

## **Car Insurance**

### **How can I keep my car insurance costs low?**

The first thing to do is bargain shop to make sure that the rates you are getting are reasonable in comparison to other companies. Within the policy that you have, these are a few tips that could save you a few bucks.

- Buy a cheaper or a lower profile car
- Take out a higher deductible
- Look into different insurance costs in different communities
- Pay annually
- Drop collision damage coverage

### **What coverage is essential for my auto policy?**

You will need to have liability coverage, property damage, and bodily injury. This way you will be protected if you are at fault and cause damage to a person or their property. It is recommended to have \$300,000 per accident to pay medical costs and other costs that may be affiliated. You should also have at least \$50,000 in property damage.

You should have uninsured motorist coverage, which will protect you against financial damages caused by an uninsured motorist or a hit and run, should one occur.

### **How do I file an auto insurance claim?**

A few tips to ensure that you claim correctly and receive your money as quickly as possible:

- File the claim immediately; take note of hospital bills, police accident reports, and copies of claims that have been submitted.
- Take notes of exactly what was said every time you speak with a company representative, make a note of the date and keep the information together in a file.
- If you get the feeling that the company isn't being forthcoming with the results that you need, complain to the state insurance regulator.
- If you still feel that your claim isn't getting the attention it deserves, call a lawyer.

### **How much is it possible to save by comparison shopping?**

It is possible to save up to 50% by changing your companies.

There are many factors that are taken into account by the issuing company, such as:

- Gender
- Age
- Driving Record
- State
- Vehicle
- Average Mileage Driven

Do not choose your insurer strictly on price, however. Quality and level of service should be a factor in your choice as well, and their ratings should be checked.

### **What deductible should I have on my car insurance?**

Usually it is most cost efficient to get a large deductible which will drastically reduce the amount you pay for the service. For instance, raising your deductible from \$100 to \$500 will save you around 10 to 15 percent. A change from \$100 to \$1000 will generally save you anywhere from 25 to 30 percent.

If you are in an accident and the damage isn't substantial, it is more economical to pay to fix the car yourself rather than involve the insurance company and having them raise your premium.

### **Should I keep collision coverage on my old car?**

Collision coverage ensures the repair of your car whether you were at fault or not, even if your car is damaged by fire, flood, wind or hail. Depending on the value of your car, this coverage may not be cost effective.

### **Does my car affect my insurance rate?**

It is a good idea to check the insurance rates that are given to certain cars before you buy them. Usually as the cost of the car rises, so does the insurance premium. The insurance rates on used cars are generally substantially lower than those of new cars.

### **How significantly does my address affect my insurance?**

There is a big difference in the premiums that people pay in the suburbs where there is much less traffic congestion as opposed to people that live in big cities with many accidents per capita. Usually this is judged by the area code of which you register as your home.

### **Should I pay monthly or semi-annually?**

Monthly payments are convenient and you don't have to pay as much at once. However, monthly payments end up costing you more in the long run.

### **How else can I save on insurance?**

There are a variety of discounts available from the insurance company for all sorts of reasons: living close to work, getting good grades, and so on. Be sure to ask for a list of these discounts to see if you qualify for any of them. Agents may not ask you about these so make sure that you bring it up.

### **What will worker's compensation cover if I ever need it?**

Worker's compensation will only cover you for injuries that occur on the job site. The compensation varies from state to state, but most states will pay throughout the lifetime of the worker, in the case of a permanent disability.

You can get all of the information that you need regarding individual state's worker's compensation benefits by contacting your state's Department of Labor.

### **What exactly is long-term care insurance and how does it work?**

With long-term care insurance (LTCI), you are guaranteed to be paid a certain amount of money towards care for a specified length of time.

As the age of the covered individual increases, so does the premium, so in order to get a better rate, this is something that you may want to purchase earlier in life while the premiums are still low.

Indemnity-type insurance actually distributes the money to the caregivers, and pays the daily benefit directly to the insured party; this type can be easier because there is much less paperwork and more flexibility about how the money can be spent.

### **What should I consider when choosing a long-term insurance provider?**

It is important to look at the stability of the company that you are looking into, because they need to be there when you are in your time of need. Companies who sell long-term insurance may not be as closely regulated as other insurance companies. You can find the ratings of these companies from Standard & Poor's.

### **What can I do to get a good price on my homeowner's insurance?**

Clearly you should always perform a good amount of due diligence when searching for any policy. Be sure to compare the differences in services offered and prices quoted. There are many discounts available for different things, don't forget to ask if you qualify for any of them.

Remember that the deductible will largely affect the price of the premium. It is a good idea to keep the deductible as high as you feel comfortable with to keep the premium down.

You can generally get a better deal when you purchase your auto and house policies from the same company and you can also get a better rate by not insuring the land.

### **What level of home insurance should I buy?**

Make sure that you are insured against whatever natural disasters are common in your area, because insurance against these differs. If you don't specifically ask, you may not be covered.

Be sure to insure for 100% of rebuilding costs. The price of rebuilding your home could differ greatly from the amount that your home is valued at today.

### **What can I do to ensure that I am insured adequately?**

Make a list of your possessions in your household. The more well documented this is the more likely you will be to be able to replace them.

Make sure that you inform your agents of any changes that you make to the home so that if anything happens to the structure, the recent changes will be reflected in the payout.

Check to see if there are any specific limits to what is insured by your company. Sometimes a person may think they are covered for certain things, but the limits negate that.

### **What deductible should I have?**

It is always a good idea to keep the deductible as high as you are comfortable with. A high deductible will substantially decrease your premium.

Do not insure the land, because the land isn't at risk of being demolished in a flood, fire or other natural disaster and you will save on your premium.

### **What other ways can I decrease my home insurance costs?**

If a home has a sophisticated alarm system and/or a sprinkler system to prevent against fires, the insurance company may drop the price of a policy. Be sure to ask your provider and do the calculations to see if it will be cost efficient.

### **When should I review my policy?**

At least once a year, you may want to look over your policy to ensure that it will cover all of the possessions in your home and any additions that you have made over the last 12 months.

## **Life Insurance FAQ**

### **How are people classified for rate purposes?**

To ensure that you receive the best rate possible it is useful to understand how these premiums are calculated by insurers. Firstly insurers will place people into four main categories:

- Preferred
- Standard
- Substandard
- Uninsurable

Someone who has a semi-serious illness such as diabetes or heart disease can be insured but will pay a higher premium. People with a chronic illness will be placed in the substandard category. Someone with a terminal illness will be rendered uninsurable.

People with high risk jobs or hobbies will be considered substandard as well.

The premiums that you are charged will correlate with the category that you are placed in. Since the categorizing is not an exact science, one company may place you in a different category than another, thus drastically changing the prices of your premiums.

Once you are approved for coverage from a company, they cannot deny you coverage for any reason unless you cease payment.

### **What should I be on the lookout for when I am purchasing life insurance?**

First of all, beware that many insurance salespeople work on a commission basis, and may want to persuade you to purchase the policy that brings them the largest commission, rather than getting you the policy that makes the most sense for you.

Most of all, be sure that the company you are buying from will be in existence when you need them. Make sure that you check the insurer's rating before you consider doing business with them.

Always review the costs of any recommended policy. The commissions will be stated, and you can see exactly where the money that you contribute will go.

Ask the insurance agent to explain the different policies and why the one you agree on is the best for you considering your circumstances.

### **How can I easily compare prices between insurance companies?**

In most states there will be a set of rules laid down by a group of insurance regulators. Agents may be required to calculate two different types of indexes to aid in price shopping.

- Net payment index
- Surrender cost index

The net payment index calculates the cost of carrying the policy for ten to twenty years. This can be judged easily by remembering that the lower this number is, the more inexpensive the policy is. This is most helpful if you are more concerned with the death payout than the investment.

On the other hand, the surrender cost index is more useful to those who are concerned with the cash value of the investment. The lower this number is, the better.

The cash surrender value is what you will receive in return if you were to surrender the policy, which is different than the cash accumulation value. If you are checking the prices of universal life policies, if the policies have different premiums and death benefits, the policy with the higher cash surrender value would be the better investment.

### **Why should I have life insurance? Do I really need it?**

The main reason that people purchase life insurance is to know that in the event of their passing, their children and loved ones will be taken care of. Life insurance can also help with the distribution of your estate. Your payout could go to family, charity, or wherever you choose to distribute it.

The main reasons to buy life insurance would be because you have dependents that would be put in a tough position without you providing for them. For example, if you have a spouse, a child, or a parent who is dependent on your income, you should have life insurance.

If you have a spouse and young children, you will need more insurance than someone with older children, because they will be dependents for a longer amount of time than older children. If you are in

a position where you and your spouse both earn for the family, then you should both be insured in proportion to the incomes that you garner.

If you have a spouse and older children or no children, you will still want to have life insurance, but you won't need the same level of insurance as in the first example, just enough to ensure that your spouse will be provided for, to cover your burial expenses, and to settle the debts that you have accumulated.

If you don't have children or a spouse, you will only need enough insurance to make sure that your burial expenses are covered, unless you would like to have an insurance policy in order to help in the distribution of your estate.

### **What amount of life insurance should I have?**

In order to figure out how much insurance you need, you will need to explore your current household expenses, debts, assets, and streams of income. If you need assistance in this, consult either your accountant or financial advisor.

The amount of money that you want to leave behind for your dependents should allow them to use some of the money to maintain their current standard of living, then reinvest another lump sum to ensure that they will be well off in the future.

When attempting to calculate the amount of money that you need to leave behind, be extremely meticulous. If you err low, your family may not receive the help that they need from the insurance company, and if you err the other way, you will be spending more than necessary in insurance premiums.

### **Which type of life insurance fits me best?**

There are 7 major types of life insurance:

- Term
- Renewable
- Re-entry
- Level
- Decreasing
- Cash Value
- Whole Life
- Universal Life
- Variable Universal
- Variable Whole Life

## Term

Term insurance is best described as a policy for which you pay over a specific amount of time. In the event that you die within that period of time, your beneficiaries will receive a payoff.

People that are under the age of 40 will find this package less costly than a whole life policy. These policies generally do not build in cash value. However, they can convert over to a whole life policy without a mandatory physical.

## Renewable

The policy which is bought most frequently is the Renewable Term Policy. This policy renews every year without you having to do anything, and there is no need to input any new information or take physicals. This can continue every year until you are in your 70s. The policy will increase incrementally every year, along with your age.

## Re-entry

With this life insurance policy, you will have to periodically take physicals for the company to judge your rate of risk. If you don't, you will be subject to paying an extra premium.

## Level

In the Level Term policies, you will be locked into a given rate of premium and you will stay there during a certain period (although not necessarily during the entire period of coverage).

## Decreasing

A Decreasing policy is one which decreases in face value with time while the premium remains the same.

## Whole Life

Whole Life is the most traditional policy given; this has a cash-value build up, sometimes offers dividends, and provides death benefits. This is not a policy that needs to be renewed constantly, as long as the payments are made, the policy will continue until death.

## Universal Life

This policy is similar to the whole life policy. However, it offers more flexibility in many ways; you will have different options in cash value growth and the payment of premiums.

## Variable Universal

Variable Universal policies will give you the option to choose the investments for your cash value. This is more risky, but simultaneously gives you more control over where this money is invested.

## Variable Whole Life

This is the same as the previous in regards to control over the investments that are made. The difference between these two is the same as the difference between Whole Life and Variable.

## **Long-Term Care Insurance FAQ**

### **Is it worthwhile for me to purchase long term insurance?**

There are good arguments for and against purchasing this type of insurance, and every person's situation will differ.

Even though Long-Term Care Insurance can be costly up front, it could save you from paying much more in the long run. The home care coverage that is included in the policies could possibly allow you to live independently for more time before having to switch to assisted living. Since the price of this service increases with time, if you choose to purchase it, it is much better to do so earlier than later.

If this policy is too expensive for you, it may be a better idea to apply for Medicaid. Some of these policies may not give you enough money to stay at home and will force you into assisted living if you don't have sufficient funds to support yourself and your personal help.

### **What features should I look for in a Long-Term Care Insurance Policy?**

The four main factors that you will want to take into consideration when looking for a LTCI policy are: flexibility, eligibility, inflation, and duration.

Check to make sure that the flexibility of your policy allows for personal help so you can stay in your home for as long as possible before assisted living is absolutely necessary. Some of the policies will allow you to be paid cash for you to distribute as you please.

Make sure that your policy will pay for more than just what is medically necessary. These policies may not cover all of your needs.

Make sure that you are protected against inflation; you can place a clause into the policy that your payout adjusts 5% annually to cover you against raising prices.

Remember that a policy which lasts 5 years is probably more than you would need. A policy of two to three years will generally be enough.

### **Do I really need Long-Term Care Insurance?**

Over 40% of the American population will eventually need to be in a nursing home or an assisted living facility. Your chances of needing this depend on a number of health factors.

### **What is the elimination period?**

The elimination period is the time you will need to wait from the time you are ready to get the long term insurance to the time in which you will actually receive it. This period of time is negotiable in the terms of the contract and the longer this time period is, the cheaper the premium.

### **How are Long Term Insurance Companies rated?**

These companies are rated in the same manner in which stocks and bonds are rated, through Standard and Poor's.

### **How can I ensure that I have adequate coverage?**

- Make sure that your policy can be renewed every year
- Know that if you are disabled, yet able to work part time, you will still receive coverage
- Choose a waiting period (elimination period) of three to six months, to keep the premium down, and then set aside a nest egg for that time.
- Make sure you will be eligible to receive coverage until the age of 65, when your retirements will kick in.
- Make sure that the policy will pay if you cannot perform the work in your field.