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INSURANCE BUYING GUIDE

PROTECTING YOU IS OUR SOLE PURPOSE

MOST PEOPLE ARE UNDER-INSURED OR UNPROTECTED, AND THEY DON'T EVEN KNOW IT! IF ANYTHING WERE TO HAPPEN IT WOULD BE FINANCIALLY DISASTROUS.

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OUR SOLE PURPOSE IS PROTECTING YOU

MOST PEOPLE ARE UNDER-INSURED OR UNPROTECTED, AND THEY DON'T EVEN KNOW IT! IF ANYTHING WERE TO HAPPEN IT WOULD BE FINANCIALLY DISASTROUS

WHAT MAKES A GREAT PERSONAL INSURANCE PLAN?

- The plan is in balance. All major loss areas are covered well, with high limits across the board, not favouring any one particular type of major loss. Premiums are effectively allocated to provide the best protection at the lowest cost.
- Every policy in the plan has been endorsed to provide coverage that basic policies lack. Plus, every policy has been customized to cover those significant risks unique to you which otherwise would be excluded. All policies are coordinated.
- A highly skilled agent with expertise in every type of personal policy is available to help you identify and manage your risks. This agent has the skills to make sure the plan is in balance.

For most people, the major loss areas are significant damage to their home, large lawsuits, major medical bills, long-term disability, and premature death.

HOW DO WE KNOW?

We see it every day. Our office has reviewed over 20,000 insurance plans during our 18 years in business and we can tell you that over 90% are not adequately insured.

Their insurance plan is out of balance, all the coverage limits are inadequate, and major gaps are not covered.

PROTECTING YOU IS OUR SOLE PURPOSE

We're passionate about helping you understand the difference between simply having insurance and being properly insured.

Through that passion we'll discover your exposures, educate you on coverage options, empower you to make intelligent insurance decisions, and develop a plan that fits your needs specifically. You get the best combination of advice, coverage, and price.

OUR EXPERIENCE IS YOUR ADVANTAGE

Together, we'll make sure you know your exposures so you can make intelligent insurance decisions.

That's how you get peace of mind!



INTRODUCTION

Congratulations on taking the first step towards building a proper insurance plan.

Let's put first things first. Insurance is about being **SURE** and **CONFIDENT** that nothing takes away what is important in your life. All you have now, and most of what you earn in the future, can be taken away from you, fairly or unfairly, by lawsuits, wage garnishments, inheritance taxes, etc.

It's very important for you to have a proper insurance plan in place that protects your hard-earned dreams from becoming a financial nightmare. Sadly, as you will see in this guide, most people make their insurance decisions based solely on price, leaving them hanging with inadequate protection and significant liability exposure.

In this Insurance Buying Guide, you will learn about the most common areas people make poor insurance decisions. This guide uses real insurance claim stories that our clients have experienced. Keep in mind your own insurance plan, and consider how it would have performed for you in these scenarios.

“

Fun is like life insurance; the older you get, the more it costs.

— KIN HUBBARD



HOMEOWNER'S INSURANCE

Shopping for home insurance can be a frustrating and confusing process. It is very important to know exactly what you're purchasing. Each homeowner's insurance policy can vary significantly from another. Think of it as buying a new car. You can buy the base model for much cheaper than you can buy a model with all the extras.

In fact, some of these options are so important to you that they may be the determining factor on whether you buy a specific car or not. This decision making process is even more important when shopping for home insurance.

Most people make the mistake of shopping for their insurance based on price alone. What they usually end up with is the wrong coverage, for a cheaper price!

The following are **very important areas** that you must completely understand in a homeowner's insurance policy from any insurance company:

Insured to Value Clause. This clause is in every homeowner's policy, yet few agents or companies ever explain it. It states that your home must be insured for greater than 80% of the amount required to rebuild your home in order for the insurance company to fully replace your home. THIS IS VERY IMPORTANT and the reason why most people with insurance cannot afford to rebuild their homes after a loss. If you insure your home for less than its full replacement cost, you need to be aware of two possible claim penalties.

1.) The first penalty occurs if you are under insured for a total loss (the complete destruction of your home).

Say your home, which you insured for \$300,000, burns to the ground and the cost to rebuild is \$400,000. Since you insured your home for \$300,000, you suffer an out-of-pocket loss of \$100,000.

Why? This is the result of your home being insured less than the 80% Insured to Value Clause required in the policy, and disqualifies you for receiving the Extended Replacement Cost Endorsement to fully rebuild your home.

2.) The second penalty for under-insurance occurs when your home has a partial loss.

Say you insured your home 10 years ago for \$250,000 and the cost to rebuild today is \$500,000. Let's assume you had a kitchen fire with extensive smoke and water damage, and the cost to repair your home is \$150,000. Your insurance company pays you \$100,000. You're out \$50,000.

Translated into English, the policy essentially states that if you insure your home for a depreciated replacement value (in this case \$250,000), then the insurance company will settle with you on a depreciated basis. The \$50,000 penalty in this example represents the amount of depreciation deducted from the repair costs.

If, on the other hand, you insure your home for its cost to build new today (or at least 80% of that value, according to the formula in the policy), the insurance company settles your claim for the full cost of the damage – up to your policy limit.

You must always insure your home for 100% of the cost to rebuild it today. Most insurance companies will not let you insure for less than 100% replacement cost when you buy a policy, but it is up to you to make sure that you keep up with building cost inflation after you buy the policy. It is dangerous to just sit on a policy year after year, assuming it is still adequate. Make sure you review your replacement cost every few years to avoid under insurance.

Don't risk not having enough insurance to rebuild if your home is destroyed, or having your repair costs substantially depreciated on partial losses. Ask your agent to run a new estimate every few years to ensure your coverage is adequate, to avoid under insurance penalties.

Personal Liability Coverage. The cost of coverage for your personal liability for injuries and property damage that you're determined to be liable for is a very small part of your total homeowner's policy premium, and it is just about the most important coverage in the policy. Why? Because it is so comprehensive, covering most of your non-vehicle personal liability worldwide.

Here are some examples of claims that personal liability will cover that our clients have experienced:

- A friend stops by your home unannounced and brings their 83-year-old mother. She slips in your kitchen and hits her head on the counter-top, causing her to pass away and resulting in a \$500,000 liability claim.
- A puppy escapes out of the front door and scares an elderly woman, causing her to fall and break her hip and resulting in an \$181,000 claim.
- A barbecue grill catches fire and burns a guest, who also inhales smoke, resulting in a \$125,000 claim.
- A child, who is away at school, is a member of a fraternity. The fraternity puts a pledge member through hazing, and the pledge falls off the roof, causing permanent total disability and resulting in a \$250,000 dollar claim. Our client's child wasn't even at the fraternity that day, but all members were sued.
- A guest falls down the stairs, causing a severe head injury, resulting in memory loss and a \$500,000 claim.

The bottom line is Personal Liability Coverage is great coverage! Most homeowner's policies include \$100,000 of coverage at no extra charge.

The biggest mistake people make with personal liability coverage is not buying more than the free coverage provided in the policy. You don't know where the lawsuit could come from, so you want to make sure you're protected. The cost of higher limits is minimal.

Additional Personal Liability Limits is truly one of the best values in insurance. An extra \$200,000 only costs approximately \$18 per year, and an extra \$400,000 is approximately \$35 per year. How much should you buy? Anyone with less than \$500,000 is underinsured. In California, most people should have at least \$1,000,000.

[Other Important Homeowner Policy Coverages](#). In addition to being insured-to-value and selecting adequate personal liability limits, an effective home insurance policy includes several other coverages.

For the purpose of keeping this guide short and effective, we've provided a list of other key coverages you need to discuss with your insurance professional.

- Law and Ordinance
- Loss Assessment from your HOA
- Loss of Use/Additional Living Expense
- Guest Medical Payments
- Other Structures such as: pools, detached garages, fences, guest homes, etc.
- High Value Items such as: jewellery, fine art, guns, antiques, cameras, musical instruments, wine collections, etc.
- Workers' Compensation for resident employees Business Exposures

Homeowner's policies are outstanding values. They offer tremendous amounts of coverage or very little money; however, they can also be the most dangerous personal policies you can buy because they have the largest numbers of exclusions and limitations when not designed correctly to meet your specific needs.

When you're buying a homeowner's policy, work with an insurance professional to figure out which risks you're exposed to that fall outside the box of built-in coverage. Then you can develop a strategy for dealing with those risks. After your needs are defined, find the best priced insurance company that can meet your needs.

Don't fall into the temptation of focusing on price first, or you won't get what you need. When you focus on coverage needs first, most likely, you'll find you can still save money with an insurance plan that is truly right for you.



AUTO INSURANCE

Your automobile is the greatest possible source of catastrophic lawsuits and legal judgments for major injuries, death and property damage. That's why it is so important to spend time setting up a solid auto insurance plan that will keep you from suffering significant financial losses following a serious car accident.

Most cases that result in a large claim don't involve you flat out hitting someone. More likely, it's the situations that you get caught up in and are found liable for that cause financial loss.

The following are very important areas of the auto policy that you must understand.

Liability for Bodily Injury. Liability Insurance provides defense for you and pays legal judgments on your behalf. The single biggest mistake people make when selecting liability limits is that they buy far too little. How much is enough? It depends on who the victim is, and how suable you are.

Your Suability Factor is the probability of an injured party suing you for large sums greater than the amount of insurance you decided to buy. In order for this to happen you must be worth something now or are expected to be worth something in the future. Everything you have and make now or can make in the future is at risk. Why? Because if there is nothing to go after, most attorneys won't take the case to help an injured party sue you.

Your Suability Factor is influenced by several elements:

- **Your Current Income:** The more you make, the more your wages can be garnished.
- **Your Current Assets:** If you have expensive cars and homes, savings and investments, and other assets, there is more to go after. The courts can force liquidation to pay a judgment for which you're found liable.
- **Your Future Income:** If you're a medical intern, law-school student, MBA student, or in training for any other high-income potential training, your suability is higher. They'll go after what you potentially can make in the future, even if you're currently living in a studio apartment and eating ramen noodles every night.
- **Your Future Assets:** If your parents are wealthy or you stand to inherit a chunk of money, they'll go after it and wait for you to receive it to collect.

People with high current income or assets usually are aware of their suability, but people with little income or assets often overlook their future income or asset potential and the effect it has on their current stability.

If you have one or more of these elements contributing to a high suability factor, the more you're open to be sued for amounts greater than your insurance limits, and you need higher liability limits to protect you. An added advantage of higher liability limits is that the closer your liability limits come to the economic value of the injury you cause, the greater the likelihood that the injured party will settle for your insurance policy limit and not pursue you – personally and beyond.

[The Cost of Higher Liability Limits.](#) It actually costs very little to raise your liability limits – you'll be amazed. When you look at what you're paying for the first \$100,000 in coverage, it's only about \$100 more per year to raise your limits to \$250,000. Typically coverage more than \$250,000 is sold in \$1 million increments in a separate policy referred to as an umbrella policy. Consult with your insurance professional to make sure you have adequate liability limits for your specific situation.

[Here are some examples of claims that Auto Liability Insurance will cover that our clients have experienced:](#)

- A client was merging onto a freeway, and a motorcycle driver came into his blind spot causing the motorcycle driver to fall off the bike. The motorcycle driver had significant lifestyle-changing injuries. The result was an \$850,000 claim. Thankfully our client had a \$2 million umbrella policy and was fully covered.
- A client's foot slid off their brake while stopped at a stoplight, causing him to bump into the car in front of him. The driver in front of him had a prior neck injury, and it led to a \$130,000 liability claim.
- A client was backing out of a parking lot and hit an elderly pedestrian, resulting in a small but expensive accident. The result was an \$110,000 liability claim.
- A client was involved in heavy traffic on the freeway that came to a quick halt, causing him to rear end the auto in front of him. There were three people in the car. The passenger had \$180,000 in injuries, the driver had \$100,000 in injuries, and the other passenger had \$55,000 in injuries.

Underinsured and Uninsured Motorist Coverage. When you're injured in a car accident caused by another driver, you can legally sue that driver in most states to collect the fair value of your injury. If that driver has auto liability insurance, his policy pays you on his behalf up to the policy limits he purchased. The economic value of your injury equals your out-of-pocket expenses plus compensation for your pain and suffering.

What happens if the other driver has no insurance at all? Or what if the insurance limit they have is less than the costs of your injury? You can get a legal judgment against them and try to collect from them personally, but that can be an expensive, long, drawn-out process. Plus, if they're not worth very much and have limited income, you may not collect much at all.

Fortunately, your own car insurance policy can solve the problem if you buy adequate limits of Underinsured Motorists and Uninsured Motorists Coverage.

- **Uninsured Motorists** are drivers who have no insurance at all.
- **Underinsured Motorists** are other drivers who have some auto liability insurance coverage but the economic value of your injury exceeds their policy limit.

See this coverage as reverse liability in that you collect some of all of the economic value of your injuries caused by the other driver from your own insurance company, almost as if they're the other driver's insurance company. In short, your policy would make up the gap between the other driver's liability coverage that he would have needed to pay your claim in full.

Of course this assumes that you purchased adequate limits on underinsured or underinsured liability limits for yourself.

How does this work?

Say you're injured in a non-fault accident by a driver that runs a stoplight. The economic value of your accident is \$450,000. Now assume you bought \$500,000 of Uninsured and Underinsured Motorists coverage on your own auto policy. For an underinsured, you would collect the other driver's liability limit (typically \$100,000). Then you collect the balance of \$350,000 from your own insurance company under your Underinsured Motorists coverage. If the other driver had been without any insurance at all, you would have collected the entire \$450,000 under your Uninsured Motorists coverage.

Underinsured and Uninsured Motorists coverage is one of the cheapest parts of an auto policy. Buy as much protection for your own injuries (caused by another person) as you buy to cover the injuries you yourself cause unto someone else. Why? Because you're worth every bit as much as a complete stranger whom you might injure, and other people may not carry enough coverage to adequately take care of you.

Here are some examples of Underinsured and Uninsured Motorists claims that our clients have experienced:

- Our client was rear-ended by another driver carrying state minimum limits of \$15,000 in liability coverage, resulting in \$480,000 in injuries. The driver who caused the accident had very little economic value. Our client carried \$500,000 of Underinsured Motorists coverage, resulting in his own insurance company paying the difference of \$465,000.
- Our client was rear-ended by an uninsured driver resulting in \$55,000 in medical bills. Our client's own insurance company paid under their Uninsured Motorists coverage. Other Important Auto Policy Coverage. In addition to making sure you're adequately protected with Auto Liability coverage and Uninsured and Underinsured Motorists coverage.

Here are several other coverages in the auto policy to discuss with your insurance professional:

- Comprehensive
- Deductible(s)
- Collision Deductible(s)
- Rental Car Reimbursement
- Medical Payments
- Towing and Labor



PERSONAL UMBRELLA POLICY

You don't have enough liability insurance. Period! No one does. In over 5,000 insurance reviews for prospective clients, at least 90% of them were grossly underinsured for injury lawsuits. The most common liability limits on home and auto policies we see are either \$100,000 per person or \$300,000 per accident.

That is not much for a human life – not enough to pay for all the medical expenses of the person you severely injure, plus a lifetime of lost wages and compensation for pain and suffering.

If you don't have nearly enough coverage, what can you do? Here is some really good news: you can buy a second layer of liability coverage called a Personal Umbrella Policy, which sits on top of your other personal liability coverages for your home, auto, rental property, boat, and so on. It defends you when a covered lawsuit exceeds your primary liability policy limits.

Best of all, an Umbrella Policy is amazingly cheap. It usually cost between \$150 and \$200 per year for \$1 million of coverage and about \$100 per year for each additional \$1 million in coverage.

Buying an Umbrella Policy is flat out the best value in insurance. It includes some of the broadest coverage in the insurance business, at an incredibly low price. Most likely you won't have to increase your insurance bill – just shift your dollars away from less important coverages. For example, you can save money by raising your auto and home insurance deductibles to pay for the personal umbrella. It could be one of the best decisions you'll ever make.

Here are some examples of Personal Umbrella claims that our clients have experienced:

- In the claim example under the Auto Insurance section involving the motorcyclist, the claim was \$850,000. The client's auto policy paid the first \$250,000 and his personal umbrella policy paid for the remaining \$600,000. Had he not purchased the umbrella policy, he would have been liable for the \$600,000 personally.
- In the claim example under the Home Insurance section involving the elderly woman that resulted in a \$500,000 settlement, the homeowner's policy covered the first \$300,000 and the personal umbrella covered the remaining \$200,000. Had the client not had an umbrella, he would have personally been liable for \$200,000.



HEALTH INSURANCE

Medical debt contributes to nearly half of all bankruptcies in America according to the Kaiser Family Foundation. If you're uninsured, you're leaving yourself vulnerable to potential financial catastrophe. One unexpected major medical emergency could amount to hundreds of thousands of dollars of expenses. Don't put yourself in that situation.

The high cost of medical insurance isn't an excuse to go without coverage—even if you don't go to the doctor often. One option is a high-deductible health insurance plan combined with a Health Savings Account (HSA). With a high-deductible plan, you're responsible for more of your up-front healthcare costs, but you'll pay a lower monthly premium.

Some companies now offer high-deductible health plans with HSA accounts as well as traditional health insurance plans. Compare your options and see if a high-deductible plan could end up saving you money.

LONG-TERM DISABILITY INSURANCE

Long-term disability insurance protects you from loss of income if you are unable to work for a long period of time due to an illness or injury. Don't think a permanent disability could sideline you and your ability to work? According to the Social Security Administration, just over one in four of today's 20-year-olds will become disabled before reaching age 67.

[Those odds are too high for you to skimp on long-term disability insurance.](#) If you're in your prime wage-earning years, a permanent disability could potentially derail your dreams of home ownership or paying for your kid's college.

Bottom line: make sure you're covered. Many companies offer long-term disability insurance to their employees, so start there.

Even if your employer offers it, you still need to consult with your Insurance Advisor. Employer sponsored plans are cheaper, but they may not cover you entirely and are most likely taxed. Your Insurance Advisor will help you understand your benefits, and if needed, they'll find you affordable solutions to completely protect you.

As you look into your options, you'll also find short-term disability insurance designed to fill in income gaps caused that keeps you out of work for three to six months. That's insurance you can skip—especially if you have a fully funded emergency fund to cover your needs.



LIFE INSURANCE

We buy life insurance because we love. We love spouses, children and others who depend on us financially. We love them enough to face the cold reality of death. We love them enough to acknowledge the possibility that we could die young, leaving them without our income.

We love them enough to plunk down our hard earned cash for insurance, so that if we do die early, our deaths will not burden them financially – house payments will be made, groceries will be on the table, and college dreams can be realized; however, life insurance isn't for everyone. If no one would be hurt financially by your death, you most likely don't need it.

Who needs life insurance? Two groups of people.

1.) **Those with one or more people who depend on their income.** If your family depends on your income (whether or not your spouse works), and you don't have enough savings for them to live off of, your family will need the financial help that only life insurance offers. You don't have to be married nor have kids to need life insurance.

For example, you may be single but paying the bills for your elderly mother's assisted living apartment – if something were to happen to you, life insurance would make sure that she's taken care of. Even if you're very well off and your family would be able to survive on your savings, you may have a favorite church or charity that relies on your generous gifts, and life insurance can keep those gifts in force.

2.) **Those who provide services that would need to be hired out in the event of their death.**

If you're a stay-at-home mom, and you die while your children are young, your husband will suffer a financial loss. He'll need, at the very least, money to pay for childcare. If he wants some sanity, he may want to hire household help as well. Over a ten-year span, childcare and help around the house can cost at least \$250,000 or more.

Life insurance can make that outlay possible. Plus, a surviving spouse may not want to work in the same way after a death of a stay-at-home spouse. Maybe your husband would want to work fewer hours while your children are growing up. If he has the money needed, he will have more options. Life insurance makes this possible.

How much life insurance do you need?

If you die early, how much money will your loved ones need? How much will it take to pay off all debt? How much to replace your income? Is providing funds to cover college costs for your children important? If so, how much money will that take? Will your parents depend on you in the future? How do you account for inflation?

Financial experts typically recommend 10 to 15 times your annual income; however, you need to speak with your insurance professional in depth to ensure that you have enough life insurance to meet your expectations. When buying life insurance, aim high for the people you love who will survive you. Too much is far better than not enough, and it's cheap.



BUILDING A GREAT INSURANCE PROGRAM

Most people buy insurance policies from all over the place. The first time we meet with a client, it is typical to see policies scattered between several different agents, and no one overseeing the effects on the big picture. They're wasting money on overpriced coverages full of gaps and exclusions, and completely missing major coverages that could have serious financial consequences.

Shopping for your insurance

The best way to buy insurance is not by calling around for quotes, making sure coverage is "apples to apples", and then buying the lowest bid. This approach is very dangerous! The best way to buy insurance is to select a highly skilled insurance professional who can help you build the best possible insurance program, with no gaps or pitfalls.

Almost all agents get paid the same commission – usually 10 to 15 % - regardless of the agent's experience, skill level, or quality of the insurance products they have available. The good news is that you can buy the very best talent for not a penny more than you would pay for the worst possible agent. Most people see an insurance premium as buying them one thing – an insurance policy. In reality, 85% of the premium goes to paying for claims and covering the insurance companies' operating costs.

Professional advice, policy service and help from a professional agent when there is a problem make up the remaining 15%. Spend that 15% wisely! Get the best insurance professional possible. Most of the time a real insurance professional will help you save money, but it will be with an insurance plan that truly fits your needs.

Captive Agents vs. Independent Agents

When shopping for insurance, most people are unaware of the different types of agents with whom they can work. Choosing the right one can make a big difference in securing the best combination of coverage and price. With a captive agent, you only get the guidance of one company that sells one brand of insurance. With an independent agency, you get several choices of preferred financially superior rated insurance companies.

Independent agents represent multiple brands; therefore, they are allowed to compare coverage and prices to find the best possible value for your individual circumstances. Having the choice of many insurance companies enables independent agents to suggest the best company that meets your specific needs.

In most cases, a single insurance company is not the best company for you throughout life. Different companies are more competitive depending on your needs. As your life changes, another insurance company may be a better fit for you.



SELECTING A GREAT INSURANCE PROFESSIONAL

A great insurance professional is the main ingredient in a great insurance plan. In fact, if you hire an expert who is skilled enough in every area of personal and business insurance, you'll know exactly how your insurance plan will perform for you when you need it.

A true insurance professional is a great bargain in many ways:

- They have the expertise and tools to help you choose adequate coverage in all major policy types.
- They help you keep your coverage in major loss areas balanced and help you avoid inconsistent coverage.
- They take time to probe into your life deeply enough to identify those risks that your current policies exclude.
- They follow up with you periodically to make sure your insurance program is keeping up with your life changes.

If your current agent isn't as good as the insurance professional described above, you can and must do better. The consequences of having the wrong agent can be severe! Getting more talent doesn't cost you a dime more.



A GREAT INSURANCE PROGRAM

While working with an insurance professional is crucial to developing a great insurance plan, it will also require you to care enough about yourself and your family to take the time to get it right.

Ask yourself:

- **What is it specifically that holds me back from working with an insurance professional?**
Most of the time people let their lack of interest control them, resulting in a severely inadequate insurance plan.
- **Am I too concerned about price to focus on what really matters to me?**
Suspend price and discover what an insurance professional recommends. Then, and only then, focus on price. If you're blinded by the price light, it becomes impossible for you to discover what you really need.

Sadly, for most people who focus on price, it prevents an insurance professional from even giving you the best advice and saving you money on the right insurance plan. They know when there is no interest, or it's just about the price, so they tend to abort their professional mission.

- **Am I confused about what is important to me and how insurance plays a role in my life?**
Insurance can seem complex and frustrating to deal with. You need to be open enough to trust that your insurance professional puts your needs above anything else. If you participate and give them an opportunity to help, you'll be amazed at what they can teach you, and discover how to handle things correctly.
- **Do I really care about needing a great insurance plan?**
If you don't care enough about your insurance plan, no insurance professional can help you. You have to be willing to work with someone who wants the best for you.
- **What would it take for me to drop my guard and discover what insurance plan is best for me?**
Most people view insurance professionals as someone just trying to sell them a policy, because that is what they have experienced in the past. If you carry this belief over to your new insurance professional, you'll start off your new relationship on a bad foot, preventing you from getting what you truly need. Suspend that belief, and work with your insurance professional unconditionally to discover the best plan design for you. It's free!

The worst that can happen is you'll know more about how insurance it can protect you than ever before. No one can force you to buy anything. It's about you becoming informed enough to make intelligent insurance decisions, and you need the right insurance professional with expertise to provide that advice to you.



OUR CHALLENGE

It seems most consumers we speak with are focused solely on matching their **current coverage limits** and the **cost** of their insurance policies, and not the **actual risks** that they are trying to protect against. The "Save X % in Y minutes" advertising approach has falsely framed personal insurance as a commodity, causing many consumers to focus solely on the cost of coverage. The words used by product peddlers to lure them into buying a "low cost" insurance policy mean just what the peddlers intended them to mean: **save money now/never mind the protection.**

Of course, consumer's obsession with the search for a "good deal" is not unique to the insurance industry. Carl Richards, the author of Behavior Gap, reminds us that consumer focus on product is exploited by those who are paid to sell product. He explains, "Most of us are trained to think 'What' first, because it's what you hear about all day long. But 'What' questions should come after we think about 'Why' and 'How'. Starting with 'Why' means achieving clarity about your insurance expectations and creating a plan."

Deceitful advertising that frames cost as the only factor in buying insurance has robbed consumers of the ability to ask larger, more important questions. Even simple questions like, "Why am I buying this insurance policy?" "Why buy insurance for your home, for your car, or to protect your assets from lawsuits?" The purpose of insurance is to transfer **large losses from you** to the **insurance company, isn't it?**

If you start with the 'why', you can shift your focus to the reason why you buy insurance and to what extent you want it to protect you. Then you move on to the 'how' to make sure that your policies will actually protect you, or least you will know how much they protect you. Now you can focus on the 'what' – finding the best price for coverage that you actually need. When we review the insurance plan of a typical family, this is what we usually find.



ILLUSTRATING A PROBLEM

- Auto and home insurance with one agent. Life insurance (and occasionally disability insurance) through another agent. Both agents tend to be specialists, and no effort is made to be sure that all the client's major risks are dealt with, leaving them with risks either not covered, or inadequately covered.
- Car insurance liability of \$100,000 per person, which is grossly inadequate in today's legal environment.
- Home liability of \$300,000 per accident, which is grossly inadequate and inconsistent (all liability limits should be the same because they're protecting the same assets).
- No personal umbrella policy which is the only way to protect against a legal settlement that is beyond the auto and home insurance liability limits.
- Health insurance through work, with no advice as to which option is best. Perhaps the plan chosen has significantly higher deductibles and out-of-pocket limits that are beyond their affordability for out-of-network coverage.
- A \$100,000 group life insurance policy, which usually stays with the employer when the employee leaves. Today, the head of the household typically needs a minimum of \$1 million of total coverage. The spouse usually has the same level of life insurance, or none at all.
- A \$200,000 personal accidental death policy purchased from the mortgage company that covers only part of the risk—from accidents only. There is generally no coverage for death from an illness, which is the major cause of death at any age. The beneficiary is usually the mortgage company rather than the dependents.
- No long-term disability insurance, unless the employer provides it. Even when it is provided, group insurance benefits usually cover 60 percent of earnings and are taxable, leaving them with 45 percent of their pre-disability earnings. Most people need some kind of additional supplemental disability policy.

This mixed bag of insurance policies has no coordination, is clearly way out of balance, and premiums are being poorly allocated. If anything were to happen, it would be financially disastrous.



WHAT MAKES A GREAT PERSONAL INSURANCE PLAN?

There are three components of a great insurance program:

- The plan is in balance. All the major loss areas are covered well, with high limits across the board, not favoring any one particular type of major loss. For most people, the major loss areas are premature death, long-term disability, major medical bills, large lawsuits, and major damage to or destruction of one's residence.
- Every policy in the plan has been endorsed to provide coverage that basic policies lack. Plus, every policy has been customized and/or endorsed to cover those significant risks unique to a given individual which otherwise would be excluded by the policy.
- A highly skilled agent with expertise in every type of personal policy is available to help clients identify and manage all the risks in their life. This agent has the skills to make sure the program is in balance and all policies are properly endorsed to cover those risks that would not otherwise be covered.



A BALANCED INSURANCE PROGRAM

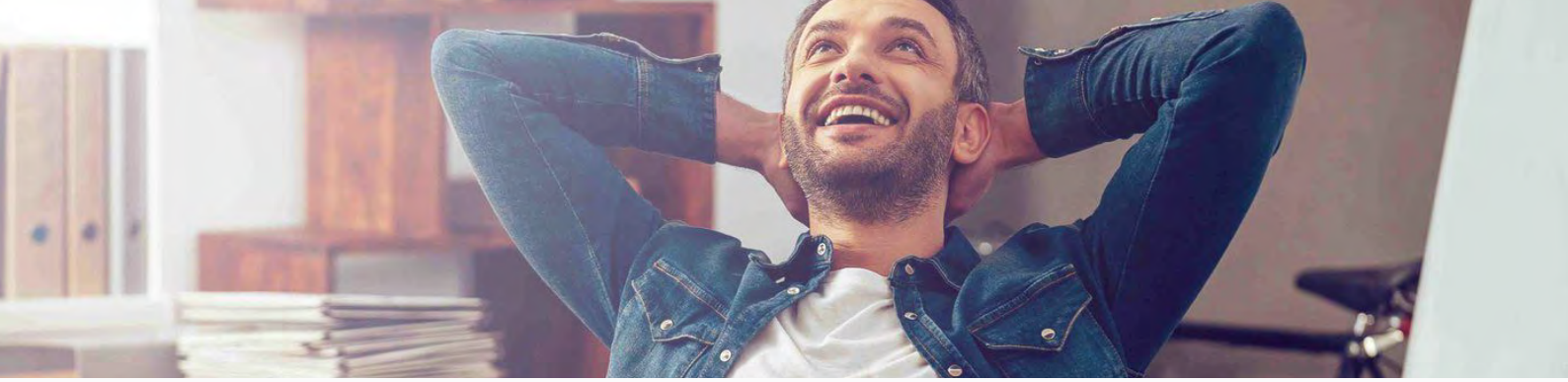
The first component of a great insurance plan—a balanced program—looks something like this for a young family of four with a combined income of \$90,000 a year and a net worth of \$250,000.

- \$1 million total life insurance, most of it 20 or 30 year level term insurance to cover the growing up years of the children.
- Long-term disability insurance on both. If any of that is taxable group insurance,
- Major medical insurance—group or individual—with their deductible and an annual out-of-pocket maximum that is bearable.
- Home insurance at full replacement cost with extended replacement cost building coverage that will cover the cost to rebuild even if the construction costs exceed the insurance amount. That policy needs to cover special perils/all risk causes of loss, with earthquake and flood coverage added if there's any exposure to them.
- A personal umbrella policy of \$2 million or more with all the underlying policy limits high enough to meet the umbrella policy threshold requirements.

A CUSTOMIZED INSURANCE PROGRAM

The second component of a great insurance program is a customized program that has been endorsed or altered to fit the particular needs of the insureds. Following are some examples.

- Personal umbrella policies chosen to cover the activities of this particular family that otherwise aren't covered by underlying insurance, such as renting boats or recreational vehicles while on vacation, or renting cars when traveling abroad.
- For insureds with home offices, homeowners policies where the business exclusion has been deleted with respect to injuries on the premises to delivery people, co-workers, or customers who occasionally come on the premises for business purposes.
- For insureds that have transferred their home to a trust, homeowners and umbrella insurance policies are endorsed to protect the trust assets. On an unendorsed homeowner's policy, the trust would have no fire or liability insurance nor any automatic liability coverage under an umbrella policy.
- For insureds with expensive personal property above the standard limits, properly scheduled personal property (jewelry, furs, cameras, and so on).
- For insureds who employ domestic workers (i.e. nannies), workers compensation insurance and employers liability coverage with limits that satisfy the umbrella requirements.



SUMMARY

Use this guide to help you discover the type of insurance policies and coverages that are truly right for you. What's covered, what's excluded, what has a sublimit, what endorsements you need, which endorsements you don't need, what is really enough property coverage, do you have any special conditions, when does coverage stop, what to do when it stops, what else is missing, and so on.

Make sure you work with an insurance professional who puts your needs above everything else. Someone that is your lifelong teammate, one that helps you make adjustments as your life changes. This type of agent doesn't just spit out quotes, trying to beat your price. That approach is dangerous!

When choosing your insurance, of course price is important, but don't let price alone determine your decision. First, determine what coverage best suit your needs, then decide which company has the best price.

Better yet, have one of our trusted Insurance Advisors be your Personal Risk Manager. We'll review what you have now, and provide you with what you should have, along with our best quotes. Our sole purpose is to protect you! If it turns out that you are already adequately insured and getting a good deal where you are now, we'll tell you. We'll even tell you what changes you need to make with your current insurance company. Either way, you'll have peace of mind!

Take your next step towards true peace of mind.

Call/Text us: [877-215-5431](tel:877-215-5431) or Visit: www.coastalinsurancesolution.com

