

Don't RISK IT

1

2

3

4

Step 1: Learn the basics



Spread the risk with insurance

Insurance is a system by which risk is transferred by a person, business, or organization to an insurance company, which reimburses the people insured for covered losses and provides for sharing the costs of losses.

In plain language, what that means is that insurance is where a group of similarly situated people share the cost of a future car accident, sickness, property damage or other personal loss.

For example, you take a risk every time you get behind the wheel of a car or play football in the yard. No matter how big or small the risk is, there is a risk. You can save your money for a possible accident or you can pay into a pool (insurance) and have peace-of-mind that your bills are covered.

Most people don't have \$10,000 to \$100,000 readily available to shell out for an accident or illness. Purchasing insurance allows you to decrease the amount of money you'll pay out of pocket.



General Insurance Terms

Risk: the chance that you will suffer a financial loss.

Loss: an accident or illness that you have experienced which causes a financial setback.

Claim: a request that the insurance company pay you for your loss. Usually, a company will not seek you out to offer payment for your loss; you must file a claim for payment.

Proof of loss: when you have a claim you must be able to prove you had a loss. You can't just say that the only thing the robber took was a \$100 pair of shoes. You're going to have to produce some kind of proof that you owned that pair of

shoes. This is why Mom always says - "Keep your receipts"!

Insurable interest: you must be able to suffer a financial loss if an item is damaged or stolen. Basically, you have to own something to get insurance on it. If you move in with two other roommates and all that you own is the couch, you cannot insure your roommates' TV, stereo or bed.

Deductible: a clause in your insurance policy that indicates the portion of loss/claim that is not paid by the insurance company. The deductible is subtracted from the amount that the company is going to pay. Generally, the higher your deductible, the lower your premium.

Liability: a person's legal responsibility to others for the damage you have caused. When discussing liability, for example, think about who is at fault in an accident.

Grace period: a short amount of time when you are allowed to be overdue, or delinquent, in your payments. You are still covered if or when you make a payment during the grace period. No payment-no coverage during the period! With car, home and apartment insurance, most insurance companies typically *do not* give grace periods. Health and Life insurance policies are *required* to give you a grace period. Check the policy for the time frame; they are not all the same.

Free look period: this gives you the opportunity to review what you bought and send it back if you don't like it. Car, home and apartment insurance *do not* have a free look period. Most of these types of insurance policies start when you sign the contract on that first day. Some health and life insurance policies are *required* to give you a free look period. Check the policy for the time frame; they are not all the same.



Choosing an insurance company

Reputation: You probably want a company that has good customer service, great claims service and smart agents. Check with friends, family and other references such as newspaper articles and the Internet. Then ask other people about their opinion of the insurance company you're looking at.

Financially sound: Companies are graded on their ability to pay claims and how well they manage their money. A.M. Best and Standard and Poor's are some of the companies that rate insurance companies. This score should not be the main reason not to go with a company, but it may help you decide between two companies that look the same in all other areas.

Consumer Affairs Division: The Consumer Affairs Division is a great place to shop for insurance. We cannot give you an opinion about which company is "the best", but we can give you complaint records, financial scores and phone numbers. Check us out on our Web site or give us a call.

Discounts: Ask the company or agent about what discounts they have to offer. All insurance companies do not offer the same discounts. Some discount examples are "dual policies", "good student", "good driver" or "member discount." Discounts can bring down the cost of your insurance.

Lowering premiums: A major part of your auto insurance premiums are based on your age, gender, type of car, credit score, and driving record. Following these tips will help keep down your auto policy payments.

- Avoid getting speeding tickets.
- Employ defensive driving techniques
- Qualify for every discount possible
- Pick your car carefully. High-dollar performance cars will get a high-dollar insurance rate.

Internet: Many insurance companies are giving free quotes on-line. This has allowed many people to shop without having to talk to an agent. The Department recommends that you get three quotes when shopping. But with Internet shopping, three quotes take no time at all. You could probably get 20 quotes in the same amount of time it takes to drive to or call three agents. The more you



Quick Lesson

shop, the better price you will find.

1. What is Insurance?
2. Imagine that it's the time of month when you pay your bills. You can't make all of your payments and need a grace period for some of your regular bills. The grace period for your car insurance is how long?
3. According to Department recommendations, how many insurance quotes should you get before buying a policy?

Answers: 1. Insurance is the transfer of risk to an insurance company & the sharing of the costs of a loss or accident. 2. Car insurance doesn't have a grace period. 3. You should always get at least three quotes.

Missouri Department of Insurance,
 Financial Institutions & Professional Registration
 P.O. Box 690
 Jefferson City, MO 65102

Consumer Insurance Hotline
 1-800-726-7390

<http://www.insurance.mo.gov>