

TIPS FOR PICKING AN INSURANCE COMPANY

You purchase insurance for three reasons: (1) because the law or your mortgage company or car loan company require it; (2) so that you have insurance to cover your losses if disaster strikes; and (3) so that anyone you accidentally harm is fairly compensated by insurance and you don't have to pay them out of your own personal assets. If you don't buy the right insurance **before** you need it, it is too late. If you pick the wrong insurance company, you may end up fighting with your own insurance company to get it to cover claims that it should rightly cover. If you pick the wrong insurance company and you injure someone else, you may get sued because your insurance company treated the other person badly or refused to provide fair compensation for the injuries you caused. Insurance is supposed to provide "peace of mind," but you have a responsibility to do your homework and make sure that you buy your insurance from a company that will honor its promises.

The following are some important tips to help you pick an insurance company that best serves your needs:

- 1. Understand the difference between an "Insurance Company" and an "Agent."** If someone asked you who your insurance company is, what would your answer be – "State Farm" or "Jane Smith?" Your insurance company is the company that actually issues the policy, not the person who helped you get the policy. Make sure you understand the difference.
- 2. Do not buy insurance from a third party.** A mistake people often make is that, when they purchase insurance through third parties such as AAA, AARP, or Costco, they assume that they are actually insured by AARP. This is NOT correct. You are insured by the insurance company that AARP contracts with to sell insurance to its members. Third parties such as AAA, AARP, Costco or trade associations, make money by encouraging their members to purchase insurance through them. However, these third parties are NOT the actual insurance company and, in many cases, it is difficult to tell which insurance company will provide you coverage. As a result, you often don't have any idea which insurance company will insure you, whether they are the right fit for you, or whether you will be able to contact them easily to make sure you are getting the insurance you need. NEVER buy insurance from a third party. ALWAYS buy insurance from a local agent so that you know which insurance company is insuring you. See more about this in our article "Tips for Picking an Insurance Agent."

- 3. Ignore advertising!** Do you ever wonder why some insurance companies advertise on TV and some don't? Sure, we've all seen the gecko and seen advertisements about "good neighbors," "good hands" and perky sales agents, but these companies are often the biggest violators when it comes to covering claims and providing the service and benefits to which people are entitled. These companies focus on spending their money on advertising instead of paying claims. Don't get fooled by cute lizards or smiling pigs on a zip line. Stick with companies that focus on their customers instead of "feel good" advertising.
- 4. Look at the Insurance Commissioner's website.** Washington is fortunate to have a consumer-friendly insurance commissioner in Mike Kreidler. Because of him, Washington has pro-consumer laws that favor people who buy insurance and attempt to keep insurance companies in check. The Insurance Commissioner's website has many resources for consumers. The website is www.insurance.wa.gov – take a look at it and pay particular attention to the insurance companies that receive a high number of complaints from consumers. In 2011, the automobile insurance companies that received the highest overall number of complaints included State Farm, Progressive, Farmers, Geico, Allstate, and USAA. With the exception of Farmers, many of these insurers have more than one separate entity with a similar name (e.g. Progressive Class Insurance Company and Progressive Casualty Company).
- 5. Talk to your friends who have had problems with their insurance companies.** Surprisingly, your friends who have not had problems with their insurance companies may not be the best source of information about which company to select. Many of them may simply never have had claims while others may have opted to accept a quick settlement offer and not realized that they did not receive the fair compensation to which they were entitled. Instead, ask your friends who have had trouble with insurance companies – what was the problem they experienced? How were they treated? How long did it take to resolve the problem? Was it ultimately resolved to their satisfaction? Did the insurance company respond to their questions?
- 6. Know your rights.** As the purchaser of an insurance policy, you are the customer. As a result, your insurance company owes you certain duties. This is known as "good faith and fair dealing." When an insurance company violates its duties to you, it may be engaging in "bad faith" which, in some circumstances, can give rise to a lawsuit.