

Managing Risk

A GUIDE TO
INSURANCE



Before You Buy

You've decided to purchase life insurance — now what?

When shopping for a new policy, it's important to thoroughly research all available options. Not all policies are the same, and understanding the differences in coverage is essential to making the right choice. Here's a look:

WHAT TO CONSIDER

Everyone wants financial protection for their family when they pass away. Still, there are lots of things to consider when selecting a policy. What's the appropriate level of coverage? Is this a reputable company? Who will be your beneficiaries?

Not all policies offer the same benefits. Some may accumulate cash value over time, but the primary purpose of life insurance is to provide peace of mind rather than a return on investment. The goal is to provide your family with a certain level of financial security after you are gone.

DIFFERENT TYPES

There are two principal types of life insurance: permanent and term. These policies have different parameters and coverage lengths. Term policies typically provide coverage for a specific period, like 30 years, and offer flexibility in terms of options. On the other hand, permanent insurance is designed to provide lifelong



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protection and includes provisions for whole-life and universal life coverage. Term life policies generally have lower initial costs but, unlike permanent options, the premiums increase with each renewal as the insured person ages.

Permanent policies have fixed premiums that do not

change over time. They typically accumulate cash value as you make premium payments, similar to building equity in a home. With permanent life insurance, you have the option to borrow against or cash in the policy if needed. Term options don't offer these features or any savings component. Your per-

sonal goals will dictate which type of life insurance works for you and your family.

TALK TO AN EXPERT

To make an informed decision, experts suggest meeting with multiple agents and asking for several quotes to compare and contrast different pol-

icies. Be sure to compare quotes that offer similar coverage terms. Generally, term life insurance policies are more affordable than permanent ones, which can result in significant initial savings. The key difference is the duration of coverage provided by a term policy.

Safer Driving

Most take it for granted, but driving remains the most dangerous thing the average American does on a daily basis.

Traffic accidents can cause severe physical and psychological harm, sometimes leading to long-lasting financial struggles. The painful aftermath can go on for years in the most severe cases. That's why it's important to practice safety, adopt a defensive driving approach and maintain comprehensive insurance coverage.

CONCERNING STATISTICS

Delving into the numbers, vehicle accidents claim the lives of more than one million people worldwide every year. That translates to an average of more than 3,200 deaths each day, according to expert analysis. Even those who survive can be gravely hurt. Road crashes leave approximately 50 million people injured or disabled.

Among all age groups, younger drivers face the greatest risk: Half of all traffic fatalities are within the 14- to 44-year-old bracket. The National Highway Traffic Safety Administration reports that proper seatbelt usage saves nearly 15,000 lives annually. Despite this, millions of Americans still choose to ride unbuckled — with disastrous results. Intoxicated or impaired drivers also pose a significant danger. Don't take the chance



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on getting arrested — or worse. Call a ride-sharing service or a cab.

DEFENSIVE DRIVING

Defensive driving techniques can significantly reduce your chances of becoming one of these alarming statistics. Maintain a safe distance from other vehicles, especially when sharing the road with distract-

ed or aggressive drivers. Among the other recommended practices: Avoid personal distractions, make sure you are visible to other drivers, continually scan the road ahead and stay clear of blind spots.

PERSONAL PROTECTION

Even the most careful driver can have an accident. That's why you need insurance cover-

age to protect yourself. Local insurance agents are well-versed in various coverage options and can assist you in creating a customized plan that best suits your needs, area regulations and even specific road conditions. In the event of an accident, this kind of personalized service can make a big difference.

If you have recently relocat-

ed or are a new driver, consider reaching out to your state insurance department for information on recommended companies. Compare at least three insurance quotes before making a decision. Regularly review your insurance policy to ensure that key elements such as deductibles and coverage limits remain suitable for your needs.

A Brief History

It's easy to assume that insurance is a modern concept, but it can be traced back to ancient civilizations.

There was recognition of the need to manage risk centuries ago, though the dangers they faced were often more severe than what we typically encounter. Here's a brief history of insurance:

EARLY CONCEPTS

Documents called “bottomry contracts” were used by Babylonian merchants in 4000 to 3000 BCE and by Hindus and Greeks in later centuries. These were loans that said if a shipment was lost at sea, the merchant didn't have to repay the loan. Romans used these contracts and also had burial societies that paid funeral costs for its members.

The concept of modern insurance began to develop in 17th-century England, with an eye toward comprehensive management of risks in business and personal lives. The idea was slower to take root in the so-called New World. Benjamin Franklin ultimately played a pivotal role in its development in the U.S. Known for his innovative spirit, Franklin established the country's first mutual fire insurance company in 1752. This provided protection to homeowners during a time when open flames were the primary source of lighting and houses were constructed of wood.

STANDARD PRACTICES

Criteria for insurance coverage followed, and this later influenced zoning laws and building codes.

Creating standards to ensure homes were fire-proof marked another significant development. The idea of placing a monetary value on human life faced initial criticism and even religious objections. But soon insurance became a standard practice as American cities expanded and structures were built closely together.

NEW TYPES OF INSURANCE

Over time, new risks emerged and that led to different types of insurance. In another groundbreaking achievement, Benjamin Franklin founded the first life insurance company in 1759. Business insurance became essential with the growth of industry, while the introduction of automobiles led to policies protecting drivers. The government implemented Social Security, offering benefits such as retirement and unemployment.

RISE OF REGULATION

The industry began to face challenges such as fraud, and regulation followed to protect companies and their customers from unfair practices. The McCarran-Ferguson Act was passed by Congress after World War II, delegating regulation to the states. This system remains in place today. A post-war economic boom paved the way for the emergence of a series of insurance giants.

NEW COMPLEXITY

In time, insurance has become generally more affordable, but also more complex. For instance, the debate between private and government-controlled health insurance continues. Nevertheless, insurance in all its many forms — including health, life, home, auto and work — continues to play a crucial role in safeguarding against life's uncertainties.



Understanding Annuities

Annuities remain a popular financial option since they operate with a structured payout system.



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That could become particularly important to workers in their post-retirement years. But are they right for you?

HOW THEY WORK

When you invest in an annuity, the insurance company, mutual fund or brokerage manages the investment on your behalf. This is meant to guarantee buyers a consistent income stream over a specified period. The annuity income can be distributed in various ways, such as monthly, quarterly, annually or in a lump sum. You have the flexibility to choose a payout schedule that suits your needs. The amount of payout is influenced by

the length of the payment period and other factors.

KEY DIFFERENCES

It's important to understand the differences when deciding between a fixed or variable annuity before signing on with a financial advisor or insurance agent. The payout amount is determined by the type of annuity you select. Immediate annuities involve a lump sum payment upfront, with immediate receipt of regular returns on that investment. An insurance broker can provide you with various payment options to consider.

Deferred annuities, as the name

suggests, start well in advance of your intended retirement date. Your investments will increase over time until you decide to withdraw the funds. As with other tax-deferred retirement choices such as an IRA and 401(k), you have the flexibility to contribute as much as you want each year. This feature can be especially beneficial for those who are approaching retirement and wish to rapidly grow their savings.

MAKING A CHOICE

The decision to invest in an annuity depends on various factors, including how close you are to retirement age. They can be a

wise investment for those seeking a steady income into old age, as well as for anyone who hasn't saved as much as they'd hoped over the years. Just remember that return rates are determined by insurance companies, and may not align with your long-term financial goals.

Annuities are also known for their high fees compared to other long-term investment options. Insurance brokers receive a commission, and there are so-called "surrender" charges if you prematurely withdraw these funds. Finally, be aware that annual fees are often higher than those associated with traditional mutual funds.

Online Safety

The rise of the internet has been mirrored by an uptick in fraud and identity theft, particularly as we've increasingly turned to online banking and shopping.

National data breaches went from occasional to common to widespread, while users deal with online tracking and phishing attempts at home and in the office.

That's led many Americans to become more cautious to reduce their risk of falling victim. Insurance now provides another important safeguard:

PROTECTING YOURSELF

Safeguarding yourself from digital threats can be a daily challenge, but protecting your personal information is crucial — especially when making online transactions. Users have become more informed than ever about the latest security breaches and safety measures, all in the hope of minimizing the risk of identity theft. Still, the FBI's Internet Crime Complaint Center continues to receive a growing number of reports related to cybercrimes and financial losses. To combat this trend, protection programs have been established to thwart cybercriminals and aid those who've been affected.

CREDIT CARD OPTIONS

General liability insurance



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has long provided coverage for property damage and injuries, but it typically excluded cyber issues. So, credit card companies began offering insurance programs to safeguard consumers.

Then some owner or renter policies began to include identity-theft add-on protections, creating an extra layer of security. The premium on these policies is usually quite

low, with coverage for losses into the tens of thousands of dollars.

The programs may also help with credit repair after a breach.

NEW INSURANCE PRODUCTS

A recent survey found that almost half of American internet users had experienced a breach in their accounts.

Nearly a billion emails are exposed annually, affecting one in five users. As companies continued to fall victim to these cyberattacks and the global economic fallout reached into the hundreds of billions, more specified cyber-insurance programs began to emerge.

Insurers now offer targeted versions of these policies for individuals. Most serve as an

addendum to your homeowner's policy, providing coverage for data restoration, crisis management, extortion and even cyberbullying. Some addendum premiums are a bit more expensive since the coverage is wider these days, but the benefits again extend into the hundreds of thousands of dollars. And the peace of mind, of course, is invaluable.

A Renter's Risk

Every renter should consider investing in an insurance policy tailored to their specific needs.

In some cases, the risk is even greater than it is for homeowners — since apartment dwellers are sharing space, walls, floors or ceilings with so many others. A growing number of landlords are even requiring renter's policies.

WHY IT'S IMPORTANT

Landlords have their own insurance policies that cover the buildings they rent, but they do not provide protection for the contents inside, such as furniture, electronics or appliances. A renter's policy will insure your belongings against theft, fire or other losses. This coverage provides financial protection in case of an accident involving a visitor. Most policies offer comprehensive coverage at affordable premiums. They typically cover damage to personal property, personal liability and certain medical and living expenses. In some cases, your possessions are protected against theft when you travel.

POLICY OPTIONS

A standard policy offers protection against a wide range of potential issues, including more common mishaps like smoke, theft, water intrusion and vandalism but also damage from falling objects, explosions, riots, air-



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craft and even the weight of snow. Insurance is crucial if you reside in an area prone to natural disasters like floods, hurricanes, tornadoes or wildfires — although additional coverage may be necessary to address these specific risks. The coverage provided by the liability portion of the policy extends to covering your legal

expenses in case of unexpected events.

CONSIDER THE COST

Many renters forego purchasing their own insurance with the assumption that they are covered under the landlord's policy, but that's always been a misconception. The cost of renter's insurance var-

ies based on coverage needs, chosen deductible, type of insurance and location of the property. On average, a renter's policy may cost a couple hundred dollars per year, according to the National Association of Insurance Commissioners.

Contact your car insurance company first, since insurers

often provide discounts for bundling a new renter's policy with existing coverage. Either way, a reliable renter's insurance policy is the best way to ensure you will be fully compensated if something goes wrong. Your losses could quickly soar into the thousands of dollars, and there would be no way to recoup those costs.

Before You Travel

Let's face it, travel is already quite expensive. Airfare to far-flung places remains sky-high. But don't let those budget pressures convince you to forego travel insurance.

Things can and do go wrong on an international trip, and you'll want to be covered.

WHAT TO LOOK FOR

Your health insurance may provide coverage depending on where you are going, but additional insurance can help with any extra out-of-pocket expenses. The extent of coverage you need depends on your destination, belongings and expenses. Look for a comprehensive plan that addresses all your concerns, including reimbursements for missed connections, refunds in case of inability to travel or illness, lost luggage and medical emergencies. Most providers offer a range of policies. You can choose between family or individual coverage, and there are often options for multi-trip plans. It is worth checking credit card offers for additional benefits.

WHEN TO BUY

Experts generally agree that this kind of insurance is not necessary when traveling domestically, since the main



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purpose of a travel insurance policy is to protect against canceled reservations and assist with medical expenses. Your personal health insurance should cover any medical emergencies. A number of American airlines offer penalty-free flight transfers or cancellations. Some credit card companies provide travel-related provisions, as well. So it probably isn't worth insuring a

typical domestic hotel room and flight.

TRAVELING ABROAD?

On the other hand, many international medical providers require upfront cash payment, and they may not accept American insurance plans. Medicare doesn't offer coverage outside of the U.S. If your passport is stolen, the local U.S. Embassy can provide assis-

tance, helping to establish contact with family members and communicating with local authorities. But note that emergency transportation and financial loss assistance won't be provided in most cases.

HOW TO BUY

Purchasing travel insurance is particularly important if you are traveling to a destination where weather conditions are a

concern, or if your prepaid trip doesn't allow cancellations without penalty. There are numerous travel insurance companies to choose from. Travel agents can assist with insurance purchases during the booking process. Online travel platforms offer insurance, while cruises typically provide coverage packages when you sign up. Airlines may have special offers through their websites.