



Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

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SIDEBAR: Want to see how your insurance knowledge stacks up against the rest of America? Go to www.insureUonline.org and take the Insurance IQ quiz.

Consumer Insurance IQ needs boost, survey says

On average, people surveyed were only able to correctly answer four out of 10 basic insurance questions

TOPEKA, Kan. – Think you know insurance? A new survey says differently.

In a recent 10-question insurance test given to 1,000 American adults, the recipients averaged only four correct answers, flunking the test with only a 40 percent score.

The test was part of a survey commissioned by the Kansas Insurance Department and the National Association of Insurance Commissioners (NAIC).

“Now, more than ever, consumers need to be mindful of the impact their insurance decisions can have on their financial future,” said Sandy Praeger, Kansas Commissioner of Insurance. “By arming themselves with the facts — and improving their Insurance IQ — consumers can make sure they are adequately protected, without paying more than they should for coverage. In these uncertain financial times, knowledge is your best policy.”

The apparent lack of insurance knowledge shown by the consumers in the survey contrasts sharply with confidence levels expressed by them before taking the Insurance IQ test. Prior to the test, nearly 60 percent said they feel “very confident” when making insurance decisions overall, with only 15 percent voicing any insecurity about their decision-making abilities.

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“With rising joblessness and falling home prices, Americans need to make sure they understand what their insurance policies cover,” Commissioner Praeger said. “By making careful, informed decisions about their insurance, consumers can save money and ensure long-term protection for themselves and their loved ones.”

Among the key findings of the survey:

Health: Less than half of those surveyed (49 percent) know that if they leave their job and choose the federal Consolidated Omnibus Budget Reconciliation Act (COBRA) to continue their health benefits, they must pay the full cost of coverage (this is subject to change for some under the new American Recovery and Reinvestment Act).

Home: Just one in five respondents (19 percent) realizes that the requirement for private mortgage insurance (PMI) on a newly purchased home depends on the size of the down payment and lender; almost 30 percent think PMI is required by law.

Life: Only 14 percent of respondents correctly know that the amount of life insurance typically recommended for individuals is five to seven times your annual salary. (The recommended amount is a common benchmark; however, the NAIC encourages individuals to carefully consider their own needs.)

Auto: Less than two-thirds of Americans (62 percent) are aware of the top three factors that impact the cost of auto insurance coverage (i.e., accident history, vehicle safety features, geography).

How to Improve Your Insurance IQ

Commissioner Praeger has offered four useful tips to help Kansans understand their insurance policies.

1. Get savvy.

Before shopping for a policy, learn as much as you can about insurance. The award-winning “Insure U” consumer-education Web site (www.insureUonline.org) is an unbiased, expert resource to help you understand the insurance options for your personal situation.

2. Shop around; do your homework.

Obtain premium quotes from several companies for the amount of coverage you require. The Insurance IQ survey found that although many Americans rely on personal experience and recommendations when making insurance decisions, nearly 90 percent do not gather information from other, more reliable sources of information — such as their state insurance departments.

The Kansas Insurance Department offers several online publications to assist consumers. For more information, go to www.ksinsurance.org.

3. Before committing: Stop. Call. Confirm.

If you are unsure about an insurer or agent you are working with, 1) *Stop* before signing any paperwork or writing a check; 2) *Call* the Kansas Insurance Department at 800-432-2484; and 3) *Confirm* the company or agent is legitimate and licensed to do business in Kansas. Consumers can also find company information on the department's Web site.

4. Review Your Policy.

Don't wait until you need to file a claim or renew coverage before evaluating the scope of your policy. The Insurance IQ study found that 60 percent of respondents do not periodically review their policies.

"Twenty-five percent admit rarely or never looking at their policies," Commissioner Praeger said. "By understanding your policies, you can be prepared for any situation and, potentially, save money by avoiding unnecessary costs."

The Commissioner said there was one more important element to remember: Throughout the year, Kansans may encounter changes in employment, salary, geographic location and/or family dynamics.

"These factors affect insurance options and the amount of coverage a person needs," Commissioner Praeger said. "Any time your life situation changes, be sure to review your insurance coverage and make any necessary adjustments."

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About the Survey

The Kansas Insurance Department and the NAIC conducted the Insurance IQ study Dec. 4-14, 2008, to highlight consumer concerns and questions; uncover misinformation and insurance myths; and underscore the financial and emotional impact of poor decisions. The insurance intelligence quotient was based on a 10-question quiz on different types of insurance. The participant sample included a nationally representative sample of 1,000 American adults ages 18 and older with a margin of error +/- 3.1 percent in 95 out of 100 cases.

About the Kansas Insurance Department

The Kansas Insurance Department, established in 1871, assists and educates consumers, regulates and reviews companies and licenses agents selling insurance products in the state. More about the department is online at www.ksinsurance.org.

About the NAIC

Formed in 1871, the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories. The NAIC Central Office is in Kansas City, Mo. The NAIC serves the needs of consumers and the industry, with an overriding objective of supporting state insurance regulators as they protect consumers and maintain the financial stability of the insurance marketplace. For more information, go to www.naic.org.