



Twelve Personal Insurance Myths

You Can't Afford to Believe

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When it comes to insurance, you need straight facts – not myths and legends.

Remember the Mayan doomsday? The myth grew out of claims that the Mayan calendar predicted the earth would be destroyed by a rogue planet on Dec. 21, 2012.

How powerful was this myth?

- Millions around the world threw doomsday parties.
- In the weeks leading up to “doomsday,” a Google search for “Maya 2012” returned about 700 million hits.
- NASA even jumped into the fray, launching a full debunking campaign. They issued grave warnings about the rumors posing a threat to frightened children and suicidal teenagers, hosted a “Beyond 2012” FAQ web page, and preemptively posted a video on its YouTube channel titled “Why the World Didn’t End Yesterday.”

The myth grew even larger with the help of the Internet, social media, and the History Channel. But as we all know, nothing happened. And according to Mayan elders, they had debunked the myth long before “doomsday.”

Of course, myths and legends are generally harmless and they add a little spice to life, so people can afford to indulge. But when it comes to your personal insurance needs, you need straight facts, not science fiction.

Why are there so many myths about insurance among consumers?

Let’s face it – insurance can be complicated. Most of us don’t really understand every point and subparagraph of our insurance policies, and we often understand even less about our premiums. In fact, a [YouGov](#) survey found that 53 percent of Americans say determining which policies they need is confusing. Part of the problem may be that most people just don’t spend much time thinking about insurance. When asked to rank financial priorities, insurance ranked below sticking to a budget, saving for retirement and paying off credit card debt.

Then again, insurance isn’t exactly at the top of everyone’s priority list of things to study up on, and it’s natural to be a little suspicious of things we don’t understand. But we all know how misunderstandings and miscommunication can easily snowball into rumors, even into myths and legends.

So just to clear the air, here are some of the most common myths about personal insurance including auto, homeowners, life, and disability. And it didn’t take Mayan elders to debunk these myths. Simple facts and statistics tell the tale.

Insurance can help you avoid debt and stay on budget, but only 18 percent of consumers say having comprehensive insurance is a financial priority.

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Auto Insurance Myths

When it comes to car insurance, a small monthly premium protects not only an asset you rely on every day, but also you and your family's health and well-being if you're ever involved in an accident. Insurance policies can be confusing, but don't buy into these myths that can unnecessarily take money out of your pocket:

1

MYTH: My insurance will cover me if my car is stolen, vandalized, or damaged from hail or fire.

FACT: Unless you have comprehensive coverage, you're not covered for any of these things. In most states, a bare-bones policy only requires you to buy liability coverage, which pays only for damage you cause to others. To be fully protected from all types of damage situations, you need to purchase both collision and comprehensive coverage. Collision coverage pays for damage to your vehicle from an accident, while comprehensive coverage pays for damages to your vehicle that are not the result of an accident, including theft, vandalism, hail, fire, and accidents involving animals.

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2

MYTH: Comprehensive coverage covers theft of your vehicle and all items contained within.

FACT: Comprehensive coverage only covers items physically attached to your vehicle. This could include items such as your car stereo or GPS device if they're factory installed. For coverage on personal items in your car such as iPods, clothing, and compact discs, you need homeowners or renters coverage.

3

MYTH: Working with a direct company is always cheaper than going through a local agent.

FACT: Although direct companies save money on costs by not incurring agent commission fees, that doesn't necessarily mean they pass those savings on to you. Many direct auto insurance carriers put those savings back into marketing their products. If you're comfortable working with both a local agent and a direct carrier, it's always best to shop around. Local independent agents often have access to multiple carriers so they can shop the market on your behalf.

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Homeowners Insurance Myths

Your home is likely the biggest purchase you'll ever make, so it only makes sense to protect your investment. And since homes are big things and big things are complicated, your homeowners policy can also be confusing. Many consumers make a lot of assumptions about what's covered under their homeowners policy, and that can lead to these costly myths:

4

MYTH: My homeowners policy will cover me.

FACT: You generally need additional riders to cover losses from events such as sewage backup, food spoilage from power outages, earthquakes, and wind damage. And standard home insurance does not cover damage caused by a flood. You need a separate flood insurance policy. Always review your policy at renewal time each year, especially the exclusions and limitations pages outlining what's covered and what isn't.

5

MYTH: The medical payment portion of my homeowners insurance will cover injuries to my family and me.

FACT: MedPay, a common feature of standard home insurance policies, is there to protect you if someone other than you or your family (a neighbor, friend, etc.) gets hurt on your property and they don't want to sue you. MedPay will typically cover up to \$1,000 for each covered claim to someone outside your family. If you or someone in your family gets hurt on your own property, you're not covered by your home insurance policy.

6

MYTH: If my home is ever lost, my insurance company will reimburse me for whatever I tell them I owned at the time of loss.

FACT: In the event of a covered loss, your homeowner's insurance carrier will ask you to make a list of everything you own and include specific details such as purchase price, date of purchase, serial numbers, etc. Make sure you have a home inventory that includes photos, receipts, and anything else that will help you prove ownership. Keep your inventory in a fireproof safe or at a friend's house so it's still around when you need it.

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Life Insurance Myths

Life insurance is an important part of a well-rounded financial plan. But like all insurance, it can be confusing. Unfortunately, that confusion causes many people to skip the coverage altogether. Don't let these myths put your family at risk for financial hardship:

7

MYTH: I need enough life insurance to cover several times my income.

FACT: Although most policyholders have life insurance worth an average of three times their income, you'll probably need a lot more than that to keep your family afloat if you have children under 18. On the other hand, if you have no dependents or a spouse who relies on your salary, you may not need life insurance at all.

8

MYTH: Only people with kids need life insurance.

FACT: Chances are your spouse depends on your income, regardless of whether you have children. Could he or she afford to pay the mortgage and other household bills alone? A life insurance policy could help your partner keep the house and maintain the same standard of living.

9

MYTH: If your employer provides coverage there's no need for more.

FACT: Many corporations provide their employees with free life insurance worth once or twice their annual salary. These are nice benefits, but if you leave your company without a separate policy in place, it could be difficult or even too late to purchase one when you need it most.

Ask yourself:

Could my spouse afford to pay the mortgage and other household bills alone?

The answer will determine your life insurance policy.

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Disability Insurance Myths

According to the Social Security Administration, nearly one-third of U.S. workers will become disabled at some point in their career before retirement. That means your chances of becoming disabled are better than your chances of dying. Yet consumers are much more likely to think about life insurance than disability insurance. Failing to protect your income could cost you everything you've worked for, so don't fall for these myths:

10

MYTH: My employer's disability insurance will cover me.

FACT: If you think your lost income following an accident or illness is covered through your employer's long-term disability insurance plan, think again. A typical group policy pays 60 percent of your salary up to a specified limit, and group policies usually don't replace commissions or bonuses. If you're single with no children, your employer's coverage might be enough. But if you're older and have kids, they probably won't be. For many families, 50 percent to 65 percent of an earner's paycheck isn't enough to make ends meet without using additional savings.

11

MYTH: It's too expensive.

FACT: Try living without an income for six months. PYMNTS Intelligence found that 62% of Americans live paycheck to paycheck. Even among people earning more than \$100,000 annually, 48% say they live paycheck to paycheck. If an accident or illness causes you to lose that paycheck, you don't want to have to spend your life savings and retirement just to pay the bills.

12

MYTH: I'm young and healthy, so I don't need disability insurance.

FACT: As mentioned before, your chances of becoming disabled are better than your chances of dying, and no one can predict when he or she might become disabled. Your best chance of getting the best disability insurance coverage at the best rates is now, while you ARE young and healthy.

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Conclusion

Myths and legends are great for the big screen and story time, but they have no place in your financial planning. You need solid facts and sound advice to navigate your personal insurance needs. And there's no one more qualified to help you get the best protection for yourself, your family, your property, and your valuables than your insurance agent.



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