



Is Insurance Really Necessary?

If you have ever wondered if it is worth paying those insurance premiums month after month, just ask someone diagnosed

with a terminal illness or someone whose home has been ravaged by a natural disaster ... the answer is a resounding yes.

While you hope that you will never need insurance, it protects you from personal loss in the event of a catastrophe. When shopping for insurance, be sure you match your benefits with the premiums you are asked to pay. The Federal Reserve Bank of Dallas has some suggestions to help you in your search for the insurance policy to cover your needs.

Auto Insurance

State law requires that all motor vehicles have liability insurance to cover property damage or injury to other people. If you have a loan on your vehicle, your lender also requires that you have collision insurance. Premiums are generally lower if you select a higher deductible, meaning you pay more out-of-pocket before the insurance policy kicks in.

Homeowner's Insurance

This insurance covers your home and possessions. Your mortgage lender will require this type of insurance until you pay off your home loan. As with auto insurance, you can select a higher deductible to save money on your premiums. Standard homeowner's insurance policies protect the owner from loss in fires and theft. Flood insurance generally requires a special rider on your homeowner's policy.

If you rent, you need renter's insurance on your personal items. The landlord's policy will cover only damage to the building itself, not your personal property. You may also want to consider liability insurance in the event that someone is injured while in your rental property. You would be responsible, not your landlord. With the appropriate level of auto insurance, your insurance agent probably offers a reasonably priced umbrella policy that covers all types of liability.

Medical Insurance

While medical insurance will pay for part of your hospital stays, doctors and prescriptions, there is also a deductible for which you are financially responsible. A serious illness without insurance can cause significant debt if you do not have health insurance or do not have adequate savings to pay out-of-pocket costs. Although they may cost extra, you should consider

whether you will come out ahead by purchasing dental and optical insurance.

Those who have insurance through their employers should also consider participating in a flexible spending account (FSA) if offered. This option allows you to save pre-tax dollars to pay for those expenses not covered by insurance.

If you do not have access to such a plan at your work, you might consider setting up a health savings account (HSA) at a bank or other financial institution to pay for health-related expenses. An FSA requires you to spend all of the money in your account by March 15 of the following year. With a HSA, you can roll it over from year to year.

Disability Insurance

Statistics indicate a high risk of becoming disabled before the age of 65. This type of insurance helps pay your living expenses while you are out of work for an extended period of time and is offered for both long-term and short-term disability.

Life Insurance

This insurance will pay benefits to your designated beneficiary in the event of your death.

Long-Term Care Insurance

This relatively new insurance policy will pay for health-related items such as nursing home care, assisted living or in-home care. These policies are somewhat expensive. When shopping for this type of insurance, be sure to take your time and research several policies to decide which policy is right for you. Generally it is not cost-effective to purchase this policy until age 50, but each person's circumstances and needs may differ.

The National Association of Insurance Commissioners has a website called "Insure U," with several sources of information regarding all types of insurance. Begin your research on the best type of policy for you by going to www.insureuonline.org. While insurance premiums can be high, the cost of not having insurance can be catastrophic.

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