

An easy to understand and simple to follow guide to:

Insurance in the UK



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What Is Insurance And Why Do You Need It?

Every one of us has heard of someone that had a great loss recently due to some unforeseen incident. That incident could have been just about anything - from a natural disaster the recent one in the United States called Hurricane Katrina, or a tornado, to a fire, a car accident, or even cancer.

Insurance Is A Hedge Against Possible Loss

Loss is never pleasant, and it always tends to create a total disruption of a normal life – because it is unexpected. In many cases it could take years to recover from those losses, and many of these cannot be recovered - such as those from loss of life, or limb. **In many cases, however, the loss can be minimized** by having a policy in effect that offers to help you by **recovering loss in terms of finances**. By way of example, if a home is lost to a fire, and you have a homeowner's insurance policy, then money will be available for you to either purchase another home, or rebuild. **Insurance is simply one way of making a wise investment against the possibility of losses.**

With the cost of medicine and treatments, homes, cars, etc., being as high as they are now, **insurance is the best way for most people to provide a hedge against such loss.**

Insurance Is A Community Of Others Sharing In A Loss

Since none of us can know whether or not we will encounter loss this year, or next year, we can agree to pay to an insurance company either a monthly or yearly premium. These premiums are our payments to either help reduce our own loss, or someone else's loss for this year. **We help others in their time of need, and we can benefit if we should ever need that same help ourselves.**

Insurance companies work because they offer to insure an item, person, etc., against the possibility of loss. They can do this because they know that **the odds are against everyone having claims in any given year** - or years. They carefully (very carefully) calculate those odds, and know that for any kind of situation, the odds are slightly against it occurring within a certain year - to all but a smaller percentage of the people that have a particular kind of policy. In other words, for life or health insurance, they know that a certain percentage of people will have claims, and the rest will not. Another percentage will simply drop their insurance for one reason or another - and never make any claims against it at all, etc.

One reason that major disasters are not covered in the event of a flood or a hurricane, is simply because so many people are affected, that it could financially bankrupt the insurance company. They are also a business, and **they must seek to have a good fiscal balance, too - or everyone loses.** An insurance agent once wrote this in 1929, as part of a life insurance policy delivery to his client. You might appreciate this:

*A life insurance policy is just a time-yellowed piece of paper,
With columns of figures and legal phrases, until it is baptized with a
widow's tears.
Then it becomes a modern miracle, a sort of Aladdin's Lamp.
It is food, clothing, shelter, education, peace of mind.
It is the sincerest love letter ever written.
It quiets the crying of a hungry baby at night. It eases the heart of a
bereaved widow.
It is the comforting whisper in the dark silent hours of the night.
It is new hope, fresh courage, and strength for
the widow to pick up the broken threads of life and carry on.
It is an education for the sons and daughters
(a chance for a career, instead of the need for a job).
It is a father's parental blessing to his children on their wedding day.
It is the function of a father's hopes and dreams for his family's future.
Through life insurance he lives on.
There is no death. Life Insurance exalts life and defeats death.
It is the premium we pay for the privilege of living after death.*

Jack J. Leterman
Norfolk, Virginia

A Brief History of Insurance

Every age has always had individuals or companies, or even nations that had a potential for loss. Each of the above groups has always sought to minimize this loss potential (or reality) in various ways. There are even reports that go back as far as Hammurabi that indicated that there was a practice already in place that helped to minimize the losses of merchants at sea. By paying a little extra fee to the lender, the ships owner and merchants could have all debt forgiven in the event of loss.

Both the Greeks and the Romans made use of benevolent societies in which the other members of the society would help to alleviate the expenses of ill family members, and would help to cover funeral costs in the event of a death. A similar system was carried over into the Middle Ages in the form of the various guilds. This appears to be among the earliest forms of health and life insurance.

A more modern form of insurance had its beginning in the 1600's. At that time, the **founder of the Lloyd's of London** opened up a cafe where a lot of sea captain's came to visit when they were in port. Hearing a lot of their repeated stories of losses, he started what is now the world-renowned insurance company for merchants. They are also known to extend coverage for exotic things that many others may not even think about insuring.

It took a horrible tragedy to bring in the more familiar forms of insurance - the Great Fire of London, which took place in 1666. In this fire, 13,200 homes were destroyed, but **it led to the first insurance company ever to protect a home against fire**, and it was called "The Fire Office."

In the United States, the first fire insurance company opened in 1732, in Charleston, South Carolina. Twenty years later, Benjamin Franklin opened his own insurance company and even began to teach fire safety, as well as refusing to insure buildings that were made entirely of wood.

Other changes are continually taking place – one recent development is that the insurance industry has become one of the most powerful in all of England. Other developments make it very easy to compare between companies through the Internet, and **get just the right protection you need to be prepared for all of life's unexpected emergencies.**

What Can You Get Insurance For?

If there is the possibility of a real loss to you - then you can probably find someone to insure against that loss. Here are some of the ideas behind insuring any particular item, or person.

Potential Loss Must Be Personal

Insurance can be obtained for just about anything, as long as you can prove that there is a personal loss. This means that it results in a loss in some way for you - either financially, personally, or, in terms of property. Businesses can even insure against the loss of key personnel in their employ - if that would mean a loss to their company financially.

The Insurance Company Has Final Say

At present, there is no law that says that an insurance company must insure anyone. This is because it is the loss of the insurance company that could be involved. So, the insurance company has the right to dictate whom it will insure and under what terms it will insure them. **Competition, however, is very good at keeping prices comparable**, and the Internet allows you to get nearly instant quotes from different companies.

When an insurance company considers a particular individual for life insurance, they know that certain health factors could make that person a greater potential liability to the company. This puts before them two options. The first is that they could refuse to insure the person; or, they can charge much higher rates that would reduce their losses to a tolerable level.

Other things that enter into the equation of your rate of insurability are:

- Age
- Health
- Smoking or drinking
- Dangerous sports (skiing, parachuting, flying, mountain climbing, etc.)
- Type of employment.

Your age is the main consideration. Rates change for every year of age attained. What this means is that if you buy a policy at age 45, you will pay a little less than if you bought the policy at age 46. Again, if you remember that insurance is a business, then it will help you understand how they calculate your premiums. A 46-year-old person has two things against him or her that a 45-year-old does not. First, a 46-year-old person is more likely to die sooner; and, secondly, a 46-year-old has one less year to make payments. If both buy a £50,000 policy, then both must theoretically pay for it in full by the time they reach the current cut off age (usually 65). Otherwise, the 46-year-old would be paying less. By raising the monthly premiums on the older person, however, both people pay the same amount - but not in the same length of time.

What Kinds Of Insurance Are Available?

Life Insurance

Life insurance provides money in the event of an unexpected death, to those who remain - the beneficiaries. It is always a good idea to have life insurance, especially on the breadwinner of the family. A loss there, could put the family in a great hardship, especially if the one who passes away is the only one employed (or employable) in the home.

The insured always has the right to determine how much they want to insure themselves for. Insurance companies largely concede that you have the possibility of an infinite loss in the event of your own death, so you can insure yourself for whatever you want, or can afford.

Life insurance rates are based on several things, with your present state of health and age being the primary concern. Most companies will offer to cover you for less than £50,000 without a medical exam. For amounts that are higher than this, a basic medical exam is often required, and for amounts over £100,000, an even fuller exam will be mandatory. Some companies, however, may vary a little from these figures. If you should turn down the physical exam, then you will most likely be charged the maximum amount, since that will tend to prove that you have something to hide. This will vary, however, from one insurance company to another.

Here are some of the most popular types of life insurance policies.

Term Life Insurance

This form of life insurance is purchased for certain blocks of time, during which, the premiums (payments) stay the same. The time frame could be as little as one year (annual renewable term), or up to as many as a thirty-year period, but five and ten-year periods are the most common. After that time period expires, your insurance policy terminates, and you must get another policy. Insurance companies will often give you the option of signing up again (called guaranteed renewability) for the same time period - but at a new rate - based on your new acquired age. **This form of life insurance is pure life insurance** - there are no other benefits. Some companies will only give you the option of obtaining a whole life policy after the first term expires.

Cheapest Form Of Life Insurance

Term life insurance is undoubtedly the cheapest form of life insurance that you can buy. Because you are only paying for your life insurance, without a lot of frills, it is very cost effective. But even that has a less expensive form, which is the annual renewable term insurance (products go by different names in the

various companies). Although this form lasts only for one year, it is automatically renewable each year.

Because it is not averaged over a several year span of time, you are only paying for insurance at your current age. On the other hand, though, the cost increases every year. It is a great way to be able to have insurance while you are starting out in life, and then convert to a more stable form later - before the cost becomes prohibitive.

One little problem with this type of insurance, though, is the possibility of unforeseen events that can happen. If, during the year while you are covered you become ill with cancer, or, develop some other debilitating and life-threatening condition, then you may not be able to get any other kind of insurance - from any company. What this means is that you will be forced to pay very high rates, determined by your health at the time you buy the new policy - every year. Other companies may not insure you, and eventually you may not be able to afford the higher rates - potentially leaving you without life insurance.

Add A Savings Programme To It

Since the cost of term insurance is cheaper, many insurance companies will give you an opportunity to add a programme for saving money. This could be in various forms, but one of the most popular is to add an annuity to it. The various types of savings programmes you can obtain are partially determined by how much you can afford to set aside each month.

An advantage that a term life policy, with a savings programme, will give you is that you will get a higher rate of interest that is tax-deferred until you withdraw it. You also have the privilege of withdrawing your money when you need it, and you do not need to wait for a cash value accumulation to take several years to build up.

Whole Life Policy

Whole life insurance has been very popular for many years. Besides providing the basic insurance coverage, the higher costing policy also provides for a cash accumulation, access to cash, and level payments for the life of the policy - or, until it is paid up. Here is a brief description of each of these features in a basic whole life policy.

Cash Value Of The Policy

Part of the extra money that you put into a whole life policy goes into a savings plan that enables you to build up a cash value on the policy. For the first couple of years, however, there is absolutely no cash value simply because these policies provide a good income for the insurance salesman - with most of the whole first year premiums going to the representative. Then, after three to seven years, some cash value begins to accumulate. All of the

cash values will be listed in the policy itself, so that you know exactly how much cash the policy is actually worth, at any given time.

The cash value is accumulated through the application of your excess money (above the actual cost of the policy) to various interest earning profit means by the insurance company. They take the money and invest it into funds, stocks, etc., which earn high interest and then they give you a portion of it. This is done for you, though, and you have no say over where the investment is to be placed, or over what percentage of the interest that comes to you. There is usually a guaranteed minimum interest level that will be given in the policy itself.

Access To Your Cash

At any time while the policy remains in force, after the cash value begins to be built-up, you can get access to the cash value. All that you need to do is to fill out some forms, and you can obtain the cash - in many cases, rather quickly. There are, however, two drawbacks to using the cash. The first thing is that you will be charged interest for withdrawing it - often as high as 8%. The second thing is that the value of the policy now becomes less - by the amount of cash that you have withdrawn – unless you pay it back, with the interest.

Many individuals tend to look at their life insurance policy as a bank, and they freely withdraw the cash values without paying it back. Certainly, you have the right, but if the death benefit is ever needed, hopefully, all the cash has not already been taken out! Ideally, in order to get the full benefit of the life insurance policy, when cash is "borrowed" against it, it should be put back into it as a hedge against unexpected death, and to provide for those that are left behind.

The policy may also be surrendered in exchange for the whole amount of the cash value - if needed. Fees will be charged for the processing of the paperwork.

Level Payments

Two definite advantages of a whole life policy over any other are these facts - you will always have coverage, and you always know what your payments will be. As long as you make the regular payments, and keep the policy in force, then you also have the comfort of knowing that you have some money being built up.

Dividends

Once the policy is paid up, then you begin earning interest on the cash value of the policy. These can be paid as yearly dividends as long as the policy remains in force. However, dividends are not guaranteed, but are more or less dependent on the economy and the success of the company.

Death Benefit

The actual amount received in the event of the death of the insured can vary. This fact is often not clearly explained by the insurance salesman. But the truth is that many people seem to be led to believe that they will receive the face value of the policy (value of the life insurance), plus the cash value. **That simply is not true.** All that will be received is the face value of the policy, which is why, if some of the cash value has been used, that it will be subtracted from the face value when a death occurs. Remember that this is for a basic whole life policy, but there are a number of variations away from this in other forms.

The one exception to this rule is that after the policy is "paid up," then interest on the policy begins to accumulate after that time. Also, you need to know that the policy remains in effect until death (it may be limited up to age 100).

Other Variations of Whole Life

At one time there was only the above two choices for life insurance (term and whole life), but since the 1980's, some policies include some features from both types. These new policies **may have some features that are of special interest to you.** As with any whole life type of policy, there are cash values that are built up, cash can be "borrowed," and the cash amount borrowed reduces the face value of the policy when needed as a death benefit.

Universal Life

This form of insurance focuses on giving you the option of making adjustments to your policy in terms of the death benefit and the cash portion. Since whole life is basically non-adjustable, but life itself has different insurance needs at various times, this allows you to meet some of life's changes by being able to adjust your policy accordingly. With universal life, there are two possible options. The first one gives you the value of the death benefit - which remains constant. The second option will give you the death benefit plus the cash value, but will cost a little more.

Flexibility is offered by allowing you to determine the amount of money that you want to go toward the death benefit or the savings aspect of the policy. In universal life they are separated - so they can be handled separately. The amount of the death benefit can be increased or reduced depending on your needs and insurability at the time. By decreasing your death benefit, and putting a larger portion of your premium into savings, you create a greater cash value quicker - which is also tax deferred.

Another possibility is to be able to adjust the portion of your money going toward savings in a time when the economy is not doing well. The insurer will place a guaranteed minimum interest on the savings portion - usually around 4%, but you may want to use a greater percentage of the premium to go toward paying for the death benefit, until the economy shows stronger health.

With this type of policy, you can make those adjustments and get better performance out of your premiums.

Variable Life Insurance

This version of whole life, or permanent life, gives you some of the greatest options in relation to your own control of the savings or investment portion of the policy. As with universal life, the policy portion is separate from the investment, or savings portion.

You have control over the funds in the savings portion and may invest in the various forms of savings programmes the insurance company makes available to you. This means that you have access to money market funds, stock market, annuities, bonds, and other investment tools. Basically, you are the one in control of the investment portion. This type of programme comes under the control of the SEC (Security Exchange Commission) and it is looked at as a securities contract.

This type of policy is the most expensive of the whole life forms of insurance, but also gives you the greatest amount of flexibility in investment options. The actual amount of the death benefit, however, is usually not guaranteed, and will be effected by the performance of the market, but often will have a stated minimum. Also, the cash value portion of the policy cannot be taken out at any time, apart from surrender of the policy. Premiums may be effected, too, if the market is not doing well, and this may raise the cost of the premiums. As with any investment, though, you will share in the losses, as well as the times of abundance.

Two other great advantages are that the interest gained from the money on the market is tax deferred, which means no interest is paid until it is withdrawn. Ideally, this money could be withdrawn after retirement age, at which time the taxes are much less. A second thing is that money gained can also be used to pay the premiums on the insurance policy.

Variable Universal Life

As the names imply, it is a combination of the benefits of both the universal life and the variable life forms of insurance. It gives you the option of being able to raise or lower your premiums, as in universal life, and the investment possibilities that are found in variable life.

The cash value of the policy is really a matter of how well the economy is doing, and on how well you know about where and how to invest. For this reason, life insurance companies are not under any obligation to declare a minimum amount of cash value on the policy. You are the one in charge of the investment portion, so if you are interested in getting this kind of policy, **you will need to be very informed about how to use the stock market**, and various other forms of investing.

The cash value may be withdrawn out of this type of policy. It has a higher premium to cover the various costs involved. This includes the cost for the death benefit, the administrative costs, and the costs for the handling of the portfolio transactions. With this type of policy, basically, all is at risk - even the insurance portion of the policy. If you do borrow against the cash value, it is quite possible that the policy may become worthless.

Life Insurance Riders That Are Available

Every insurance company offers to be able to put various additions onto the policy. Some of these can be very good, and some are a little unnecessary. Here are some of the possibilities.

1. Insurance For Your Spouse
2. Insurance For Your Children
3. Disability Insurance and Waiver of Premium

The disability and waiver of premium is an added protection that will enable your insurance policy to remain in force in the event of your becoming disabled and unable to work. The premiums become paid up and you continue to have the needed protection.

Is Term Insurance Better Than Whole Life?

This particular question has been argued by many for a long time - and the argument is still going on. It is probably something that will not be answered for a long time to come. The reason for the argument - two things come into play when trying to come up with an answer. There is, of course, the point of view of those doing the arguing, and secondly, there are the particular needs of the individual. Both have a part in determining which one is the better insurance for you.

Here are a few things that you need to keep in mind when you get ready to buy your insurance policy.

1. Term insurance is cheaper.

No matter how you look at it, term insurance is a lot cheaper than if you had to buy the equivalent amount of whole life. For this reason, you will be able to obtain a lot more insurance for the same price.

2. Whole life may be better if...

One of the main reasons that whole life could possibly be better is if you do not have a lot of money, but you need to build up some kind of savings, too. In other words, if you feel that you do not make enough money to get into a regular savings programme to make it worth your while, then this certainly is one way that you could build up a cash value, and have insurance, too. It would also give you a little emergency fund, too, if you should ever need it.

3. Whole life policies need to be maintained for life

The way these policies are designed, you really will not see great benefits until you have the policy for a long time. Because much of the first year's premium goes to the insurance agent, as well as a portion each year, there will not be any cash value for at least three years, and it could be as many as 12 years.

Tips On Getting The Best Insurance Plan For You

In order to determine just which plan you need for your situation, you need to start out by asking what are you trying to do with your insurance, and, Why do you need insurance?

In answering these questions, it needs to be stated that your insurance needs will change over the years. If you are single, then you really have no need for life insurance - except for a basic burial insurance policy - which will cover the cost of the funeral and burial. Life insurance is a means to meet the expenses of those that are left behind after your death, and are dependent on your income. It should provide enough to pay off all existing debt like the mortgage, car payments, credit card debt, as well as giving to the children a possible college fund, and a fund for the dependent mate and family to live on for a while.

After the children have left the house, and have been through college, then the need for higher levels of insurance really are not there. If you have term insurance, the level of coverage can be lowered, and payments can remain about the same, or, possibly a little less, since rates are higher for each year of age attained.

One of the best courses of action, if you need a lot of coverage while you are younger, could be to get both types of policies, in smaller amounts. Instead of buying one or the other only, a wise combination could definitely have its benefits. Here is why you may want both.

1. Buy term for your highest conceived needs

If you buy a 20-year term insurance shortly after you are married, say to cover your largest bills, like the mortgage, credit card debt, car payments, and then a little more. This will provide for your financial needs when they are the

highest in the event of your unexpected death. This one you may allow to expire after the 20-year period. Be sure to get a guaranteed renewal (term) if you should decide to get a new policy.

2. Buy whole life for your long term needs

Then, a whole life policy can be purchased for other needs that you might expect to have if you die after the children are gone, and the house is paid for. This policy you will want to keep. It would give you an emergency fund in the cash value, and will also keep you covered for the rest of your life.

3. Put money aside into a separate investment programme

Your term life insurance agent could provide you with some good sources here, since they often do this for people. The investment stays entirely separate - even though you may get a single monthly bill. Be careful of being swayed into a policy with "built-in savings" but reduces the actual amount saved by agents commissions and very low interest rates. In addition, if you should die, the only amount you will receive is the face amount of the policy - not the "savings." The only difference would be in some of the variable life and the universal variable life programmes, or if the policy has become "paid-up," and if you are accumulating interest.

4. Buy The Policy When You Are Healthy

Since your rates are affected by the condition of your health, it is definitely best to get your life insurance when you are still in excellent health. For larger policies, you will definitely be given a medical exam, and the larger the amount, the more detailed the exam. You will also fill out a medical history form, which it would be wise to fill out accurately. This form will be checked against an insurance medical database in which all that have applied for medical insurance will be listed.

How To Calculate How Much Insurance You Need

Instead of signing up with the first life insurance plan that you find, or agent that you talk to, there is a better (and safer) way to get the policy that you and your family need. Remember though, that the same plan that your friend got may not be the best one for you. His needs may be entirely different.

If you are single, have no mortgage, and no dependents, then you probably do not need any insurance. You will probably want to get a basic burial insurance policy, though, to cover the funeral and burial costs in the event of your death – why stick your parents with a big bill?

Here are some steps you can take to help you get the plan that is just right for you.

1. Calculate your yearly expenditures

Since insurance needs to be able to replace your income and allow the family to continue living at its present standard of living (as much as possible with your absence), you need to start out by knowing how much it costs your family to live for a year. Then multiply this figure times the number of years it will take to get your children through college.

While this is certainly a simple way of calculating this, it is actually a little more complicated than that. To the above figure, you need to add about 8-10% to cover the cost of inflation. And if your children are young, you may need to add another 3-5% simply because older children have greater financial needs than the younger ones.

2. Be Sure To Add The Funeral Expenses

Funerals these days are not cheap. An average funeral today will cost around £6,500, but you may want to add another £4000-5000 to cover rising costs over the next few years - just in case. This cost can quickly rise if other features are added in such as the plot, opening the ground, flowers, etc.

3. Add In The Following Probable Costs

These are things that you need to add - if they apply:

- a. Debt cancellation** - add to the amount of insurance needed all outstanding bills, especially mortgage, credit cards, your education, etc. In the event of your death, you will want to leave the family as debt-free as possible. This is especially true if you are the sole breadwinner for the family.
- b. College funds** - your children will need to have their college tuition taken care of, if they have not gone to college yet.
- c. For Divorcees** - your divorce agreement may include a clause about life insurance for you and the children being mandatory. This could be for the purpose of giving the children a college education, as well as providing an inheritance.

4. Some Things For Further Consideration

While each of the following items may be extra, you may want to add them to the amount of insurance needed, or wanted.

- a. Inheritance Money** - Apart from your children's college expenses, you may want to add some money for their inheritance.
- b. Special Needs** - If your spouse, or one of your children have any special needs, or may require constant care, then this projected amount should be added in to the total.
- c. Parental Care** - Eventually, your parents will need to be provided for, as they grow older. If they have not provided for their own needs, then

you may want to add a carefully calculated cost projection to cover this possible need.

d. Donations - If you have want to leave a donation to either a religious organization or a charitable organization, then be sure to put that amount on the total that you desire your insurance to cover.

5. Check Your Budget

Obviously, how much insurance that you should have may not be the amount that you can wisely afford. By knowing how much you can put toward insurance each month, and still allow a portion to be put toward some kind of savings or investment plan, will enable you to be better prepared to get more accurate insurance quotes online. You will also be ready to talk to an insurance agent, and be able to provide him with some real numbers to work with.

Some Thoughts About Buying Life Insurance Online

The convenience of the Internet and being able to do the needed research into the costs and options available to you certainly are incredible. Just think, you can get just about all the general information you need - even while dressed in your pajamas!

While this is a great opportunity, there remain some things that you cannot find out online. This means that you will still need to actually talk to a life insurance agent, or an insurance broker. Here are the things that cannot be settled completely online.

1. An exact quote is not possible.

The price given to you online would reflect excellent health; or, at the least, it cannot contain all the factors since your medical records had not yet been checked.

2. You Do Not Save Money By Buying Online

The convenience may be there - but the savings are not. By working hard to attempt to cut out the insurance agent, you actually just simply gave the commission directly to the company, since they will keep it for themselves. You have not saved any money by it.

Health Insurance

In order to provide an appropriate hedge against having to use your life insurance prematurely, it is always a real good idea to have adequate health insurance. This enables you and your family members to be able to be treated

promptly and efficiently at qualified medical facilities, and to receive excellent care when confronted with health problems.

The cost of medical treatment is on a continual rise, due to the development of new technologies, and better equipment and facilities. For many medical problems, this puts the individual, or family at great financial risk because one unexpected medical problem could end up costing hundreds of thousands of dollars. By having a good health care insurance programme, your costs are spread out to a wide number of individuals enabling you to pay only a portion of the actual costs – making it the decision of choice.

Health insurance comes in many different forms and costs, to be sure. When you are in the market for private health insurance, you will want to look at much more than just the price. Finding that “perfect plan” may be just about impossible, but there are some that will definitely be better than others for your situation. While prices will greatly vary, you also need to consider the expenses that you are required to meet, as well as the particular state that you are in, since insurance varies from one state to the next.

Here are the basic forms of health protection available to help you understand either what you already have, or to help you to make the right selection for yourself and your family.

Group Plans

If you already have some health coverage through your place of work, then this is most likely what you have. Group insurance offers insurance to all who are in that particular place of employment, so the rates may be a little elevated to help cover the costs of those who are not in good health. Usually the insurance is cheaper than outside of your work – simply because all members in the group share the costs.

Common Provider Plans

Health insurance can be purchased at different levels of service. Basically they will fall into one of three main categories. They are:

- Basic Care – emergencies, some surgery, treatments, and hospitalization
- Major medical – coverage above the basic care plan
- Comprehensive – A combination of the above

Each of these forms of coverage is now going to be supplied through various forms to you. You will buy into one of these plans to obtain the coverage you need.

Health Savings Accounts (HSA's)

This rather new insurance idea allows you to have your monthly premiums reduced over the long term by adding a savings plan to go along with it. This new programme, called Health Savings Accounts, or HSA's, gives you an opportunity to reduce your income (pre-tax) by the amount that you pay for your various medical needs. In addition, you can also add a savings element to it that is similar to an IRA – also tax-free until you withdraw it.

The thing that makes this plan so much better is that, while you are earning interest on the plan, any amount that you withdraw and use toward medical needs is tax-free. While you cannot use the money to pay your premiums, you may use it for many medical needs – even some that a regular insurance policy may not cover. The ideal use of this plan is to purchase a high deductible insurance programme, then use this money to offset the cost giving you a tax-free way to reduce your income levels.

The savings portion of the account gives you a way to save for retirement. All money gains interest, and remains under your care. The interest accumulates each year, and is not taxable until withdrawn, or until you turn 65. Any withdrawals, which you may do at any time, which are not for medical purposes are subject to a 10% early withdrawal fee. Also, your employer can opt to put money directly into your account, too.

Your money remains easily accessible at all times. Usually you will be provided with either a checkbook or a debit card, which you will use to make all your medical purchases. The company is then automatically provided with all your records instantly (but you should still save all copies). Some companies do require a monthly maintenance fee for this service.

In order to obtain an HSA, there are only certain types of policies that enable you to get the benefits. You need to get a policy that qualifies as a high deductible health plan. This has a minimum annual deductible of £1,050 for individuals, and at least £2,100 for families. It also has a maximum deductible that includes the number just mentioned, plus your annual out-of-pocket expenses (cannot include cost of premiums). The maximum amount for an individual is £5,250, and for a family it is £10,500.

Fee-For-Service

This type of insurance gives you the greatest amount of liberty in allowing you to decide where you will go for your medical services. You are allowed to go to the medical facility or doctor of your choice – even in another part of the country, if you choose. The insurance company will then pay a specified amount for the doctor's visit and a specified amount for the procedure. The portion to be paid by the insurance company is determined beforehand by the average amount for that service in your geographical location. So, if you have a favorite doctor, or hospital, be sure to inquire about the price beforehand – since you will be paying anything higher than the average in your locality. With this type of plan, you pay:

- a monthly premium
- a deductible portion – usually per person
- a percentage of each claim.

The deductible portion of the plan is an amount per person that will need to be paid before the insurance company pays anything. Oftentimes, there is a total amount that is paid for the whole family that is less than if you paid the total of the deductible portion for all members of the family. This means that if your son had a medical need, and you paid the £250 deductible for that need, then if he were to have another need in that same year, you would not need to pay another £250 – because your son's deductible had been met. But if you were to have a medical need arise, then your deductible would need to be met before you can receive any payments from the health insurance company.

There is also a deductible portion for each medical need with this type of plan. Probably the most common is the 80 – 20% plan. For each medical need that comes along, after the deductible is raised, the insurer pays 80% of the bill, and you will pay the remaining 20%. By paying higher premiums, the insurance company's portion can be brought up to 100%, but it is more expensive. These plans may also have a cap (maximum) amount that you would need to pay within a given year.

When you are looking at this type of policy be sure to ask a number of questions that inform you of some of the details. People are often surprised to learn after they purchase a policy that they are not covered in some way when they thought they were. The time to find out is before you buy so that you can compare notes with other possible offers. You need to ask:

- If there is a cap on your yearly payments
- Are medicines covered, or what portion are you expected to pay?
- If there is a cap on amounts the company will pay per medical need?
- Do they pay for homecare?
- Is there any waiting periods before you are covered for specific problems?
- Are there medical problems now that will not be covered?

These questions, and a few others, should always be discussed before you buy. A good insurance agent will always be willing to show you various options and help you get the best plan for your needs.

Health Maintenance Organizations (HMO's)

Another very popular way to provide for your healthcare is to go with an HMO. These plans enable your medical care to be somewhat simplified since they take care of the paperwork – even for hospital stays. One drawback, however, is the limited number of doctors and hospitals within the network. You will be required to select a primary care physician out of a list of healthcare providers and then that doctor will become the one that you will regularly visit. If you should need to see any specialists, then this doctor that you have chosen must refer you to the specialist (must also be in the HMO network, with some exceptions) before you can be seen.

One really good thing about HMO's, though, is that they will provide you with a certain amount of preventive medicine – things like regular office visits, physicals, well-baby care, mammograms, etc. Also, there may be a little fee, such as £5, or £25 with each visit. Still, though, the overall costs of an HMO is usually a little cheaper than fee-for-service type of plans.

Before you sign up with any HMO, you need to find out if there are a number of HMO doctor's offices in your area. HMO's will also work with some other doctor's who agree to take care of HMO patients, and they are called individual practice associations (IPA's).

It is also a very good idea to compare it to other HMO's in the area. If there is not one close by, then you may want to go with another insurance carrier – just for the convenience of having a more local medical care. If there is a need for any mental care, you will want to ask about it, as some HMO plans can be very limited.

Preferred Provider Organizations (PPO's)

This type of insurer is a combination of the above two types of insurance. It provides a limited number of doctors and hospitals, but also will give you the option of visiting doctors outside of the system, but you will pay a larger portion of the bill. You may choose a primary care physician, but will usually have the option of visiting other doctors within the system at your discretion. They also will be glad to provide some general preventive medicine.

These plans often have an annual deductible, and may charge a percentage per visit. These plans are usually a little cheaper than the fee-for-service plans.

What To Look For When You Buy Health Insurance

When you are ready to buy, no matter what the plan, you need to know what the policy guidelines are concerning...

1. Monthly Premiums

Know what it will cost you each month. This amount can vary by as much as 50% between the insurance companies. You obviously will want to get a good plan at the best price.

2. Comparison Shop

When you are comparing one plan with another be sure that you compare rates of two companies with similar policies. Otherwise it will be like trying to compare apples to oranges. Not only do you need to consider the cost of the insurance, but also amount of insurance provided, the number of options that it covers, the ease of being able to use the plan in your location, etc.

3. Deductible

This is the amount of money that you must pay, usually per person, before the insurance company will pay anything toward a medical bill. This amount is usually agreed to in advance when you purchase the policy.

4. Copay

Whenever you go to the doctor, or buy medicine, you may be required to immediately pay a specified amount at the time of the visit or purchase. It means that you will always need to either carry cash or a credit card with you to receive services.

5. Availability of Doctors

In order for a system to be most beneficial to you, the medical facilities need to be close by. If you are going with an HMO, or a PPO, make sure that there is more than one doctor near by. This way you have a little bit of flexibility.

6. Max Payouts

Does the policy have a maximum that they will pay per person per year? Or, is there a maximum that they will pay per medical need?

7. Maximum Deductible

What is the maximum that you will have to pay each year?

8. Renewability

If you should get sick, and there are a lot of bills, find out if the insurance company guarantees that your policy is renewable.

Home Owner's Insurance

Just about everything that we have accumulated through the years lies somewhere in most of our homes. Things of irreplaceable value are there, along with the fact that if you lost your home, most of what you own would be gone forever. But having a good homeowner's insurance can often bring a much quicker financial recovery, and it may even put you back on your way to being able to carry on life as before.

Homeowner's insurance is not required if you do own your home. If you are paying a mortgage on it, however, the lender has most likely stipulated that it is necessary. Having a good home owner's policy just makes good sense in that it can offer financial help quickly in one or a number of the following situations:

- Fire and lightning Damage
- Windstorm and Hail Damage
- Explosions
- Vehicle Damage
- Civil Commotion
- Aircraft Damage
- Theft, and more.

Since many are still thinking about damage being done through such situations like Hurricane Katrina, the answer is that flood insurance and earthquake insurance must be purchased separately. It is also required if you buy a home in geographic areas where those problems have a likelihood of occurring.

Another good reason to have homeowners insurance is because it will also cover any liability that may be incurred because you own the property. If any one should be injured on the property, and sue, or just about anything else, you will be covered.

One of the most important things for anyone buying homeowner's insurance is to know exactly what you are getting when you buy the coverage. Many homeowners' are often later surprised to find that they did not have the coverage that they thought they had.

One of the main things that you can do to prepare for a thorough policy is to get a list of your personal property. In the list, be sure to put any applicable model numbers, receipts, date of purchase, along with pictures. It would also be a good idea to walk through the house with a video camera and record what is in the house, and focusing on various items. Having this list will ensure that you get a higher percentage of funds for any items lost through a disaster

or theft. This list will also help you to have a better idea of how much insurance to purchase.

Car Insurance

Getting a good price on your insurance means that you look around and compare. By shopping, you will be able to find a plan that fits your needs. Also, knowing the terms and what it is that you are paying for is also very helpful, and may help you to not get something that you do not need. When you talk with an agent about your car insurance be sure to have the agent carefully explain anything you do not understand.

Probably the greatest need for insurance is to prevent possible financial ruin, as well as possibly facing a need for extreme medical procedures in the event of an accident – both for yourself, your passengers, and the other vehicle. Having your vehicle adequately covered with car insurance at all times is an absolute necessity. With the amount of financial problems that could arise if you do not have it – it just is not worth it. These are some reasons that you need to have this coverage. It will provide you with:

- Medical Coverage
- Vehicle Coverage – paying for the damage to your car and the other one
- Protection Against An Uninsured Motorist
- A Death Benefit – if you or someone should die
- Possibly Replacing Wages During Recovery Time
- Possibly Replacing Your Vehicle
- Protection In Cases of A Lawsuit

There are a number of things that can help you to get lower rates on your vehicle insurance. One good way is to put a good-sized deductible on your car. This means that if you have a collision, you pay the first £500, or £1,000 – whatever the deductible amount is that you have chosen. The greater the deductible, the less your policy will cost. Another way would be to drop the comprehensive part of the policy on your vehicle, as it becomes older (and paid for). Most lending agencies will require comprehensive insurance as long as you owe them any money. But if you were to stop paying the comprehensive, and put it toward another vehicle, then you have saved yourself some money. Of course, if you do have an accident, then you will need to pay for another car – you will need to weigh this matter carefully considering your financial situation.

Another way to save on insurance costs is to have certain qualifications either on you, or, in the vehicle's safety equipment. When you buy another car, you want to be sure that your insurance company knows about each of them, since they will reduce your insurance costs. You can check your existing policy to see if these are listed there. If they are not, then be sure to talk to your insurance agent, and he may be able to even get you a rebate for the time period that you had those features! Here are a few of them.

- A Good Driving Record
- Drivers Education or Driver Training Classes
- Multi-car Discount
- Special Safety Equipment
 - * Air Bags – both sides
 - * Anti-lock Brakes
- Anti-theft Devices – active and passive
- Limited Mileage Driven Each Week (less than 7,500)
- Mature Discount – Over 50
- Not Buying The Most Frequently Stolen Car

Note that not every state will give you a discount for these things, so you will need to check with your agent.

More Ways To Save On Your Car Insurance

There are even more ways to save money. See if some of them might apply to you.

1. Buy Multiple Policies From The Same Company

Another possible way to save a few more dollars each month is to buy multiple insurance policies from the same company. In other words, if you get your car insurance, your homeowner's policy, and your life insurance from the same insurer, then there may be other discounts you qualify for – be sure to ask about them.

2. Drivers (Or Passengers) Not Using The Car

Then, check to see if you have drivers listed on your policy who are no longer driving that car. If your children have gone to college, or now have their own vehicle, then you do not need to have them on your policy – unless they need to drive that vehicle for some reason.

3. Eliminate Double Coverage

And don't forget to see if your present health coverage might also cover vehicle accidents. Be sure to check with your agent about this before you drop anything – just to make sure.

4. Coverage On Rental Cars

This feature is entirely optional – and is almost unneeded if you have a new vehicle. Rental car companies can charge according to the time that you use them. If you are not likely to need one – why pay for it?

5. Good Grades For College Students

If you are a college student under the age of 25, then you may qualify for a special discount for students. Some insurers give discounts to student drivers

if they maintain a “B” average each semester. Here is another good reason to get those good grades.

Here are some things that will raise your rates, so you want to avoid them as much as possible: speeding tickets, drunk driving, not wearing seatbelts, driving without a license, or without insurance. Responsible driving has its rewards, and it is always good to have a record that you can be proud of – and your insurance company may also give further discounts for it, too.

Also, be sure to inquire about the reputation of the insurance company online if there is any question about it. Major insurance companies want you to do this, and you need to do it for companies you are not familiar with.

Unfortunately, some insurance companies have a reputation of paying small amounts on big claims – or not paying at all. Some, who offer you the “lowest rates,” may even disappear after they have your money. Do some homework, check with the Better Business Bureau, and this will give you a greater peace of mind, and help you to sleep better, too.

Other Types of Insurance

Today you can buy insurance for just about anything that is at risk. Some of these may be an insurance that you could really use. Here is a brief description of some other forms of insurance available.

Disability Insurance

Disability insurance is coverage that will pay so much per month if you should become disabled and unable to work. It will often be provided through insurance that you have through work, or you can buy your own if they do not supply it for you. It does not give you medical coverage for the situation that brought about the disability, however, so you will need to have that covered, too.

Long-Term Health Insurance

This insurance is for those that will most likely be in need of nursing home care. It provides funding for those long and expensive care facilities and services for the elderly. These nursing homes are generally very expensive, and preparation needs to be made in advance by having a good policy.

Discount Health “Insurance”

Because health insurance costs have risen rather high, these plans have recently come up and many are buying into it. The truth is that these are not insurance at all, but simply entitle the owner of the card to a discount of medical services through participating doctors, dentists, and ophthalmologists. There is no cap on costs and you are liable for the full amount of the bill.

Renters Insurance

While renters often think that they do not own very much, it still would help a lot if there should ever be a fire, or theft, or any other possible liability. Renters insurance can provide for you in times of loss, and it may make the difference between total loss, and being able to survive a crisis. The funds can also provide for legal funds in the event that there is legal defense costs.

Travel Insurance

If you are planning a trip, whether at home or abroad, you may want to get travel insurance. This will especially come in handy if there should be:

- A cancellation of the trip
- Medical emergencies while traveling abroad
- Carrier goes out of business

In each of these cases, it could cost you a lot of money and a great deal of inconvenience if anything should go wrong – it can really ruin a vacation. The problem can even become more aggravating if you had saved for a long time to make the trip possible.

In order to make your trip as smooth and joyful as possible, having a good travel insurance can also cover the following things:

- Baggage Insurance
- International Medical Insurance
- Medical Evacuation
- Emergency Travels Assistance
- AD&D
- Repatriations of Remains

Before you buy any kind of travel insurance, you will want to check into what you may already have if you used a credit card, or what may come with the travel package. Being ready for any possible emergency or inconvenience is the best way to travel.