

The Benefits of Insurance

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The insurance industry has long had an image problem. Even though insurance is essential to life as we know it, too often the negative stories, such as claims being denied or delayed, make the headlines. Insurance providers are not always comfortable promoting all the benefits the industry provides. Helping clients understand the true value of insurance is another value-added service of the professional insurance agent.

Insurance, especially auto insurance, is often perceived as a commodity, one that can easily be purchased at the click of a button. However, there can be significant differences in policy language regarding what is covered and excluded. Insurance can be complicated. In many cases, cheaper insurance means less coverage. Unfortunately, this is not always realized by the entity purchasing the insurance until after the loss. In this age of increasing automation and less person to person contact, access to the knowledge and service provided by insurance professionals remains essential. These professionals help their clients navigate the intricacies of the coverage they may or may not be required to have.

The importance of insurance far outweighs the claims dollars received for premiums paid. Without insurance, life would be vastly different. Insurance is a mechanism to spread risk among a large group, thereby reducing the exposure of any one individual person or business. Insurance provides the guarantee needed to take a loan to purchase

a home or business, or start a construction project. Insurance offers protection when unexpected losses happens. Peace of mind – knowing that a home or business will be rebuilt after a fire or hurricane, or that a vehicle will be repaired or replaced after a crash, is something that is difficult to put a value on.

The actual monetary value is also significant. For example, after the terrorist attacks of 9/11, the insurance industry paid out nearly \$32 billion in claims to affected parties. S&P Global Market Intelligence reports that homeowners claims paid in 2018 were \$56.2 billion.

For employers, providing a comprehensive package of benefits, including life and health insurance, as well as group discounts on homeowners and auto coverage, is a means of attracting and retaining quality employees. Health insurance in particular is essential. Access to preventative care helps avoid higher cost treatment down the road. One uninsured hospital stay for a heart attack could cost over \$20,000. Extended stays and treatment plans, such as for cancer, could easily bankrupt a family.

Life insurance comes into play during stressful times of loss. When an income earner dies, especially if it is prematurely, many decisions must be made quickly. Life insurance provides a tax-exempt cash benefit at a time when it is most needed. The



money can be used to pay off debts, such as credit cards, medical bills and mortgages, which allows the surviving family members to stay in their home and maintain their lifestyle.

In addition to the coverage and security provided by the insurance product itself, insurance companies and employees give back to their communities. A McKinsey and Company report found that the industry's charitable giving is \$500-600 million per year. Insurance is an essential but often underappreciated component of society. Helping clients understand the true benefits of insurance is another sign of the true insurance professional.

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