

Chapter 1

Building a Great Insurance Program

In This Chapter

- ▶ Identifying the two keys to a great insurance program
 - ▶ Seeing each type of insurance policy as a component in your overall plan
 - ▶ Dealing effectively with all five major risk areas in your life
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Most people buy insurance policies from all over the place. Car insurance here. Home insurance there. Two or three different life insurance policies bought at different times. Some group life insurance at work. Health insurance through an employer. They buy one type of insurance from their travel agency, another from their credit card company.

The first time I meet with a new client, this situation is fairly typical. A virtual hodgepodge of insurance, with several different agents, and no one overseeing the big picture. They're wasting money on overpriced coverages full of gaps and exclusions, and completely missing major coverages like long-term disability.

Does this sound familiar? If so, this book is for you!

Protecting against rovers and assailing thieves

My favorite insurance clause, Perils Clause 12 (see below), comes from the ocean marine cargo policy, crafted by members of the original Lloyd's coffee house in the 1600s, insuring cargo on its way to the new world — and it's still in use today! Metaphorically, you're on a

sailboat navigating through life. On your journey, you'll experience rough seas from time to time. Rovers and assailing thieves will appear. But if you've taken the time to build a solid insurance program one policy at a time, your boat will weather the storms.

Perils Clause 12

The adventures and perils which the said Company is content to bear and does take upon itself, are:

of the Seas,

Fire,

Rovers,

Assailing Thieves,

Jettisons,

Criminal Barratry of the
Master and Mariners,

and of all other like perils, losses and misfortunes, that have or shall come to the hurt, detriment, or damage of the aforesaid subject matter of this insurance or any part thereof except as may be otherwise provided for herein or endorsed hereon. * * * * *

*Excerpted from the General Provisions of an Open Cargo Policy
McGeorge, Desipate*

Arming Yourself with the Basics



What makes a great insurance program? Two things:

- ✓ **Balance:** A solid insurance program covers all five major risk areas:
 - Major damage to or destruction of your residence
 - Major lawsuits
 - Premature death
 - Long-term disability
 - Major medical bills
- ✓ **Customized coverage:** every policy covering these five major risk areas has been custom-designed with high limits and the proper endorsements to cover the unique risks in your life that otherwise would not be covered by off-the-shelf policies.

Throughout this book, I refer to seven guiding principles that can help you make good choices on what to insure and what not to insure. For example, one of the principles is, “Don’t risk more than you can afford to lose.” If you can’t afford to lose your income, you need to buy long-term disability insurance, in case you’re ever disabled. Chapter 2 gives you all the guiding principles.

Believe it or not, insurance isn’t always the answer. In Chapter 3, I introduce four non-insurance strategies for managing the risks in your life. Implementing these strategies (for example, pay extra for added airbags and antilock brakes to reduce your risk of injury) can help lower your insurance bill.

What’s the best way to buy insurance: Here’s a hint: It’s not by calling around for quotes, making sure the coverage is “apples to apples” and then buying insurance from whoever has the lowest bid. The best way to buy insurance is to select a highly skilled agent who can help you build the best possible insurance program. In Chapter 4, I tell you how to find the best agent for you.

Insuring the Things You Drive

Several of the major risks you face in your life are associated with driving your own vehicles — whether it’s your car, a rental car, a boat, an RV, or some other type of vehicle.

In Chapter 5, I walk you through each of the coverages of a personal auto policy. I help you figure out how much liability insurance is enough, tell you how to save money by eliminating overlapping medical coverage or opting for higher deductibles, give you advice on when to drop collision and comprehensive coverage from your older car, and more.

In Chapter 6, I tell you about specific risks that you take on when renting a vehicle and how you can protect yourself from each of them without spending the enormous amount of money that rental agencies charge. I also explain the coverage pitfalls of the free company car your employer provides you for work and how to sidestep them. I also give you tips on covering special vehicles, such as motorcycles and antique and collectible cars.

Chapter 7 deals with the risk of boats, RVs, snowmobiles, golf carts, and more — including both liability and physical damage issues whether you own, borrow, or rent them. I show you the most economical way to buy the coverage that you need. In Chapter 7, I also address all different types of trailer risks — for example, the liability risk when you tow an owned or non-owned trailer behind your vehicle, when you park your trailer at home or, if you have a camping trailer, when you park it for the summer on a rented trailer lot.

In Chapter 8, I show you how to get paid what you deserve at claim time for all different types of automobile claims — when the accident is your fault, when it's the other guy's fault, when your vehicle is stolen. I give you tips for collecting more than blue-book value for your better-than-average car. I also show you how the appraisal clause works when you and the insurance company can't agree on a price.

Finding Your Way Home with Homeowner's Insurance

Your home is likely the biggest asset you'll ever own. Insuring your home adequately is essential. Every homeowner's policy is divided into six parts, each with its own coverage limits (see Chapter 9). I introduce you to six different homeowner's forms as well — four forms designed for homeowners, one form for renters, and one form for condominium or town house owners. I show you how to choose the proper coverages for your building, contents and personal liability.

But homeowner's insurance isn't just about insuring the house itself — it's also about insuring your property inside the house. Many different exclusions and limitations apply to personal property. For example, jewelry has a dollar limit for theft, as well as the exclusion for loss of the stone from the

setting. Jewelry is also very difficult to value after the loss. Scheduling jewelry specifically by having it appraised and added to the policy is the insurance industry recommendation for this type of risk — but it's not the best solution for an antique piece with huge sentimental value, which you have no intention of replacing. If cash won't make you whole, I don't recommend scheduling these kinds of jewelry. In this case, you're far better off putting your special item in a safe deposit box and preventing the loss from happening in the first place. In Chapter 10, I give you the information you need to prevent this type of exclusion and others from hurting you.

Chapter 11 is all about many of the exclusions and limitations in a homeowner's policy and ways to work around them. For example, a homeowner's policy contains an absolute business exclusion, which means that if you frequently work from home and occasionally have UPS deliver a business-related package to your home, and if that delivery person slips on your icy driveway, is injured, and sues you, your homeowner's policy will not defend you, nor will it pay any judgment against you. Why? Because the injury was business-related. But you don't have to live with this gap: The solution to this particular problem is to add a \$20-per-year endorsement to the policy that covers that type of claim.

Chapter 11 also covers flood insurance and whether you're a candidate for it. Here's a hint: You probably are — even if you don't live anywhere near a body of water; but you're probably not if your lower-level floor is below ground level on all four sides.

Condominium and town house owners have special insurance needs and have a homeowner's policy form created just for those needs. If you buy the standard condominium unit owner policy off the shelf with no customization and no special endorsements, odds are, if you have any kind of claim, you'll be sorely disappointed. In Chapter 12, I alert you to what the pitfalls are and give you my recommendations on how to circumvent each of them so you don't get hurt. If you own a town house or condominium — or even a vacation timeshare — you'll benefit greatly from Chapter 12.

If you have a home-based business, you need to deal with many risks — both property and liability risks. In Chapter 13, I fill you in on these risks and tell you how to get the insurance you need as a business owner. (**Hint:** It's generally not to buy an endorsement to your homeowner's policy. Even the best of these business endorsements are too restrictive, particularly when it comes to liability off premises.)

I wrap up the part on homeowner's insurance with tips on collecting what you deserve for homeowner's claims. I give you the steps to take to get a great structural claim settlement. And if you have a personal property loss, you'll benefit from my tips for getting paid top dollar for your claim.

Preparing for a Rainy Day with an Umbrella Policy

One of the most important personal policies you can own is the personal umbrella policy, which has three basic advantages:

- ✓ A million dollars or more of catastrophic liability protection
- ✓ Extra defense coverage in case you're sued
- ✓ Coverage for some of the exposures not covered by auto and homeowner's insurance policies

Chapter 15 covers the basics of umbrella policies, and in Chapter 16, I detail the many different gaps that an umbrella policy can cover and show you how to choose a policy that covers the gaps in your life not otherwise covered by your auto or homeowner's policy.

In Chapter 17, we switch gears a bit. Here I cover many of the changes you face in your adult life (everything from getting married to having a baby to building a house to hiring a nanny and more), tell you what some of the added exposures are during those changes, and explain the changes you should make to your program so these new exposures are covered properly.

Life, Health, and Disability: Protecting Yourself and Those You Love

Health insurance consists of several important ingredients, and in Chapter 18 I tell you what those are and how to get them right. If individual health insurance is what you're after (because you don't have insurance through a job, for example), you'll appreciate the money-saving tips in Chapter 18, too. I show you how you can pay for medical costs with pretax dollars and introduce health savings accounts and how they work. Plus, I offer tips on dealing with various types of health insurance problems (from finding health insurance when you can't qualify medically on your own to deciding whether to continue to cover your college-age kid on your policy or take her off and rely on just the coverage available from the college).

Just because you have health insurance through your job doesn't mean you're off the hook. In Chapter 19, on group health insurance, I show you how to make a good decision when your employer offers you two or more different plans. I also help you evaluate whether to cover your dependents on the group policy or get them individual policies. And I explain your rights when you're leaving a job. Finally, I explain how a new program guarantees you the right to get individual or group coverage without facing any limitations on any pre-existing medical conditions you or your family members might have.

Chapter 20 is a brand-new chapter to this edition of *Insurance For Dummies* — it's on Medicare and Medicare supplements. Volumes of books have been written about this subject, but if you're like most people, you're overwhelmed. So, I start out the chapter by outlining the steps that I recommend my own clients take when they qualify for Medicare. In other words, I cut to the chase. And yes, the chapter does include information and tips to help you make good choices around the complicated and confusing Medicare Part D prescription drug coverage.

Chapter 21, also new to this edition of the book, covers the basics of long-term care insurance and helps you evaluate your own need for coverage. I explain the new Medicaid partnership program and how it makes it easy for most people to determine how much coverage to buy.

Long-term disability is the subject of Chapter 22. I help you determine how much coverage to buy and evaluate possible sources of coverage. I also show you the shortcomings in group long-term disability programs and how to get supplemental insurance to protect yourself.

Last, but not least, is Chapter 23 on buying life insurance. In this chapter, I help you determine how much life insurance to buy; plus, I introduce you to the different types of life insurance and explain which ones make the most sense for your situation. I close the chapter introducing several different myths and misconceptions about life insurance (for example, that life insurance is cheaper when you're young — it's not!) and provide accurate information.

