

Personal Advantage
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The Seven Key Questions to Ask Your Insurance Agent

When shopping for an insurance policy-health, life, homeowners, disability, etc.-it's important to ask insurance agents key questions.

The answers to the following questions will tell you a great deal about the policy you're buying.

All types of insurance:

What will the agent's role be if I run into trouble when filing a claim? Claims are handled by an insurance adjuster; someone you have probably never met whose job it is to settle your claim for as little as possible. If your agent does a lot of business with your insurer, he/she may be able to help you in the event of a dispute.

Self-defense: Ask your insurance agent how often he/she has interceded with a claims adjuster on behalf of a client. Be aware that it is as important to buy insurance from a reputable company as it is from a reputable agent.

What are the insurer's procedures for raising premiums and policy renewals? Most insurance agents gloss over these two issues. Surprisingly, many policies are renewable at the option of the insurer, while others can raise premiums for any reason at any premium payment period - even monthly or quarterly.

Self-defense: Ask your agent directly about your rights. Look for a guaranteed-renewable policy with a reasonable premium guarantee.

How are the policy's deductibles applied? You want to know whether the deductible is applied per year, per claim or per member of the family.

Self-defense: Question your agent until you are satisfied that you fully understand what you are obligated to pay and what the insurer agrees to pay. Many homeowners have been distressed to find that their deductibles are applied to the value of the policy, not the claim.

Example: On a home that has been insured for \$100,000 with a 20% deductible, you would expect the insurance company to pay 80% of damages. In this case, let's say those damages were \$10,000 - you pay \$2,000 and the insurer pays \$8,000, right? Not if the deductible is applied to the value of the policy. In this case, the insurer would begin to pay only after the first \$20,000 in damages.

Self-defense: Look for deductibles that are expressed as flat figures, rather than as percentages.

What is not covered in the policy? Insurance agents spend most of their time extolling the virtues of the contract they are selling, but only a handful go over what is excluded.

Example: Medical procedures the insurer considers to be "experimental," such as bone-marrow transplants. In addition, claims with dual causes may be rejected entirely.

Example: Water and flood damage is excluded on some homeowners policies, but storm damage is usually covered. What if a storm rips a hole in your roof and the rain ruins your furniture and carpets? Some insurers

may only cover the damage to the roof.

Self-defense: Ask your agent to review all exclusions and your recourse in case of a dispute.

Homeowners insurance:

How much will I actually be entitled to? Will your home be insured for the market value at the time it burned down, the market value at the time you bought the policy or for full replacement cost? If you will be insured for replacement, will your coverage be limited to the maximum of the policy?

Example: You buy a \$200,000 policy on a \$200,000 house, but it now costs \$250,000 to rebuild it. Will the insurer pay?

In addition, most policies don't provide coverage for zoning-code upgrades. If you are required to make improvements on what you originally had - better-quality windows or wiring, for example - the insurer may not pay the difference. People who lose their homes in flood zones may find that they are required to rebuild the dwelling on higher ground than their original one, often at great expense.

Self-defense: Find out what it would cost to rebuild your home to existing zoning codes, and insure for full replacement cost.

Will I be required to give a deposition in the event of a loss? If you make a claim due to fire, theft or other loss, you will be required to fill out lengthy, complicated forms itemizing where and when each item was purchased, provide receipts, etc. The insurance company is entitled to take your deposition under oath and is likely to grill you about your lost items and their value. They may refuse to cover items unless you can show receipts.

Aim: To browbeat policyholders into accepting reduced settlements. Most people don't remember exactly when and where they acquired all of their possessions, much less keep receipts.

Self-defense: Make a videotaped or photographed inventory of your personal possessions, copies of receipts, etc., to file with your insurance agent.