

Home & Auto Insurance Basics

Why You Need Homeowners' Insurance When You Own A Home

Homeowners' insurance is required by lenders when a homeowner takes out a mortgage to protect their investment and ensure that the home will be able to be repaired or replaced if something were to happen. This type of insurance helps lenders mitigate their risk in case the property was damaged or destroyed due to a covered peril, such as fire, wind, hail, theft, and more. Homeowners' insurance helps provide peace of mind for lenders that their loan will be repaid in full even if the mortgaged property is damaged beyond repair.

Having homeowners' insurance also allows homeowners to keep up with any changes in value of their home due to damage from a covered peril. Insurers are responsible for determining the current market value of the home after any damage has been sustained and this can allow homeowners to receive financial assistance towards rebuilding or repairs. Moreover, certain insurers may offer coverage for other items such as personal possessions within the home or liability coverage in case someone gets injured while on your property.

In addition, some states require mandatory coverage as part of their legal framework when taking out a mortgage. Lenders have specific requirements regarding what type of coverage you carry and how much it needs to cost, so they will often work with you directly to make sure all requirements are met before providing final approval on your loan application. It's important that you meet all requirements before applying for a mortgage so you don't run into any issues during closing on your new home loan.

Insurance Is Also Required For Cars

Most states mandate auto liability coverage to ensure that drivers are financially responsible for any damage they cause while operating a vehicle. Liability coverage is designed to help protect people from the financial losses caused by another driver's negligence. When an at-fault driver does not have sufficient insurance, victims may be forced to pay out-of-pocket for damages such as medical expenses and property repair costs. Mandatory liability insurance helps reduce the risk of this occurring, since it provides financial protection for those who are injured or lose property due to another driver's fault.

In addition to providing financial security, mandatory auto liability coverage also serves as an incentive for drivers to behave responsibly on the road. Knowing that they could face significant legal and monetary consequences if they were to cause an accident while uninsured can discourage drivers from engaging in risky behaviors such as driving under the influence or texting while driving. Studies have found that states with higher minimum liability limits tend to experience fewer traffic fatalities compared with those with lower limits.

What's The Minimum Needed In Your State & Is It Enough?

Minimum auto liability insurance requirements vary by state. Each state has a minimum required amount of coverage that must be purchased in order to legally operate a vehicle, and this is known as auto liability insurance. Auto liability insurance provides financial protection if the insured driver's car is involved in an accident and causes damage or injuries

to another person or property. It is important to understand the minimum level of coverage required by law, as well as additional voluntary policies that may provide more financial protection for drivers and their families.

Generally speaking, liability insurance alone may not be sufficient enough to cover all costs associated with an automobile accident; depending on the severity of the incident and medical/property expenses incurred it could very easily exceed the standard coverage limits. This means that even if you purchase only the minimum amount of coverage required by law – without optional add-ons such as collision and comprehensive – you could still have a substantial out-of-pocket cost following an automobile accident if it exceeds your policy's limits.

Statistics show that motor vehicle accidents cost Americans over \$340 Billion per year in personal injury costs alone. The average cost per crash-related death was estimated at over 1 million dollars in 2022 – a number which has been steadily increasing since 2000 due largely to medical costs associated with serious crashes increasing faster than inflation rates. Furthermore, estimates suggest that only about 60% of all crash-injured people received needed health care treatment within 12 months after their initial injury; meaning many individuals were left shouldering high medical bills due either lack of proper health care coverage or due insufficient coverage provided by their auto policy following an accident involving another party's negligence or criminal activity (i.e., drunk driving).

It is thus quite clear that auto liability insurance alone may not be adequate financial protection against unexpected costs related to automobile accidents; opting for higher levels of coverage along with additional optional policies such as collision and comprehensive can help reduce gaps between what your policy covers and out-of-pocket expenses from unexpected incidents.

STANDARDS: 6.12.3a, 6.12.3b, 6.12.3c