

The 7 Insurance Policies You Can't Live Without!

Introduction

I wish I had more insurance coverage. How many times do you actually hear that or say that to yourself? Most people hate talking or even thinking about insurance. It isn't a pleasant subject. In fact, more people would rather visit their dentist for a filling listening to the lovely sound of that drill rather than think about the types or amounts of insurance that they need to purchase in order to protect themselves, their assets, and their family members. There are an incredible number and array of different types of insurance policies that you can purchase and quite a few that you should own. You may look at the number seven and think that is just way too many, but when you get right down to it, seven insurance policies might be just right number to keep you and your family protected.

How Many Insurance Policies Do You Need?

Do you need seven different insurance policies? Maybe you do need them, and maybe you don't need that many. Everyone needs some type of [homeowner's insurance](#) or [health insurance policies](#). It is fairly obvious that you should own those types of insurance policies. I say this, but one of my coworkers recently lost a lot of items from her home when it was burglarized and she had no renter's insurance. This is so sad because renter's insurance is

so cheap. For as little as \$15 per month, you can have tens of thousands of dollars in protection. Everyone should have renter's insurance, but so few own the protection. When I asked my coworker why she wasn't protected, she told me that she didn't realize that it was so cheap.

Can You Have Too Much Insurance?

Can you actually own [too many insurance policies](#)? I guess you can. You can make yourself insurance poor if you keep adding needless policies. The beauty of owning several wide ranging insurance policies are that they are not only inexpensive but can offer you an excellent amount of coverage for the premium price. For example, a \$1 million umbrella insurance policy can cost you only a few hundred dollars per year. One reason that the [umbrella insurance is fairly inexpensive](#) is that the likelihood of a payout is extremely rare. You could go a lifetime without needing a payout. Hopefully that is the case, and you are never sued. But, would that mean that you have too many insurance policies if you truly needed its protection? I would almost rather err on the side of caution and have too much insurance than not enough if I truly needed it in most cases. You should not accept needless risks that are too expensive to cover the losses out of pocket. For example, there is no way that most people could pay for a \$1 million lawsuit loss, and umbrella

insurance provides great coverage at a very low price hedging your bets.

I Like These Seven Insurance Policies

I really like these seven insurance policies that I listed in this eBook. I think that everyone should really consider owning those seven insurance policies. Many people simply do not realize the risks that they are taking by not having adequate insurance coverage. Do you have flood insurance for example? Did you know that over 30% of all the homes damaged by flooding were not even in a flood zone or plain? That is incredibly sad seeing how flood insurance for a home outside of a federally designated flood zone is incredibly cheap.

There seems to be a fine balance between not having enough insurance coverage and policies and being over insured. How many insurance policies do you own? Is seven different types of insurance policies too many? How many different types of insurance policies do you own?

Here are the seven insurance policies that are often overlooked that you should consider.

You Need Umbrella Insurance Protection From Lawsuits

No longer is [umbrella insurance](#) something that only the rich need to purchase. We continue to live in an ever-increasing litigious society that is quick to sue each other over the smallest issues. People mistakenly think that they will not be sued if they do not have much in the way of assets, but they often forget their most important asset of all, their future income. The cost of umbrella insurance is incredibly small for the large amount of

liability insurance coverage that you obtain as a result.

I'm scared to death of getting sued. We now live in a litigious society where everyone is very quick to sue anyone for almost anything. The potential damage to your personal finances after getting sued, even if you win the case, can be devastating. Often times, your insurance company will settle a case for you, but you could quickly find your rates rising or your coverage being canceled altogether. There is one way to protect yourself from a potential lawsuit swamping your liability coverage on your insurance policies and reaching into your own pockets for the rest. Everyone should consider purchasing umbrella insurance to protect themselves and their families.

Your Current Liability Coverage Is Too Small

Most [car insurance policies](#) and [homeowner's insurance policies](#) have some form of liability coverage with them. The problem is that the amount of insurance coverage is too small in many cases should you have a catastrophic event that you are ultimately responsible for causing. Many car insurance policies will only cover amounts such as \$300,000 in bodily injuries per person or \$500,000 per accident. This may seem like a large amount of coverage. But, what if you negligently hit a car with four people riding in it and seriously hurt them? Medical bills can quickly eclipse what your car insurance policy will cover, and you will be left holding the bag, on the hook for the rest of the amount you were sued for. The liability coverage attached to your homeowner's insurance policy is not any better at covering you should you be at fault for someone's serious injury.

You Have Future Income To Protect

Far too many people make the mistake that they do not need extra umbrella insurance over their car and homeowners liability limits because they do not have very much in the way of assets. You may think that it would be no big deal for someone to sue you because you do not have any cash, own a home, have retirement accounts, or other valuable assets for the person to come after. But, you do have one asset that you may not have thought of. You have future income. For many people, especially young workers with decades of a career left to complete, the amount of money that you will earn in the future can be quite significant. Even if you earn \$40,000 per year, in 20 years you would have earned \$800,000. That is a lot of temptation for someone to sue you over if you were found negligent in a lawsuit.

Umbrella Insurance Is Cheap

Umbrella insurance policies can provide you with millions of dollars in additional coverage for pennies. You can purchase policies for \$1 million for as little as \$15 per month. You can purchase a \$2 million umbrella insurance policy from some insurers for less than \$30 per month. The umbrella insurance only kicks in if you reach your liability coverages on your home and car insurance policies. It is a great value providing you with coverage for pennies per thousands of dollars worth of coverage.

The United States has over one million licensed attorneys in the country. That equals approximately one for every 360 of us. The number of lawsuits that are filed in American continue to rise every year. The odds of getting sued continue to increase as well and you should properly protect yourself and your family. Umbrella insurance provides you with a fairly cheap way to protect your current and future assets from lawsuits.

You Need Disability Insurance



Disability

At some point in your career, you are going to get hurt. It is almost inevitable. Over a third of all Americans will eventually find that they disabled at some point during their careers and unable to work for an extended period of time according to the Social Security Administration. How will you pay your bills? How will you support your family while you are disabled? How long will your emergency fund last you and your family? It is estimated that over 70% of American employees are not covered by some type of private long-term disability insurance plan. That is why [you need disability insurance](#).

Why You Need Disability Insurance

Becoming disabled either through illness or an accident and being unable to work is a large contributing factor to many financial problems. Almost 50% of all home foreclosures are the indirect result of someone becoming disabled. It has a snowball effect. First, you think that it could never happen to you, but then you get hurt on the job or in a car accident. You think that you will be able to bounce back quickly, but then your recovery period drags on and on. Since you are not working, you are not receiving your regular paycheck. You and your family quickly go through the little emergency savings that you have struggled to build up. You then start relying more and more on your credit cards to help make ends meet. Do you see how it can quickly get out of hand?

Social Security Isn't Enough

Many people mistakenly think that they are covered under Social Security for disability insurance. So they forego purchasing additional private long-term disability insurance. But, disability insurance provided by the Social Security Administration is typically not enough to continue supporting your family over a long time period. The average payout of Social Security Insurance is 40% of your income. This is simply not enough to protect your family. The most important asset that young Americans have is their ability to earn an income. Studies have shown that a 30 year-old male is four times more likely to become disabled than to die. At that rate, disability insurance is just as important as having adequate [life insurance](#). Also, many people are simply turned down for Social Security disability insurance. Only 30% of those who applied for Social Security Disability Insurance in 2009 were accepted. This is a 33% decline from those accepted just a decade before. Having your own disability insurance policy will help you protect against that outcome. You can also purchase a Social Security rider on your policy to protect yourself from that as well.

Disability Insurance And Your Emergency Fund

Disability insurance may be an expensive option, but there is one way that you can reduce your costs. You can purchase a long-term disability insurance plan that does not kick in until you have been disabled for over six months. Initially, you may want to balk at a plan that waits so long, but long-term disability insurance premiums are greatly reduced if you wait to start collecting for a disability claim against the policy. Most plans let you choose the waiting period between 30, 60, 90, and some up to 180 days. Typically, the longer waiting period you choose when purchasing your policy will help you to find a cheaper annual insurance

premium. This is why it is imperative that you have a fully funded emergency fund with three to six months of living expenses. Having your emergency fund in place can save you thousands of dollars in disability insurance premiums by allowing you to accept a policy with a very long waiting period.

Now is the time to consider purchasing private long-term disability insurance. You may not be as covered as you thought you once were. No longer can you count on policies from the government or group policies at work with less than 50% providing them. There are ways to lower your premium costs though such as boosting your emergency fund and extending your waiting period. Do not make the mistake of waiting to purchase disability insurance because you think that it won't happen to you.

Term Life Insurance Provides Cheap Coverage

Term life insurance is one of the best deals in the insurance industry and provides an excellent amount of life insurance coverage for a specific period of time in your life ranging from as little as one year to as many as 30 years. There are very few needs in life for permanent insurance, and most people find themselves not requiring life insurance after their home mortgages are paid off and their children are grown and out of college. Term life insurance can fill the gap when you need life insurance the most while keeping your premium costs low.

I am a [huge fan of term life insurance](#), and I do not favor whole life insurance or cash value life insurance. For most people, term life insurance is the best option. Very few consumers need permanent life insurance. There are many benefits to term life insurance that make it a great insurance product for people who are looking to protect their income and for people who depend on it and continue to provide for their families

and loved ones in the event of their untimely death.

Term Life Insurance Is Cheap

The best [benefit of term life insurance](#) is its price. Term life insurance is incredibly cheap when compared to whole life or cash value life insurance products. Whole life insurance is an insurance policy that remains in place for the beneficiary's entire life as long as they continue to make premium payments. Cash value insurance policies are very expensive because they have a cash account component that is an investment and grows in value over the life of the insurance policy. The problem is that the investment return on insurance is simply too low, 2% or less, which will not even keep up with inflation. Term life insurance is a pure insurance policy with no cash value, and that is why it is significantly cheaper than the whole life version. To give you an example, you can expect to purchase a \$100,000 whole life insurance policy for approximately \$100 per month. But, a \$500,000 term life insurance policy will cost you about \$70 or less per month though. You can purchase a significantly larger amount of insurance protection for even smaller premium payments than a cash value policy.

Term Life Insurance Covers What I Need

Term life insurance is simple to understand. There so many different types of cash value insurance policies though. Whole life is actually a type of cash value insurance policy. The insurance industry also offers other options such as variable life, universal life, and many others. If you are willing to pay an additional fee on the premiums, you can really have many different types of whole life insurance policies with tons of different options that are available. But, with every different option you chose, your premiums

will increase. There is a price to pay for creative insurance options.

You Should Invest Your Money Yourself

Insurance is not an investment. It should not be used to earn money. One of the most popular arguments against whole life insurance and in favor of term life insurance is that you can invest the difference yourself and earn a higher rate of return. For many cash value life insurance policies, the cash that you earn inside the policy's investment options is a very low rate of return and barely keeps up with inflation if it even does. If the difference between a cash value policy and term life insurance policy is \$50 per month or \$600 per year, you could have a nest egg of over \$74,000 built up over the next 30 years which would be far greater than the cash value you would have built up over the same 30 years with a while life or cash value insurance policy.

Term life insurance has a lot of benefits in its favor over whole life or cash value life insurance. Term life insurance is incredibly cheap when compared to its whole life insurance brethren. Not only can you save an incredible sum of money with term life insurance, but you also are able to select the type investment yourself for the difference instead of leaving it up to the insurance company. Term life insurance is an incredibly simple type of policy that provides you and your family with a vast amount of protection.

Car Insurance And Its Myths



Car Insurance

I almost did not mention car insurance and homeowner's insurance for the simple fact that everyone most likely has them in some

form or fashion. But, are you maximizing your coverage and minimizing your insurance premium costs? That's the goal. I recently found that a lot of [car insurance myths](#) continue to be perpetuated by drivers though. Understanding these myths that are not true will help you know what kind of coverage you have, what is covered, and how to save money.

There are a lot of [car insurance myths](#) that continue to be spread around by consumers. One of the biggest reasons for car insurance myths is that you do not exactly know how your car insurance is calculated by your insurance company. These calculations are a closely guarded secret by most car insurance companies, but there are a few clues as to what makes our car insurance rates rise. It is important to understand as much as you can about how your car insurance rates are calculated and to debunk the popular car insurance myths in order to ensure that you are saving money on car insurance as much as possible.

The Color Of Your Car Does Not Matter

The color of your car does not affect the price you pay for your car insurance premium. This is one of the most popular [car insurance](#) myths that continue to circulate throughout the country and across generations. But, the fact of the matter is that car insurance companies do not care what color your car is when they calculate your car insurance premiums. Red cars do not equate to a higher insurance rate simply for the fact of being red. Car insurance companies care about their historical data on the likelihood that your make, model, and year of car will be damaged. They care about your history of driving and the likelihood that they will have to payout a claim against your policy more than anything else when determining the price they will charge you for your insurance premium.

Sports Car Drivers Do Not Automatically Have Higher Car Insurance

Owning a sports car does not automatically equate to having higher car insurance. Studies have shown that there are many other types of car classes, certain makes, and models that are much more costly to insure than sports cars. Car insurance companies set car insurance premiums based on the cost and likelihood of a claim based on each individual person and the type of car insured. Some cars have historically higher repair costs and higher replacement parts costs that can significantly increase the cost of their insurance premiums.

You Are Responsible Even If Your Friend Is Driving

For most [car insurance](#) policies, the insurance policy remains with the vehicle and not the driver. So, if you allow your friend or someone else to drive your car, you and your insurance company could still be responsible to pay for any damages or injuries from an accident. Once your insurance policy has been maxed out, you may be able to tap into the driver's insurance policy in the event of an accident with a lot of damage and loss. Do not make the mistake in believing the car insurance myth that you are not responsible when you loan your vehicle to someone. You and your car insurance could still be on the hook.

I'm Covered If My Car Is Totaled

Your car may not be completely covered by enough insurance to pay off your loan if it is totaled. Often borrowers roll old car loans into new car loans, and most new cars depreciate significantly as soon as you drive it off of the car lot. This can create a gap between the true value of the car and the amount of money that you owe the bank on your car loan. Almost all car insurance policies have a clause that they will only

payout the cost of your vehicle. They will not pay the amount of your loan balance if your car is worth significantly less. You need gap insurance which is a separate and specific type of car insurance used just for this purpose. Gap insurance covers that gap between the amount your car insurance will payout and the rest of your loan balance on the car.

My Car Insurance Covers My Rental Car

You need to check with your car insurance company before you rent a car to ensure that you have the proper car insurance clauses that cover rental cars on your insurance policy. Not all policies cover rental cars. It is not an automatic entitlement. You need to have it added to your current car insurance policy, and typically this is a very inexpensive provision to add to your policy.

Items In Your Car May Not Be Covered

You may find that your personal property, like a laptop or cell phone, may not be covered under your car insurance policy. These types of items are typically excluded from your car insurance policy, and claims must be filed under your homeowner's insurance or renter's insurance. This may not be very cost effective though depending on your homeowner's insurance deductible which often tends to be higher than a simple car insurance policy's deductible.

You Can Use Your Personal Car Insurance For Business

You must have a separate business car insurance policy for your automobile if you use your car for business purposes. Your personal car insurance policy does not cover your car if you are using it for business related activities. You need separate personal and business car insurance policies in order to be fully covered. Also, most business loans have clauses that you carry the proper insurance

coverage for commercial car insurance and not just a personal policy.

Car insurance companies care about their historical data on the likelihood that your make, model, and year of car will be damaged. They care about your history of driving and the likelihood that they will have to payout a claim against your policy more than anything else when determining the price they will charge you for your insurance premium. Everything else is a car insurance myth that continues to circulate through society. Knowing as much as you can about these car insurance myths and how insurance is actually calculated will help arm you with the information you need to save more money on car insurance.

No Health Insurance Is A Recipe For Disaster



Health Insurance

Not having health insurance is one of the fastest ways to find yourself in financial trouble and possibly on the way to bankruptcy. One accident or significant illness without health insurance coverage can leave you holding the bag for sevens of thousands of dollars or more in medical bills if you are not careful. If you are recently out of work and without coverage, you may want to consider purchasing COBRA insurance coverage for you and your family or even catastrophic health insurance coverage until you can hopefully receive coverage through a group plan with an employer.

According to studies conducted by Harvard Medical School, over 62% of all bankruptcies are caused by becoming overwhelmed by medical bills. And, nearly half of all foreclosures are thought to be the indirect result in uninsured medical bills crushing a family's finances. According to a study by

Families USA, 5.7% of homeowners who filed bankruptcy had mortgaged their homes in the first place to pay medical bills. It all starts very benignly with someone in the family possibly either getting sick or getting in a car accident that requires an extended hospital stay, surgery, or rehabilitation. Before long, medical bills start piling up. You are running a huge risk by not carrying health insurance coverage. Steffie Woolhandler the lead author of the Harvard study said that people are, "one illness away from financial ruin in [America]". Over 41% of American workers have trouble paying their medical bills according to Families USA.

One thing that you may want to consider is getting COBRA insurance which is sort of like a stop gap measure to help you keep at least catastrophic health insurance in place during transition points in your life. COBRA stands for Consolidated Omnibus Budget Reconsolidation Act and was passed into law in 1986 and strengthened in 2009. With COBRA insurance, you can still have your health insurance from your previous employer continue for up to 36 months in some cases. While COBRA insurance is not cheap, it can help you with health insurance coverage while you are looking for a new job. You may also be able to qualify for COBRA after graduating from college and before you land your first job if you were on your parents' health insurance plan.

Do not make the mistake of choosing other expenses over having health insurance. If at all costs, health insurance needs to be a priority in your life and with your family. The true cost of not having health insurance can be devastating to your financial wellbeing.

You'll Need Long Term Care Insurance

Almost 70% of Americans will require some type of care such as an in-home nurse or a nursing home after they reach the age of 65. A year-long stay in a nursing home can

cost \$60,000 per year or more depending on the amenities. That can quickly eat up any savings or retirement nest egg that you have spent decades to accumulate. Long-term care insurance can provide you with money to live out your last years comfortably while not depleting your retirement portfolio that your spouse may later need.

Long term care insurance helps pay for the cost of care for only a certain period, typically the last few years of a person's life while they are in a nursing home. People who need long term care insurance are usually not able to perform basic tasks like dressing, eating, or bathing themselves without tremendous help. Age is not a deciding factor in purchasing or using this kind of health insurance, but many people over the age of 65 do need some kind of assisted living and can benefit from long term care insurance policy. Like most insurance policies, it becomes more expensive the longer you wait. It is important to look into this early on in life should you need it later on, and many financial planners recommend purchasing long term care insurance before the age of 60 before premiums become almost unmanageably high.

Renter's Insurance Is A Must



Renter's Insurance

Homeowners with mortgages accept homeowner's insurance as a fact of life, but far too many renters go without purchasing renter's insurance. This is a huge mistake. For as little as \$20 per month, you can purchase renter's insurance that will protect your assets from theft, fire, liability, and many other disasters. Renters often mistakenly think that their landlord's insurance policy will cover them, but the policy only provides protection for the building and not your items inside your rental home or apartment. Too

many renters are risking huge losses by not owning inexpensive renter's insurance.

Extra Homeowner Coverages To Consider

Flood Insurance – Flood insurance is not simply for homeowners who live in a flood zone. In fact, FEMA estimates that one third of all homes damaged by flooding are not even in a flood zone or near a body of water. Flood insurance is very cheap, costing just a couple of hundred dollars per year, if you do not live in a federally designated flood zone. It is a critical piece of insurance protection that too many homeowners are lacking.

Earthquake Insurance – Most homeowners realize that their typical homeowners insurance policy does not cover them for earthquake damage, and many simply think that they do not need coverage because they live so far from a fault line. But, the unusual recent earthquake along the northeast coast of the United States shows that earthquakes can strike almost anywhere in the country. You could find yourself paying a hefty amount out of pocket if you are not covered and an earthquake damages your home.

Rider's Insurance - Did you know that your homeowner's insurance and renter's insurance only covers a small amount of losses on specific items such as electronics, artwork, and jewelry? In many cases, the amount of coverage in a basic homeowner's insurance policy is limited to as low as \$2,500. One nice engagement ring and wedding band can quickly eclipse your coverage limits, but you can add a floater insurance policy or a rider on your current homeowner's insurance that can add extra insurance coverage for specific items. These insurance policies are called riders because they ride the coattails of your primary policies, and the additional insurance can be bought for a very low sum.

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Hank Coleman is a finance and money writer, insurance expert, and the founder of several personal finance sites such as [Money Q&A](#). His writing has been featured on such sites as The Motley Fool, Military.com, Five Cent Nickel, Discover Bank, and many other sites and publications. Hank has a Bachelor's Degree in Business Administration, a Master's Degree in Finance, a Graduate Certificate in Personal Financial Planning, and is currently studying for his Certified Financial Planner designation.

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