**10 Insurance Mistakes to Avoid**

*By Kimberly Lankford*

Insurance can help protect your finances in case of an emergency. But you shouldn't pay more than you have to for this protection. Whether you're buying a policy for the first time or have had coverage for years, you can keep insurance costs under control by avoiding these ten common mistakes.

1. **Setting Low Deductibles**

With low auto and homeowners insurance deductibles, you often pay more in premiums than you can recover in claims. Low deductibles also encourage you to make small claims, which could cost you a claims-free discount or prompt your insurer to drop you. Boosting your homeowners deductible from $500 to $1,000 could reduce your premiums by 25%; increasing your car insurance deductible from $200 to $1,000 could save you 40%. Add some of that savings to your emergency fund to cover the extra out-of-pocket expense.

1. **Failing to Ask for Discounts**

You won’t get credit for some discounts unless you let your insurer know that you qualify. The list varies from company to company but often includes installing a home alarm system, adding stormproof shutters, taking a job with a shorter commute (or not commuting anymore), carpooling and even working at certain occupations.

1. **Giving in to Inertia**

The insurer that offered you the lowest rate a few years ago may no longer have the best deal. Get price quotes from several insurers whenever you experience a major change — for example, if you get married, move to a new state, buy a new car or your teenager starts driving. Also go shopping if you’re hit with a rate hike. Get quotes at www.carinsurance.com, www.insweb.com or in­surers’ sites (such as www.allstate.com, www.statefarm.com and www.progressive.com). You can find an independent insurance agent at www.iiaba.org.

1. **Ignoring a Bad Complaint Record**

It’s a good idea to shop around every few years, but switching insurers just to save a few dollars can backfire if the new company hassles you on claims. Look up the insurer’s customer-service rating through the [National Association of Insurance Commissioners’ Consumer Information Source](http://www.naic.org/cis), and avoid companies with a higher-than-average complaint ratio.

1. **Assuming That Group Life Is Cheaper**

Free group life insurance from your employer is a great benefit. But if your boss offers extra life insurance for an extra charge, don’t automatically say yes. Insurers that offer group policies assume that people who are not in the best health will apply. They also tend to boost their rates every five years instead of locking in a fixed rate for 20 or 30 years, says Byron Udell, of AccuQuote.com. If you’re healthy, you can generally get a better deal on your own.

1. **Dropping Long-Term-Care Insurance**

Many people with long-term-care policies were recently stunned by rate hikes of 40% to 90%. If your insurer notifies you that your premiums are about to soar, you might be tempted to drop your policy. But because you’re older, a new policy will usually be more expensive than the old policy, even with the rate hike. Plus, rates for new policies have been rising even faster than rates for older policies. You can make the premiums more manageable by reducing the benefit period to three years, which is the average claim.

1. **Signing up for COBRA**

Under the federal law known as COBRA, employers are required to let you continue on their group health insurance policies for up to 18 months after you leave your job. But you have to pay 102% of the cost yourself (most employers pay 60% to 75% of the premiums for their employees). If you’re healthy and live in a state with a competitive insurance marketplace, you could get a better deal on your own. Get price quotes at eHealthInsurance.com or find policies in your area at HealthCare.gov.

1. **Relying on Life Insurance Rules of Thumb**

The standard advice is to get enough life insurance to equal eight to 12 times your annual income. But two people who earn the same income may need very different amounts of coverage — say, if one is the sole earner in a family with several young kids and the other has a working spouse and children in college. Instead, you need to consider what your family’s income and expenses will be after you die (see How Much Life Insurance Do You Need?).

1. **Insuring Your Home for Its Market Value**

The market value and the insurance value are not the same. You need enough insurance to pay to rebuild your home if it is destroyed. But you’ll still have the value of the land, which is part of the market value. Run your numbers through the calculator at www.accucoverage.com ($7.95) for the same rebuilding-cost estimates that insurers use.

1. **Picking a Health Policy Based on Premium Alone**

In addition to boosting premiums, health insurers have also been raising rates in less-obvious ways — such as by increasing coinsurance rates (the percentage you pay for doctor’s visits and procedures) and adding new pricing tiers for prescription drugs. You could also pay a lot more in out-of-pocket costs if your doctors aren’t in your plan’s network. Compare overall costs and limits, make sure your doctors are in-network, and check out the insurer’s complaint record ([www.naic.org/cis](http://www.naic.org/cis)).

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