

The Top 10 Insurance Blunders – and How to Avoid Them



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When it comes to buying insurance, what you don't know can hurt you...and your family...for years to come. Learn how to identify the top ten insurance blunders and what to do to avoid them with these tips.

1. Buying insurance on price alone.

Although price is a major consideration, it's even more important to have a reliable company and agent available should a claim arise. Take time to investigate the reputation and rating of the insurance company by visiting a third-party insurance rating company like A.M. Best, Fitch Ratings, Weiss or Standard & Poor's. Make sure the company will be there when you need them, especially before buying long-term insurance policies like life insurance.

Tip: Investigate an insurance company's complaint ratio by visiting the National Association of Insurance Commissioners website.

2. Failure to fully understand your policy.

Take time to evaluate your coverage and make sure you fully understand what is included in the policy. Exclusions, addendums, limitations, restrictions and other "fine print" can make a big difference in price and coverage. Don't be afraid to ask questions...it's a normal part of doing business.

Tip: Actually read the policy and don't make assumptions. For example, many people reject rental car insurance without understanding the total out of pocket expenses and other limitations

that leave them at risk with standard auto insurance or credit card-provided coverage.

3. Forgetting to update policies or make changes when needed.

Life events require major updates to your insurance coverage; everything from marriage to taking an extended vacation may have insurance implications. Take time to plan in advance and notify your agent of any life changing events (marriage, retirement, leaving for college, new job etc...)

Tip: Don't forget to update your name, address and phone number if you have relocated or had a change of marital status, employment or other significant life event.

4. Making assumptions about your coverage.

Many people "think" they have coverage when they don't. Common situations include taking a rental car out of the nation (car insurance limits), traveling out of the country (may not have life insurance), relocating (homeowners coverage may not cover belongings in transit) or other common exclusions.

Tip: Ask your agent! If you have never taken the time to sit with your agent and talk about your insurance needs, assets and desired levels of protection

then make it a priority to do so. Insurance is one portion of a comprehensive financial planning strategy.

5. **Paying late and missing deadlines.**

If you are like most people then you might have a tendency to ignore all those reminders and updates sent from the insurance company; after all, they begin to look the same after a while. Big mistake! Take the time to open, review and act upon them. One of the most commonly encountered blunders is also the easiest to prevent – late payments! Don't allow your auto, homeowners or life insurance policy to be cancelled simply because you forgot the payment. Not only will it leave you vulnerable to potential claims but it can increase your premiums.

Tip: Sign up for automatic payment of your insurance policies to make sure they are always paid on time. Just be sure to verify the amount due each year in the event of an increase in premiums.

6. **Skipping the important insurance products.**

Most people focus on those types of insurance required by law or a mortgage company: auto insurance, homeowners insurance and perhaps employment provided health insurance. Unfortunately, that often leaves you vulnerable to some of the most frequently encountered problems including liability claims, disability and of course...loss of income.

Tip: Talk to your agent about affordable rates for these frequently used insurance types:

- *Disability insurance.*
- *Life insurance.*
- *Long-term care insurance.*
- *Personal liability insurance.*

- *Supplemental health and drug coverage.*

7. **Failure to insure valuables separately.**

Most homeowner policies have limits on jewelry, computers, electronic equipment and other valuables including business or hobby related items. Adding additional coverage for valuables is easy and inexpensive – just ask your agent about a rider to the existing policy.

Tip: Take inventory of your belongings. Photographs, identification numbers and/or receipts or appraisals will help determine the proper level of insurance and assist in submitting a claim should the need arise.

8. **Duplicating insurance.**

It's particularly easy to duplicate coverage especially if you tend to use different providers for auto, home, life, health and other coverage. One of the benefits of working with one agent is the ability to coordinate coverage, have one primary point of contact for all your insurance needs and eliminate duplicate coverage (which also will save money!).

Tip: When shopping for insurance, ask your agent for multiple policy discounts if you switch all your policies to one provider. Not only will you eliminate duplicate coverage but multiple policy discounts can reduce the total cost significantly.

9. **Buying before obtaining quotes.**

Most people buy a home, car, boat or other major purchase and then shop for insurance...big mistake! Avoid unpleasant surprises and costly premiums by obtaining insurance quotes prior to making a major purchase. Not only will you have a better idea of how to budget for the new purchase but it often makes you aware of prior damages or other issues that can be hard to spot. For example, major water-related claims on a

home or extensive body work on a car could be a primary reason to negotiate a lower price.

Tip: Always obtain an insurance quote on the exact home, car, boat or other major item before making the purchase. It's a good way to learn about hidden defects and avoid unpleasant surprises!

10. **Naming, title and other troubles.**

What's in a name? A Lot! Another commonly encountered and easily overlooked insurance blunder is how a

policy, beneficiary or title is recorded. Names matter especially when it comes to legal transactions. Areas most prone to problems include beneficiaries, ownership of real estate, cars, automobiles or other major investments as well as health or personal care coverage.

Tip: Always use legal names and verify that each policy includes the item and owner(s) or beneficiary including social security number or other proper identification.

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