

## Maintain Adequate Insurance Coverage

Insurance should cover those things that would cause you financial hardship if they were destroyed. It is a necessary and valuable financial service. After you take care of your basic needs of food, clothing, shelter and transportation, next consider your insurance needs. Insurance protection should come before investing or putting money in a retirement account.

### Insurance coverage you may need:

- Health
- Disability
- Life
- Homeowners or renters
- Automobile
- Liability

### Insurance coverage you may not need:

- Mortgage life insurance
- Insurance on outstanding credit card balances
- Flight insurance
- Cancer insurance

Before buying any insurance on this list, be sure you know exactly what you're doing. Get a second opinion from someone other than the insurance agent or salesman. Consult others who know and understand these types of insurance.

These policies and the people that sell them appeal to your fears. They usually are overpriced for the coverage you receive. The same coverage may be in your basic life and disability policies. If you've set these up to cover what you can't afford to lose, there's no need to do it again. Before you buy any insurance coverage make sure you shop around and compare prices. Rates may vary widely between insurance agents and companies.

### Shopping for Insurance on the Web

If you shop for insurance on the web, **never give out personal information like name, address, telephone, and especially, Social Security number.** If you do, insurance agents may call or contact you. If you give out your Social Security number, you can expect a check of your credit. (Multiple inquiries on your credit history can hurt your credit rating. You risk identity theft when you give out your Social Security number.)

There are many sites that provide information-only quotes based on age, sex, health, and medical information, or car and home details, without asking you to identify yourself.

Check out the company before you purchase life, disability, or long-term care policies. Lower premiums may sound great for your budget, but if the company doesn't pay well for claims, this can be worse.

### Texas Department of Insurance (TDI)

Before you buy insurance make sure you are dealing with a reputable company. Check with the Texas Department of Insurance at:

<http://www.tdi.state.tx.us/consumer/indexc.html>

(Click on [Company Listings](#) and at the next screen, [Company Profiles](#) for information on an insurance company's license status in Texas, its financial status, and complaint history.)

If you need further assistance, call the toll-free Consumer Helpline weekdays between 8 a.m. and 5 p.m. at 1-800-252-3439.

Many insurance companies will give you a great deal on premiums if you buy multiple policies from them (life, health and auto). Ask for multiple policy discounts and compare quotes of several companies.

### **Helpinsure.com**

- Free and secure service to help Texans shop for homeowners insurance
- Sign up at the website
- Agents and companies writing homeowners insurance in Texas will be able to view your information and may contact you to discuss your insurance needs
- Find lists of companies writing homeowners insurance in Texas and agents in your area
- See the Learning Center with useful information

On the web: [www.helpinsure.com](http://www.helpinsure.com)

Toll free: 1-866-695-6873

### **Texas FAIR Plan Association**

The Texas FAIR Plan Association provides residential property insurance to qualified consumers who are having difficulty obtaining coverage from licensed insurance companies. To be eligible for coverage:

1. You must have been declined insurance by at least two licensed insurance companies actually writing residential property insurance in Texas, and
2. Not received a valid offer of comparable insurance from a company licensed in Texas.

On the web: [www.texasfairplan.org](http://www.texasfairplan.org)

Texas Department of Insurance (TDI) Toll free: 1-800-979-6440

### **Texas Department of Insurance (TDI)**

- Offers a variety of insurance-related publications and services
- Publications are available in alternate languages and formats and on the website. For printed copies of free consumer publications, call the 24-hour Publications Order Line

Toll free: 1-800-599-SHOP (7467)

For answers to general insurance questions call the **Consumer Help Line** between 8

a.m. and 5 p.m., Central time, Monday-Friday 1-800-252-3439

Insurance related complaints can be filed with TDI several ways:

1. At the website at [www.tdi.state.tx.us/consumer/complfrm.html](http://www.tdi.state.tx.us/consumer/complfrm.html)
2. By e-mail at [Consumer Protection](#)
3. By fax at 512-475-1771
4. By mail: Texas Department of Insurance  
Consumer Protection (111-1A)  
P.O. Box 149091  
Austin, TX 78714-9091

## **Insurance agents**

With Internet resources at your disposal, you can educate yourself to avoid shady sales practices and select an agent that offers real value. It comes down to personal preference.

Term life insurance is cheap and simple enough that most people can make an educated purchase, start to finish, on the Web or by phone from a direct insurance provider. On the other hand, long-term care insurance is about as new, complicated, and expensive as it gets. Even after extensive Web research, many people will still benefit from the services of an independent financial planner, particularly one with experience in long-term care issues.

Auto, home, renter's, and disability insurance fall in the middle. They aren't all that complicated, but they are much more likely to lead to a claim than life insurance. When it comes to making a property claim, an effective local agent can be worth her weight in gold. Also, with liability and medical claims, procedures can be very tricky and decisions are rarely clear-cut. A proactive agent can be an invaluable guide. Of course, it always depends on the agent, the circumstances, and to some extent, the way the company handles claims.

In addition to the traditional insurance agent, there are a few other options. An independent insurance agent represents a number of insurance companies and can more objectively weigh pluses and minuses across many companies and types of insurance.

A good [financial planner](#) can build insurance into your overall financial plan, should you or your situation call out for a professional. The key here, again, is independence. Work with a fee-only financial planner. Many insurance salespeople may represent themselves as financial planners and try to help you with financial and insurance decisions.

A good agent can also help you with an annual insurance review. As your life situation changes, so do your insurance needs. Probably the simplest example is life insurance. The bottom line is that most people need less life insurance every year, as they build savings and approach retirement. On the other side of the coin, most people don't need any life insurance until the baby arrives. You might want to drop collision and comprehensive insurance when your car is paid off and you have the equivalent of the fair market value in a savings account.

## **Other sources of Consumer Information**

*Consumer Reports* magazine

The **Better Business Bureau** site is a good place to check for complaints about specific local agencies.

### **Insurance Industry Sites on the web:**

**A.M. Best** (the industry standard for rating the financial health of insurance companies. There is a charge for some of the more-detailed site content, but basic company ratings are free.

**Insure.com** (Cash value life insurance and a quote finder that delivers as many insurance agency contacts as it does quotes, an unmatched source of unbiased information. It's Insurance Company Guide lists all companies selling insurance in your state, by type of insurance, and provides detailed information on each one, including Standard & Poor's financial ratings.

**Insurance Company Websites, etc.** Many insurance companies have excellent websites, not only for finding agents and making a purchase, but also for insurance education. For obvious reasons, we can't mention any here, but if you have some favorite insurance providers, check out their sites.

### **How much car insurance do you need?**

There are specific state insurance requirements. Your insurance agent will know what is required in your state. You may want more than the minimum insurance required. Talk with your agent about what is appropriate for you in your area and what the additional coverage will cost.

### **Gap insurance**

The difference between the actual fair market value of your auto, which is usually what insurance will pay if it "totaled" and the loan amount you owe on the car may be substantially different. You may need insurance to cover this difference if you are "upside down" or "underwater" on the car.

### **How much insurance coverage should you buy for your house?**

In selecting an appropriate amount of coverage, be sure to avoid the most common consumer mistake - insuring your home for what it costs to sell (the market value), rather than what it costs to replace. Homeowner policies are designed to cover the cost of reconstructing your home should it ever be destroyed. Therefore, you should select an amount of insurance that represents the replacement value of your home. Look for a company that assists you in the valuation of your home. Additionally, look for a company that provides a payment basis called "extended replacement cost." This payment basis helps you rebuild your home even if it exceeds the amount of insurance on your policy.

### **I rent, do I need insurance?**

If all your clothes, the appliances you own, your TV, stereo, jewelry and computer were destroyed in a fire, could you replace them, immediately, out of pocket? If you said no, you need renters insurance. You may be surprised to learn that renters insurance is not that expensive. The only thing you're insuring is the contents of your apartment or house. It's certainly cheaper than replacing all your possessions after a disaster.

Renters insurance provides the security of knowing that if you lost everything today, you wouldn't be forced to start from scratch. Renters insurance can even cover you for personal possessions

that don't happen to be in the apartment or house at the time of the loss, for example, stolen luggage while on a vacation. You can't always count on part of your landlord's policy to cover your possessions.

### **Health and disability insurance**

The need for insurance is not doubted by anyone in America today with the high costs of even basic medical care. Disability insurance is a secondary type of insurance related to health insurance that is desirable in certain self-employed situations and may be for other workers and career fields. You should contact an insurance agent you trust to discuss disability insurances coverages and rates.

### **Life insurance needs**

If you were to die suddenly, what kind of financial hardship would result? Would there be dependents left without basic support? Would your burial costs impose undue hardship on others? These are important questions to ask and answer and possibly cover with life insurance policies.

### **Liability**

The most complicated insurance topic is liability insurance. You buy this to protect yourself from others. If your negligence or error should lead to damage of their property or, worse, their health, you should be prepared to cover these costs in case you are sued. Such liability coverage usually comes with your car and home or renter's insurance. So-called "umbrella policies" are also available for more general liability. Coverage limits, in these cases, are usually based on your net worth and how much of it you can afford to lose?

This is particularly important when establishing a long-term relationship, as with