inventory of your belongings to get an idea of how much coverage you need for your possessions.
- » Remember that homeowners doesn't cover flood damage.
- » Take the time to shop around; it will save you money.
- » Consider buying auto insurance together with your homeowners insurance.
- » Make sure your home insurance covers mechanical breakdown and all of your home's service lines (see glossary)

Questions To Ask Yourself/Others

How much coverage do I need for my home?

» Your policy should cover the cost to replace your home at today's construction costs, including debris removal.

Recommendation: Ask an insurance agent to calculate the re-placement cost of your home. Insure the home for the REBUILD cost, NOT the purchase price.

How much coverage do I need for separate structures?

» Your policy should cover separate structures on your property, such as barns and garages.

» Make sure to calculate the replacement costs for additional structures.

Recommendation: Make sure your home insurance provides at least 10% of your dwelling coverage for other structures

How much coverage do I need for my possessions?

» Take an inventory to get a better idea of the worth of your belongings. The AVERAGE needed is 50% of your home cost.

» Consider "scheduling" (adding extra coverage) for valuables, such as jewelry or fine art, if necessary.

Recommendation: Do NOT buy a policy unless it includes replacement cost coverage for your personal property.

How high a deductible can I afford?

» The deductible is the amount you pay before your insurance kicks in. \$1000 should be the minimum deductible you consider.

» If you can afford to pay a higher deductible, you will save on your premium.

Recommendation: Work with a company that allows you to have one deductible for all policies in the event of a common claim (ie. Hail or fire)

How much liability coverage do I need?

» Consider your situation and base your liability coverage on your assets and income, not a general amount chosen by the agent

» In today's litigious society, liability coverage is not the place to skimp, ESPECIALLY in Colorado.

Recommendation: Use the liability worksheet (included) to determine actual amount needed

Notes:

Dwelling Coverage
Needed:

Separate Structures
Coverage Needed:

Personal Property
Coverage Needed:

Deductible Chosen:

One Deductible For
Common Claims:

Yes or No

Liability coverage
Needed:

Questions To Ask Yourself/Others

How much medical coverage do I need?

» Consider the cost for broken bones, stitches and other minor medical treatments that may be needed by a guest. If there is an injury on your property, you may be responsible for paying for any medical bills.

Recommendation: Most trips to the hospital cost \$3,000 - \$5,000. Make sure your home insurance policy provides coverage to cover the whole cost of the visit.

How much will it cost to tear down and remove my home?

» If there is a total loss, such as a fire, how much will it cost to tear down and remove my damaged home in order to clear the land to rebuild?

Recommendation: It could cost \$20,000 or more to remove the debris from a home and prepare the land for the new structure. Make sure your home insurance policy provides enough coverage to pay for the entire cost of the debris removal.

Useful Information

What Homeowners insurance usually covers:

- » The structure of home
- » Personal belongings
- » Liability protection
- » Living expenses if you have to leave your home because of a covered claim
- » Guest Medical Bills
- » Debris Removal
- » Landscaping
- » Bringing your home up to code during certain repairs or rebuild
- » Personal belongings that are away from the home, such as in your vehicle or at your work.
- » Identity Theft (If endorsed onto your policy)
- » Sewage Backup (If endorsed onto your policy)
- » Mechanical Systems - furnace, AC, boilers, water heaters, etc. (not available with all companies)
- » Service Lines - water, sewer, power, phone (not available with all companies)

Notes:

Medical Coverage
Needed:

Does My Policy Have
At Least \$20,000:

Yes or No

Levels of coverage:

There are three basic levels of coverage for theft or destruction of property:

1. **Actual cash value** – Cost to replace it, minus a deduction for depreciation.
2. **Replacement cost** – Cost to replace it, without deduction for depreciation.
3. **Guaranteed or extended replacement cost** – Replacement cost, regardless if that cost exceeds coverage level.

The perils (Courtesy of the Insurance Information Institute)

1. Fire or lighting
2. Windstorm or hail
3. Explosion
4. Riot or civil disturbance
5. Damage by aircraft
6. Damage by vehicle
7. Smoke
8. Vandalism or malicious mischief
9. Theft
10. Volcanic eruption
11. Falling object
12. Weight of ice, snow or sleet
13. Accidental discharge (flooding) from household Appliance, plumbing
14. Sudden and accidental breaking of an air conditioner, hot water heating system, sprinkler system
15. Frozen pipes or appliances
16. Sudden and accidental damage from artificial electrical current

Recommendation: Make sure your policy is an all peril policy. An all peril policy covers all types of loss (perils) unless they are specifically excluded from your coverage in the policy. Some companies offer a named peril policy which only covers specific types of loss that are named in the policy.

Recommendation: More and more insurance companies are limiting coverage and what is covered in order to give the impression of a low-er cost. In reality, the cost is only lower if you never have to file a claim. Your home is a very large investment and probably one of your family's largest assets. If you discover that you are missing coverage after you file a claim, the cost will be far more expensive than paying for the coverage in advance.

Notes:

Is My Policy A Replacement Cost Policy:

Yes or No

Is My Policy An All Peril Policy:

Yes or No

Homeowners insurance cost factors:

- » Size of home and surrounding structures
- » Local building costs
- » Natural disaster risk - wildfires and hail, etc.
- » Condition/age of heating, electrical and plumbing systems
- » Age and type of roof
- » Proximity to fire station/hydrant
- » Amount of crime in neighborhood
- » Home's construction, materials and architectural features
- » Credit score and claims history
- » Discounts available: multi-policy, claim free, etc.

GLOSSARY

Actual cash value - This kind of policy pays replacement cost, minus a deduction for depreciation. For example: to replace your stolen bike, which you bought for \$500 but is now valued at \$200 because of depreciation, your insurance company will pay you \$200.

Replacement cost - Replacement cost is a higher level of coverage. It means that your insurance company will pay to replace what was lost, even its current value is much less than what you paid for it.

Deductible - The amount you pay before your insurance company starts paying.

Depreciation - The loss in value of something over time.

Earthquake insurance - This kind of coverage often comes in the form of a scheduled item on a homeowners policy. It is not a standard homeowners peril.

Riders, endorsements, and schedules - These terms have similar meanings. See the definitions below.

Rider/endorsement - A form attached to an insurance policy that alters the policy's coverage, terms and/or conditions.

Schedule - A list of (scheduled) items that are covered under a policy. Schedules can list specific benefits, assets and other features that are unique to the policy, such as earthquake insurance.

GLOSSARY (continued)

Mechanical Breakdown - As homes have changed, so has the complexity and value of the equipment it takes to keep them comfortable. Homeowners policies typically do not cover mechanical or electrical equipment breakdowns. As a result, homeowners can end up footing the bills for breakdowns. **Coverage protects against** direct physical damage to "covered home systems" caused by a sudden and accidental mechanical or electrical breakdown.

Service Line Coverage - Most homeowners don't realize they are responsible for repairing or replacing the underground piping and wiring located on their property if damaged. The cost of repairing or replacing underground service lines is costly and not covered by most homeowners policies. Losses can easily total \$3,500 or more when considering repairs, excavation and damage to outdoor property. **Coverage protects against** physical damage to covered service lines that is the direct result of a service line failure. Covered service lines are the underground piping or wiring located on your property, for which you are legally liable for repair or replacement.

Flood insurance - Flood insurance is offered through the National Flood Insurance Program. See <http://www.floodsmart.gov> for more information. **Remember:** homeowners insurance DOES NOT cover flood damage.

Guaranteed or extended replacement cost - This is the highest level of coverage. This type of policy covers replacement costs even if they exceed your policy limit.

Liability coverage - Protects you and members of your household from financial loss should someone claim injury on your property (and sue you).

Peril - Most insurance providers covers anywhere from 10-16 of the most commonly recognized perils, including lightning, vandalism, theft, hail, etc.

Premium - The price of a policy over a set period.

Replacement cost - This kind of policy pays the replacement cost, without a deduction for depreciation.

Net-Worth Calculation Worksheet

An important step in gaining financial control is to calculate your net worth (assets - debts). Every year, your net worth should be tabulated to review your progress and compare it with your financial goals. In addition, a net-worth statement is a valuable aid in planning your estate and establishing a record for loan and insurance purposes.

Assets (What You Own)

Cash:

Cash On Hand _____
Checking Account _____
Savings Accounts _____
Money Market Funds _____
Cash Value of Life Insurance _____
Other _____

Real Estate/Property:

Home _____
Land _____
Other _____

Investments: (Market Value)

Certificates of Deposit _____
Stocks _____
Bonds _____
Mutual Funds _____
Annuities _____
IRAs _____
401(k), 403(b), 457 Plans _____
Pension Plan _____
Other _____

Personal Property: (Present Value)

Automobiles _____
Recreational Vehicle/Boat _____
Home Furnishings _____
Appliances and Furniture _____
Collections _____
Jewelry and Furs _____
Other _____

Total Assets

Liabilities (What You Owe)

Current Debts:

Household _____
Medical _____
Credit Cards _____
Department Store Cards _____
Back Taxes _____
Legal _____
Other _____

Mortgages:

Home _____
Land _____
Other _____

Loans:

Bank/Finance Company _____
Bank/Finance Company _____
Automobile _____
Recreational Vehicle/Boat _____
Education _____
Life Insurance _____
Personal (from family or friends) _____
Other _____

Total Liabilities

Total Assets Minus Total Liabilities = Net Worth

POLICIES & DETAILS

	Agent & company				
	Contact Info				
POLICY TYPE	Replacement Cost? -or- Actual Cash Value?	<input type="checkbox"/> R Replacement Cost? <input type="checkbox"/> A Actual Cash Value?	<input type="checkbox"/> R Replacement Cost? <input type="checkbox"/> A Actual Cash Value?	<input type="checkbox"/> R Replacement Cost? <input type="checkbox"/> A Actual Cash Value?	<input type="checkbox"/> R Replacement Cost? <input type="checkbox"/> A Actual Cash Value?
COVERAGES	Dwelling				
	Separate Structures				
	Belongings				
	Loss of Use				
LIABILITY PROTECTION	Personal Liability				
	Medical Payments				
MISC_COVERAGES	Sewer				
	Earthquake				
	Jewelry				
	Service Line				
	Mechanical Breakdown				
DISCOUNTS	1)				
	2)				
	3)				
EXCLUSIONS	1)				
	2)				
	3)				
	Quote (Premium & Period)				

The Final Checklist

Notes:

Will this policy cover you in the event of a total loss?

☐ YES ☐ NO

- » Are you comfortable that your home and belongings are adequately insured?
- » Does it accurately reflect the value of your belongings?
- » Is your liability coverage adequate?

Does the policy fit within your budget?

☐ YES ☐ NO

- » Can you afford a higher deductible in order to re-duce your premium?

Are you familiar with what the plan covers?

☐ YES ☐ NO

- » Are there specific perils that you ought to have coverage for?
- » Do you understand the exclusions in the policy?

Have you shopped around?

☐ YES ☐ NO

- » How much variety is there among your quotes?
(When looking at quote price, make sure you compare equal plans with equal coverage.)

Have you looked into all available discounts?

☐ YES ☐ NO

Potential money-saving steps:

- » Adding safety or security devices
- » Disaster-proofing your home, i.e., adding shatter-proof glass, getting an earthquake retro-fit, strengthening your roof
- » Consolidating your auto and homeowners under one carrier
- » Buying through a group

Are you comfortable with the insurance company and assistance available?

☐ YES ☐ NO

- » Is the company reputable, reliable, fair and service-oriented?
- » Is there a local representative that you can turn to for assistance with coverage and claims questions?
- » Does the company provide any type of bonuses or rewards for doing business with them?
- » Does the company offer a way to eliminate your deductible for a claim that affects multiple policies?
- » Does the company provide five star claim service and maintain at least a 98% customer approval ratings of their claims department?



What it is and why it is important

Beyond being a prerequisite to legally drive a car, auto insurance is essential to protecting your assets if they're threatened by an accident, natural disaster or nasty legal battle. The latter is where you really stand to lose, so make sure that you get adequate liability coverage!

Key considerations for the auto insurance shopper:

- » Make sure you have sufficient liability insurance in the event that someone decides to sue you for everything you've got (plus some you don't).
- » Buy a policy that has adequate uninsured/under-insured motorist coverage (this coverage should match your liability coverage amount).
- » Lower your premium by opting for a higher deductible.
- » The type of car you own and the nature of its use will effect your premium.
- » Take the time to shop around; it will save you money.
- » Consider saving money by combining your auto and homeowner's policies.
- » Compare policies with similar levels of coverage.
- » Buy from a reputable company that has a good A.M. Best rating.
- » Learn the jargon before you talk to an agent (see glossary).



Questions To Ask Yourself/Others

What are my existing coverage?

» Make sure you know your existing policy: check your declaration page so you know your current coverage limits.

» When comparing policies, don't just compare "apples to apples" – policies with similar coverage levels - you may have bad apples!

Recommendation: In addition to an "apples to apples" comparison, get a proposal for the coverage you should have

How much liability coverage do I need?

» If you are deemed responsible for an accident, do you have enough liability coverage to pay for the damages caused?

» In Colorado, you are responsible for someone's medical, rehabilitation, work loss and pain & suffering

» If you have a lot to lose, or want to protect your paycheck, opt for higher coverage.

Recommendation: Choose a policy based on your assets and net worth. Use the included worksheet and protect your asset level.

What optional coverage do I need?

» Does the value of your car merit comprehensive and collision coverage?

» What extra coverage, such as towing and rental car, do you need?

Recommendation: Make sure you choose a policy that provides coverage for your windshield.

How high a deductible can I afford?

» The deductible is the amount you pay before your insurance kicks in.

» If you can afford to pay a higher deductible, you will save on your premium.

Recommendation: Choose a deductible of \$1000 or higher, and look for companies that reward you for not filing claims.

How much uninsured motorist coverage do I need?

» Your uninsured motorist coverage pays for your injuries and car damage if a driver with no insurance, or not enough insurance, hits you.

Recommendation: Never choose a policy without uninsured motorist coverage. Too many drivers are driving uninsured these days.

Notes:

Liability Coverage Needed:

Do I Need Full Coverage:

Yes or No

Do I Have Windshield Coverage:

Yes or No

Deductible Chosen:

Uninsured Motorist Coverage Needed:



Useful Information

What auto insurance usually covers:

- » Medical, rehabilitation, work loss, and pain and suffering of anyone you cause damage to.
- » Any property you cause damage to (planes, buildings, cars, etc.).
- » Damage to your vehicle caused by an accident.
- » Damage to your vehicle caused by anything other than an accident (hail, theft, vandalism, etc.).
- » Injuries to you or anyone in your car if you are hit by an uninsured or under-insure driver.
- » Emergency roadside assistance.
- » Rental car.

*all coverage is provided up to the limits of the policy. Your policy may or may not have the coverage outlined. Check with your insurance company

Auto insurance cost factors?

Below are some of the criteria that determine how much we pay for insurance:

- Age
- Type of vehicle
- Retirement status
- Marital status
- Driving record
- Credit history/insurance score
- Deductibles
- Education level
- What you use your car for
- Where you live/where you park
- Whether you have had your car continuously covered
- Number of claims you have filed
- Vehicle specifications - brakes, alarms, airbags, etc.
- Education level, grade point average (GPA)
- Profession, professional memberships
- 55 Alive course completion
- Time with prior insurance company
- Discounts available: multi-policy, ticket/accident free, etc.



Notes:

Recommendation: Choose a company that provides you with multiple rewards for remaining claim free, customer longevity (your loyalty to the company you choose), and maintaining a good driving record.

Glossary

Assets - Material or monetary resources.

Bodily injury - Liability coverage that covers other people (not your passengers) involved in an accident.

Collision - Coverage for damage to your vehicle resulting from an accident.

Comprehensive - Non-accident-related coverage for your vehicle (hail damage, theft, etc.).

Deductible - The amount you pay before your insurance company starts paying.

Deductible risk - Opting for higher personal property damage deductibles in order to lower your premium.

Liability - Expenses you are responsible for if you're the party at fault.

Medical payments - Personal medical coverage (in states without no-fault laws).

No-fault insurance laws - Some states have no-fault insurance laws, where each person's expenses are covered by his or her insurance company, regardless of who is at fault.

PIP (Personal Injury Protection) - In states with no-fault insurance laws, personal injury protection provides you with medical coverage and compensation for lost wages in the event of an accident. PIP coverage is required in most states.

Premium - The cost of an insurance plan. Most plans cover a six month period.

Property damage - Liability coverage for damage to another party's property.

Quote - A price offered by an agent for an insurance policy.

Uninsured/under-insured liability coverage - This kind of coverage protects you and your passengers if you are involved in an accident with an uninsured or under-insured motorist. This coverage is required in most states and should match the limits you have for bodily injury and property damage liability.

QUOTE COMPARISON SHEET

Because Things Can Get Complicated

POLICIES & DETAILS										
COVERAGES →	LIABILITY			PERSONAL PROTECTION INJURY LEVEL		DEDUCTIBLES			Other Add-ons	Quote
	Bodily injury	Property Damage	Uninsured/Under-insured Motorist	Medical Payments	Personal Injury Protection*	Collision	Comprehensive			



The Final Checklist

Are you certain your new policy's liability coverage is adequate?

☐ YES ☐ NO

- » Are your liability limits high enough (good) or are they the bare minimum (not so good)?
- » Does your uninsured/under-insured motorist coverage match your injury and property damage liability limits? (It should.)
- » Does your insurance company pay to fix or replace your liability only car if it is damaged by an uninsured driver?

Do your new policy's deductibles reflect your assets?

☐ YES ☐ NO

- » Will your deductible clean out your savings if you're in an accident?
- » Can you afford to take on more deductible risk in exchange for lower premiums?

Do your optional coverage reflect your needs and assets?

☐ YES ☐ NO

- » Are you paying unnecessary collision and comprehensive for your beater car?
- » Does your brand new car have enough protection?
- » If you are financing, do you need GAP coverage (if you owe more than your car is worth, the answer is yes).?
- » What extra coverage, such as towing and rental car, do you need?
- » Does your insurance coverage pay to repair your windshield?

Have you inquired about available discounts?

☐ YES ☐ NO

- » Are there discounts related to academic performance or professional affiliation?
- » Do you have a separate policy with the company? (If so, you can often get a multiple-line break.)
- » Will any added security devices or participation in safety courses reduce your premium?
- » Have you checked with the insurance company to see if your place of employment qualifies you for an extra discount?

Notes:



Notes:

Do you understand your payment structure?

☐ YES ☐ NO

» If you're opting to make payments, what is the overall cost of your policy?

» Does the insurance company charge you extra for making monthly payments?

» Can you save money by making a one-time yearly or six-month payment?

Are you comfortable with the company and do understand its claims process?

☐ YES ☐ NO

» Are you confident in the company and certain that you'll be taken care of in the event you have to make a claim?

» Does the company provide a local representative in case you need personal service or help with a claim?

» Does the company provide you with 24 hour claims contact AND 24 hour emergency roadside assistance at no cost?

» Does the company provide you opportunities to earn extra rewards or bonuses?

How does your prospective new policy stack up against your old one?

Is the new policy the right fit for your needs?

☐ YES ☐ NO

Less Coverage:

☐ Less expensive

☐ More expensive

Same Coverage:

☐ Less expensive

☐ More expensive

More Coverage:

☐ Less expensive

☐ More expensive



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