



Shopping for Insurance? What's Needed and What's Required.

Confused about insurance? Join the crowd. Insurance policies are complicated because they cover multiple situations under multiple circumstances. Some is required, such as liability insurance to operate a car; other coverage, such as life insurance, helps us sleep better knowing loved ones won't face financial ruin in the event of a death. Let's explore our options.

Four Basic Coverages: Auto, Life, Homeowners/Renters and Natural Disasters

Auto covers liability, uninsured motorists, collision, comprehensive.

- *Liability* pays the other driver's medical, vehicle repair and other costs if you are at fault in an accident. It is required in all but one state.
- *Uninsured motorists* helps pay for medical bills and car repair if you're hit by a driver who doesn't carry car insurance. Presently it is required in 22 states.
- *Collision* pays to repair your vehicle if you were at fault for the damage. It is not required by law but typically is required by lenders when you lease or purchase a car.
- *Comprehensive* is like bad-luck coverage for your car. It covers damage such as theft, fire or falling objects. No states require it, but it is often a prerequisite when financing or leasing a car.

Life insurance is optional, and policies are often purchased to cover the following:

- Cost of a funeral
- Debts such as a mortgage
- College tuition
- Lost income

Homeowners/Rental insurance is generally optional unless required by a mortgage lender. It may cover the following:

- Damage to structures and personal property due to a covered incident or theft.
- Living expenses for temporary housing while home is under repair.
- Bodily injury or property damage you caused.
- Accidents in and around your home.
- Limited coverage for valuables, like jewelry.



Natural Disasters insurance offers coverage not usually included in a standard homeowner policy. It is generally not required, but mortgage lenders may insist on it in certain circumstances. Examples of disasters covered may include:

- Floods
- Infestations
- Earthquakes
- Storm surges from hurricanes
- Tornado-related water damage

Premiums and Deductibles: What's Best for My Needs?

A *premium* is the amount paid for a policy. It may be paid monthly, quarterly or annually. A deductible is the amount you must pay before your insurance company will pay.

Generally, the higher the deductible, the lower the premium. Which is best for you? Some would rather have a smaller premium—either because they can't afford more or they're willing to take more risks—and pay a higher deductible in case of an accident or claim. Others prefer feeling more secure financially. They like knowing that when a claim is filed, they won't have to come up with a large sum to cover the deductible.

Questions to Ask Prior to Buying Insurance

Cost. What is my monthly cost? Any extra fees? How can I lower my costs?

- Your monthly budget is your monthly budget. Get the coverage you need but be mindful of staying within your budget.
- Watch for hidden fees, which may include costs for adding another driver, a fee applied when you renew a policy, and even something called a "setup" fee. Always insist on fee details before purchasing.
- Always look for discounts. Many companies offer them when you bundle car and homeowners insurance. Consider a higher deductible to lower monthly premiums. Take advantage of lower mileage discounts. And premiums are generally lower when you carry a good credit record. Check out websites that compare rates and offer tips on lowering premiums, such as [The Zebra](#).

Coverage. Am I covered in a flood zone? How about a hit-and-run? If I have a child, will he or she be covered?

- Start by asking what is not covered. In the case of autos, does the policy require a deductible to cover broken windshields? How about items—such as cell phones and laptops—that are stolen from my car?



- Look for the unexpected and consider if it's cost effective for you. Do you need flood insurance? It's probably not part of your homeowners policy if live outside a designated flood zone.

Claims. We all hope we never have to file one, but the last thing we want is a mountain of hassles if we do. Look for a company that ranks high in these areas:

- They should help your through every step, from the initial filing to scheduling an adjuster to making repairs and to paying claims in a timely manner.
- And always ask the right questions: What is needed to file a claim? Can you file online? If you're unable to file, can someone else do it in your place?