

Types of Insurance

Each day, you face a variety of risks—risks to your life, your health, and your property. Although you can't eliminate many of these risks, you can take steps to guard against resulting financial losses. That's where insurance comes in. If your coverage is sufficient, insurance can provide financial security to you and your loved ones. Many types of insurance coverage are available—here's a brief overview of what's out there.

Life Insurance

Life insurance provides funds for your surviving loved ones when you die. Your family can use the proceeds to meet a variety of goals. For example, they can use them to replace income lost as a result of your death, to meet periodic expenses, to pay debts you've left behind, to help with college tuition and retirement, and to pay for your final expenses and estate taxes. The proceeds are typically paid as a lump sum but may also be paid in installments.

You can obtain life insurance coverage through work, through another organization (e.g., a club or association to which you belong that sponsors a group policy), or by purchasing an individual policy directly from an insurance company. The two basic types of life insurance are term life and permanent (cash value) life. Term life provides life insurance coverage for a specified period of time, while permanent insurance provides protection for your entire life.

Health Insurance

Health insurance can safeguard your assets from the high costs of health care. Most people lack the financial resources needed to pay medical expenses associated with a health crisis (e.g., life-threatening illness or significant injury). In addition, the costs of physical exams, prescription drugs, hospital stays, pregnancy, and routine medical conditions can add up and cause you to suffer financial hardship if you must pay for them entirely on your own.

Health insurance pays for all or a portion of specified medical costs. The cost and range of protection that your health insurance provides will depend on your insurance company and the particular policy you purchase. You may be able to obtain health insurance coverage through your employer; through an association, club, or other organization; or on your own by purchasing a policy directly from an insurance company.

Auto Insurance

Car ownership involves several risks. In a car accident, people may be injured and vehicles or other property damaged. Liability claims against you can put your assets at risk. Loss can also occur through theft, vandalism, or natural disasters. Auto insurance protects you against these risks. A personal auto policy is a contract between you and your insurer that specifies each party's rights and obligations. State law and/or your lender may require you to purchase at least a minimum amount of auto insurance coverage. Depending on your circumstances, you may wish to purchase additional protection. You can compare auto insurance policies in terms of price, coverage, exclusions, and reputation of insurer.

Homeowners Insurance

Homeowners insurance provides coverage if your home is damaged or destroyed up to policy limits. It can also cover your possessions and provide you with compensation for liability claims, medical expenses, and other expenditures that result from property damage and bodily injury suffered by you or others. If you have a mortgage on your home, your lender may require homeowners insurance. Even if you own your home outright, though, you'll still need homeowners insurance to protect your interests and safeguard your assets. The cost of homeowners insurance depends on several factors, including the amount of your coverage, any endorsements you add to the policy, and policy deductibles.

Condominium and co-op insurance, although similar, differ in some respects from standard homeowners insurance. And if you rent your home, you may want to look into renters insurance.

Disability Insurance

The threat of a major disability poses one of the greatest risks to your income. A serious illness or injury can put you out of work for a prolonged period or even permanently. If you had to stop working, how would you meet your expenses? Disability insurance policies pay you a benefit that replaces part of your earned income (usually 50 to 70 percent) when you can't work. You may be able to obtain short-term or long-term disability coverage, or both. In general, disability insurance can be split into three types: private insurance (individual policies bought from an insurance company), group policies typically provided through your employer, and government insurance (social insurance provided through state or local governments).

Long-term Care Insurance

Your chances of requiring some sort of long-term care increase as you get older. Will you have the financial resources to fund a prolonged nursing home stay for yourself or a loved one? Long-term care insurance pays a selected dollar amount per day (for a set period) for the type of long-term care outlined in your policy. Depending on your policy, care can be provided in a variety of settings, including private homes, assisted-living facilities, adult day-care centers, hospices, and nursing homes. Most policies provide that certain physical and/or mental impairments trigger benefits. The cost of a policy depends on many factors, including the types of benefits, your health, and your age when you purchase the policy. Carriers have the discretion to raise their rates and remove their products from the marketplace.

Business Insurance

No matter how careful you are in running your business, accidents happen. If you're a business owner, you'll need to plan for these and other risks. You may be interested in several different types of insurance coverage—property and casualty insurance, liability insurance, and group health, life, and disability insurance coverage for your employees. You can buy various types of insurance protection separately, or you can purchase one package that covers many potential hazards. You can also use insurance to protect your business against the loss of a key employee or to transfer a business interest at your death or disability.

Other Forms of Insurance

There are many other types of insurance, including flood insurance, travel and accident insurance, insurance for your boat or other watercraft, umbrella liability insurance, and even pet insurance. Speak with an insurance professional to learn more about the products available to you.

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