

Little Known Secrets Everyone Who Drives A Car Must Know

The 7 Dirty Little Secrets of Auto Insurance How Many of These Dangerous Mistakes Are You Making?

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I guess we could say auto insurance is one of life's "necessary evils" ... nobody seems to like it, but you gotta have it. The law requires auto insurance if you want to own and drive a car or other motor vehicle.

And let's face it ... auto insurance is downright complicated. It's easy to think we'd be better off without it.

However, when it comes to protecting your financial well being, I'll go out on a limb and say nothing is more important than auto insurance.

Protecting your home is important, of course. Fires and accidents around the house do happen.

Life Insurance and Long Term Care Insurance are critical components of anybody's financial plan.

But never are we – and all the other people near us – more in danger than when we get behind the wheel of a car or truck. And most of us do it every day!

Being on the road is risky, both physically and financially. For your physical protection I encourage you to drive alertly, keep your speed down, wear your seat belt and don't be a risk-taker.

For your financial protection get a good auto insurance policy! This special consumer report will help you do just that.

Secret # 1: Are You Getting All The Discounts You Deserve?

OK ... I admit it ... missing out on discounts is hardly a "dangerous" mistake, but how to keep money in your pocket is a good place to start this report, don't you think?

I look at insurance like taxes – you're under no obligation to pay one penny more than the law requires. It's only smart to do everything you can to legally pay as little tax as possible.

The same concept applies to car insurance. Why would you pay one penny more than you have to? All insurance companies offer discounts for many different things, and you should be getting every single discount you're entitled to.

Here's a partial list you can check into. Discounts for ...

- \$ High school and college students with good grades
- \$ Young drivers who pass a driver education course
- \$ Young drivers who attend educational programs sponsored by the insurance company
- \$ Having more than one car on your policy
- \$ Having more than one policy in your household – like two auto policies, auto plus home, etc.
- \$ Senior drivers who take a driver training refresher course
- \$ Being a safe driver with no accidents or violations
- \$ Having a good credit record
- \$ Vehicle safety features
- \$ Low mileage driving

Not all companies offer all these discounts, some companies might offer others, and each company may have a different discount amount for the same item.

Action Item: The point is, don't assume your agent or company has all the discounts applied to your policy correctly. Ask them for a list of the discounts they offer, check that list to see what you qualify for, and make sure you're getting your discounts.

Action Item: Plus, once you have the list, there may be discounts you could qualify for if you take the right action – like attending a driver-training course, or sending your kids to one. Why not do it? It will make you a safer driver and qualify you for deeper discounts on your insurance.

Secret # 2: Price Is NOT The Only Difference!

Some people believe auto insurance is just a commodity. It's not! And this mistaken belief could cost you ... well ... everything.

Yes ... you should get all the discounts you deserve, but you're not buying a can of soda. You're protecting your financial well being. You're protecting where you live, what you drive, what you eat, what you wear ... your education, your recreation, your toys ... your very ability to live your life and raise your family as you see fit.

And you put all of it at risk every time you get behind the wheel of your car!

Your insurance policy may be the only thing standing between you and financial ruin ... and the sad fact is there are plenty of people in this world who, if given the chance, will take a free ride on your wallet. Maybe price shouldn't be your only concern. Frankly, it shouldn't even be your top concern.

Insurance is about protecting yourself and your family from financial disaster. And risking all that for a couple of bucks simply isn't worth it. The good news is the truly good companies usually have very competitive rates, too!

You don't have to get raked over the coals to get top-notch protection, but if you're only going for the cheapest price you could be making a financially deadly mistake.

"But, wait a minute!", you say. "I've gotten quotes from a couple different companies and their prices ARE different for the exact same coverage."

Well ... I understand why you think that. You're looking at a summary of proposed protection, and the primary coverages and protection limits are the same. But the truth is there's no such thing as "the exact same coverage"!

Why?

Reason 1: The companies standing behind the policies are different.

An insurance policy is nothing but a promise to pay your covered claim. The policy itself is just words on paper. If the company standing behind it cannot pay their claims, will not pay their claims or is simply bad at paying their claims what good is saving a couple of bucks on the premium?

Action Item: What's the financial rating and reputation of the companies you're considering? What recognition have they received for their service? Ask.

Reason 2: The policies are actually different.

There are many features and benefits to an insurance policy "hidden" behind a quote of primary coverages, and these pay for things that are more likely to happen. Maybe your policy has them, and maybe it doesn't.

For example, one policy might pay up to \$50 for a towing bill, while another has no towing cost limit. One policy might offer more protection for stolen sound equipment and personal effects than another. One policy might waive your deductible for a windshield repair, while another might not. One policy might pay for injuries to your pets, but another might not.

Action Item: Make a list of things important to you, and ask what kind of protection the policy offers for those items.

Reason 3: The agent standing behind the policy is different.

"Good service" is really your opinion, and all agents and agencies have different personalities.

Do you want to talk to the same person when you have a question? Do you want advice and education ... an agent who helps you reduce your risks? Make sure your agent's style meets your needs. And, most importantly, make sure you're receiving sound advice and consultation.

Let me sum up the price issue like this ... Would you hire me to build an addition on your house just because I give you the same material list as a full-time carpenter, but at a lower price? Of course not. Then why would you look at a coverage summary and care only about the price?

Listen ... I'm NOT saying you should overpay. I AM saying *put your protection first*. Then weigh that against any price difference. Five or ten dollars a month is worth getting your claims paid and having a relationship you can trust ... or you can find out the hard way.

Secret # 3: Honesty Is Always The Best Policy

OK ... so it's a hokey heading, but honesty is tricky business, isn't it? And I'm not here to debate the difference between a "white lie" and a real lie or the morality of honesty in general.

But I can tell you that being dishonest with your insurance agent or company is not only tricky business, it's dangerous business ... for a number of reasons.

First of all, in Secret # 1, I said insurance is like taxes, because you're under no obligation to pay one penny more than the law requires. But there's more to the story ...

With taxes, you're also obligated to pay not one penny less than the law requires – or you risk penalties, interest and jail time! And just like taxes – where evasion is a crime - *lying on an insurance application to get lower rates is a crime*, too. It's called insurance fraud.

But ripping off the insurance company isn't the biggest problem with being "less than truthful". People who lie to get lower rates are shooting themselves in the foot without even knowing it!

One shot in the foot ... while certain acts of insurance fraud carry with them hefty fines and imprisonment, it's doubtful you'd wind up in jail for lying to an agent or a company. However, you will get your policy canceled. And when that happens your next policy will be much more expensive. Not a wise investment.

Two shots in the foot ... your agent can't properly protect you if she doesn't know the truth. Insurance is complex, and policies don't cover everything. They're full of "exclusions" that specifically take away coverage on certain items or for certain causes of loss.

You may have property or activities that aren't covered now, but could be if your agent knew the truth. Rule # 1 of insurance ... after the claim it's too late to insure it. Keep that in mind when you're answering questions.

Three shots in the foot ... This is by far the most dangerous consequence of dishonesty ... being dishonest could lead to your legitimate losses not being paid by the insurance company!

That's right. In some circumstances, if you're using your vehicle in a manner you did not disclose, the company can legally deny your claim. That means YOU pay for all damages. Saving a few bucks on the front end won't make much sense when you're staring at a \$2,000 repair bill, or worse ... a \$250,000 lawsuit from the person you put in the hospital.

Action Item: Want to make sure you're protected and all your covered claims are paid? Be honest with your agent. If you think you can't trust your agent with your personal information, find a new agent.

Secret #4: Get Professionally Educated About Your Current Options

Nobody cares about you more than you. And nobody knows you better than you. That makes you the best person to make decisions for you ... provided you understand your options. (Whew!)

What the heck does that mumbo-jumbo mean?

Have your insurance agent explain your options in as much detail as you need. If your agent isn't willing to do that ... find another agent in a hurry.

Should you ask your agent's advice and opinion? Of course, that's why we're here. Just make sure you get a good explanation for why he's making his recommendation, and make sure you agree with it.

And note I didn't suggest you ask your neighbor or brother-in-law what to do. Professional, licensed insurance agents have the knowledge to guide you to the best choices for you. Your neighbor can only tell you what she thinks is best for her. No matter how it appears on the surface, your lives are different, your priorities are different and you care about different things.

Another HUGE mistake people make is saying to a new agent, "Just give me what I have now." What's wrong with that? Everything.

First off, how do you know your previous agent didn't mess it up in the first place? You could be repeating a potentially devastating mistake and have no idea.

Secondly, when your current policy was written your life was different, no matter how long ago it was. Maybe you don't need as much protection as you needed then, and you could save some money.

Or you might need more protection now and not realize it. If you just repeat your old policy limits you could wind up paying a lawsuit out of your pocket.

Action Item: Cooperate with your new agent and review your current life circumstances to make sure you're properly protected now. A good insurance agent is going to give you all the time you need to understand the choices you're making. He's also going to have, or will get, answers to all your questions. And between your questions and his answers you should be 100% comfortable with the choices you've made.

Remember, nobody cares about you more than you. With a trustworthy agent and your personal responsibility for understanding your options, the two of you can make sure you're making the best decisions for you.

Secret # 5: Secure Your Future With Proper Coverage Limits

"Wake up and smell the coffee!" could be the sub-title for this section.

In case you haven't noticed, the price of cars is on the rise - \$20K plus for a basic sedan, \$30K plus for an SUV – and they're all over the road. And, in case you haven't noticed again, our nation is lawsuit crazed. That means one thing ...

You better have policy limits that meet today's expensive and crazy world or you're going to end up paying a lot of money out of your pocket!

Let's talk about property damage coverage first. Property damage pays for other people's stuff you damage – cars, buildings, landscaping, etc. but not people. Regardless of how much damage you do, the insurance company will only pay up to your “coverage limit”.

So, look at your policy and see what your property damage limit is. Let's say it's \$50,000, which is pretty common. How far do you think \$50,000 will go these days?

Here's a better question. You're driving down the road tomorrow, get distracted and cause a multi-vehicle pile up. There's a Honda Accord, and two SUV's destroyed. The damage is easily \$73,000. How much of that do you want your policy to pay?

All of it? With a \$50,000 property damage limit, you're going to have to pay \$23,000 *out of your pocket!*

Bottom line ... these days you should strongly consider carrying at least \$100,000 of property damage coverage. If you already have it, great. If not, talk to your agent. You can offset some of the increased cost with the money-saving tips in Secret # 6.

How about bodily injury coverage? “BI” pays when you're sued by other people you injure. Have you noticed there's a lot of that going around?

Here's a tough question ... if one of your family members was paralyzed or killed by another negligent driver, how much would you sue for? A million dollars? Ten million? Everything you could get?

Don't you think others would do the same thing to you?!

And even if you honestly answered, “I wouldn't sue, I'm not that kind of person”, do you really think other people would give you the same consideration?

Take a look at your policy again. What are your limits for bodily injury coverage? Compare your limits to your answer. I strongly suggest you consider limits of at least \$250,000 per person and \$500,000 per incident, or \$500,000 of combined single limit.

Action Item: I can't make this report an insurance study manual, so have your agent fully explain all that terminology until you're 100% confident in the limits you've chosen. You risk losing everything you have and everything you'll ever work for if you're underinsured in these areas.

Extra Special Action Item: One final word on protection limits ... don't let some low-life with a TV lawyer take you for all you're worth and ruin your life! Get a personal catastrophe umbrella policy now.

What's that? An “umbrella” policy provides liability protection above and beyond your auto and home policies. Typical umbrellas provide one, two, five or ten million dollars of protection. And an umbrella is NOT expensive. You owe it to yourself and your family to check it out.

Secret # 6: There Are Lots Of Ways To Save Money!

By now I hope you've gotten the message that the most important things are you and your family's safety and your long-term financial security. Insurance is all about protecting those things. The price of your insurance is a secondary consideration once you're confident you're properly protected.

However, that doesn't mean you should overpay! Here are 7 tips for saving money on your car insurance.

#1) Buy a "lower profile" vehicle. Part of what determines the cost of insurance is the kind of car you own. If you're thinking of buying, have your current agent do a cost comparison for you. If they're not happy to do that for you, get another agent.

Also, before you buy stay safe and contact the Insurance Institute for Highway Safety, 1005 North Glebe Road, Arlington, VA 22201 and ask for the Highway Loss Data Chart. You can also find them on the Web at www.hwysafety.org.

#2) Be a cautious and law-abiding driver. Bottom line ... drivers with accidents and violations pay more ... and they should. It's the small minority of drivers causing the accidents that make things worse for the rest of us. Save your money and save your life. Drive cautiously.

#3) Improve your credit rating. Believe it or not many insurance companies – and the list is growing – are using your credit rating as part of their review and rating process ("underwriting"). Apparently, people with good credit ratings tend to have fewer claims, statistically speaking. So, if you want the lowest insurance rates possible, improve your credit record. You may save money!

Not all companies support the statistical relationship between good credit and low claims. But why not give yourself every chance?

#4) Price your motorcycle, four-wheeler, etc. on its own specialty policy. If you have a "miscellaneous vehicle" on your auto policy, you may be able to save a few hundred dollars by putting that vehicle on its own policy. Have your agent quote it both ways and see which is best.

#5) Refer to Secret # 1 and get all the discounts you deserve.

WARNING! *The following tips involve an increase in risk, but may be worth the premium savings you achieve. That's a personal decision you have to make. These strategies should be fully discussed with a licensed insurance agent.*

#6) Raise your deductibles. The deductible is the amount you pay before your insurance kicks in. For example, if your deductible is \$250, on a \$1,000 claim you pay the first \$250 and the insurance company pays the remaining \$750.

Higher deductibles can significantly reduce the cost of your insurance. However, you'll be paying more out of pocket IF you have a claim. That's the risk you trade off with the lower cost of higher deductibles.

An important consideration is this ... submitting claims can increase rates. So lots of people don't submit small, nuisance claims. What's "small" to you? If you're willing to eat a \$500 loss

to keep it off your record, it doesn't make any sense to carry a \$250 deductible. Your paying for coverage you won't use, and that's expensive coverage. Have your agent run a comparison for different deductibles.

#7) Drop your collision and/or comprehensive insurance on older vehicles. Sometimes it's just not worth paying for these kinds of insurance ... if your car is not worth that much to begin with. That's because the amount you pay for the deductible plus the amount you pay for the premium may not be more than the value of the car itself.

A rule of thumb is that if a car is worth less than \$1000, drop these coverages. But many people are comfortable with even higher figures. The disadvantage of this strategy is if your car is a total loss, you'll receive nothing from the insurance company. And when a car has very little value it is often cheaper for the insurance company to "total" the car rather than repair it.

An auto dealer can help you determine the value of your vehicle. You can also check out N.A.D.A. Appraisal Guides on the Web at www.nadaguides.com.

Secret # 7: Use One Agent To Save Money And Prevent Disaster

A colleague of mine puts it rather bluntly to his new prospects who want a quote for only car insurance or only home insurance. He says, "Why would I do only half the job?" And he sends them packing.

You see ... he takes the protection of his clients very seriously. And he knows that for any agent to properly protect the client from financial disaster that agent must have the whole picture. He turns away a lot of commission dollars, but he truly believes it's best for the client.

At KHT Insurance we have the same philosophy, although I must admit we're not nearly as tough as my colleague. It really is in the client's best interest to do business with only one agent. We're willing to lose some business to make sure the client's best interests are served, although we'd much rather our clients do all their insurance business with us!

When you have your insurance split among multiple agents you run a much higher danger of having dangerous "gaps" in your insurance. Gaps are things that could be covered, but aren't. And closing the gaps requires coordinating several insurance policies to work together. How can multiple agents do that kind of coordination? They can't.

You're also losing out on discounts by having your insurance with multiple agents. And you're creating inconvenience and hassles for yourself. One agent = one phone call regardless of the problem.

I've heard some people say they don't want to have all their business with one agent because they don't trust one agent to have it all. Somehow they think the agent can put one over on them.

Unfortunately, consumer surveys show that insurance agents are generally distrusted, and that's a shame. A few bad apples may have spoiled the bunch, but there are plenty of trustworthy, reputable, knowledgeable agents around. At KHT Insurance we employ some of the best.

Action Item: Find an agent you trust, and do all your business with him or her. Most likely you'll save money, but even if it costs you a couple bucks you'll be putting your protection first ... and that's the most important thing.

In Conclusion

It's a dangerous world full of unscrupulous people. That's why there's insurance. Driving a car is probably the riskiest thing you do, and you probably do it all the time.

Make sure you've got a superior policy from a superior company. And make sure you work with an insurance agent who's primary concern is your protection.

Remember, your insurance policy may be the only thing standing between you and financial ruin. I urge you to take this part of your life seriously.

About KHT Insurance

KHT Insurance is an independent insurance agency specializing in personal and family risk management. KHT has been serving it's clients since 1907. Their licensed insurance agents on staff are dedicated to educating and protecting you from financial disaster. You can reach them at:

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