

# ***TAKING CHARGE in Challenging Times***

## **MEETING YOUR INSURANCE NEEDS**

When your income or personal situation changes, review your insurance coverage. If your income decreases because of a layoff, illness, disability, divorce, or death of a breadwinner, you may find it extremely difficult to pay insurance premiums. If this happens, you should first determine your minimum needs for insurance. Then, call or write your agent to check into a different payment plan that allows you to keep your coverage. Or, investigate plans with lower premiums.

Insurance is the primary way you protect yourself against financial loss caused by illness, accidents, and other destructive or damaging events. Through insurance, you pool your risk with others. You pay (or your employer pays for you) a premium to an insurance company that in return pays for the damaging effects of a large loss if it occurs.

You may decide to accept some risks and share others. Savings, instead of insurance or maintenance contracts, could be used to pay a variety of unexpected expenses such as burial expenses and repair of major equipment. Using deductibles (the amount of money you agree to pay per claim before the insurance company pays for a loss) is a way to share risk. If you are married, another way to share risk is to make sure both spouses are employable so your family is not dependent on only one income.

Consider minimizing your risks. Although you cannot eliminate risk from your life, you can postpone, minimize, or control some losses. For example, wear your seat belt and use more caution or do not drive during bad weather to reduce your chances of an accident.

### **Health Insurance**

Most people rely on employer group health insurance to ease the burden of medical costs. If you no longer have a job, some alternatives exist.

The Consolidated Omnibus Budget Reconciliation Act (COBRA), a federal law, provides that certain former employees, retirees, spouses, former spouses, and dependent children have the right to temporary continuation of health coverage at group rates. This coverage, however, is only available when coverage is lost because of certain specific events. Group health coverage for COBRA participants is usually more expensive than health coverage for active employees, since usually the employer pays a part of the premium for active employees while COBRA participants generally pay the entire premium themselves. It is ordinarily less expensive than individual health coverage. Contact the office responsible for employee benefits before leaving any employment position for details. There is a limited period of time to sign up for this coverage.

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) guarantees that persons, who have exhausted COBRA benefits and are not eligible for coverage under another group health plan, have access to health insurance coverage without being subject to a pre-existing condition exclusion period. However, certain conditions must be met. In South Carolina, the South Carolina Health Insurance Pool provides this guarantee of health insurance coverage. For information, call (800)868-2500, extension 42757 or (803)788-0500, extension 42757 in the Columbia area.

If COBRA does not apply in your case, you may be able to convert your group policy to individual coverage. Contact your employer and the insurance company for your options. An advantage of converting policies is that you may not have to pass a medical exam. A disadvantage is that benefits may be reduced and premiums will probably be higher.

If you are between jobs, another option on health insurance is to take out a short term or interim policy which is typically written for six months or less. Shop around to compare prices.

If your spouse is employed, check out the possibility of being covered on your spouse's group health insurance. See if and when your spouse could add family coverage through his/her employer. Many employers or other groups have limited "open enrollment" periods, but may add coverage throughout the year upon proof of a change in the family situation.

Investigate buying insurance through another group such as a fraternal or civic organization, professional association, or health maintenance organization. Group coverage is almost always cheaper than coverage by individual policies.

If individual coverage is the only alternative, compare several policies for the best coverage. Individual health insurance is very expensive. Generally, it is wiser to choose a large deductible in order to lower premium costs. It is better to self-insure against routine medical expenses and buy major medical insurance to cover unexpected, costly illnesses, or emergencies. Avoid purchasing single disease policies or overlapping coverage.

If you do not have health insurance or can no longer pay the premiums for health insurance, there are limited health services available for the elderly, disabled, children, and pregnant women. Check with your county health department to learn about health care programs provided at little or no cost. These may include immunization programs, well-baby clinics, blood pressure checks, and other screening programs.

Medicaid is generally available to families who receive government income assistance or to people over age 65 or people who are blind or disabled. Check with your local Health and Human Services Office for current medical assistance programs and income and resource guidelines.

### **Life Insurance**

If you have life insurance, try not to let it lapse if others are dependent on your income or wage-earning capacity. Your policy could be expensive or impossible to replace later. Owners of whole life insurance policies can borrow against cash value or use accumulated dividends to pay the premium to keep the insurance in effect. The cash value of a whole life insurance policy may be borrowed and used for other expenses. This loan will reduce the face value of the policy until it is repaid.

Life insurance protects your dependents against loss of income and helps to pay expenses because of your untimely death. If you no longer have dependents, you may want to cash in your whole life policy if your income decreases. You may have to pay income taxes on the money received. You may have had group term life insurance through an employer. This is pure protection without a cash value or savings feature. If you are uninsurable elsewhere, you may want to convert your former employer's group plan into an individual policy. Check with your employer about converting the policy.

If you are healthy, insurable, and need coverage, you may benefit from purchasing individual term life insurance. This insurance usually provides maximum protection at the least cost. It insures your life for a fixed period of time, usually 5, 10, or 15 years, and benefits are paid only if you die within that time period. Shop around; there is a big difference in term policy prices.

As with all insurance, review your needs before talking with an agent. Evaluate your spouse's income (if any), potential Social Security payments, interest, or other income, your debts, and your family's living expenses.

## **Automobile Insurance**

Automobile insurance has two parts: (1) liability coverage for bodily injuries, property damages, and medical expenses to others when you are at fault, and uninsured motorist coverage to pay for injuries caused by another driver who is uninsured or by an unidentified hit-and-run driver; and (2) physical damage protection for your vehicle, such as collision, fire, or theft.

The South Carolina minimum limits for liability are \$25,000/\$50,000/\$25,000 (25/50/25). This means \$25,000 for each person in an accident and \$50,000 total bodily injury liability for each accident with a \$25,000 property damage liability for each accident. If your policy has higher limits and you cannot pay the premium, consider cutting back to the minimum liability limits temporarily. However, these minimum limits do not provide adequate protection for the long term.

One way to reduce automobile insurance premiums, if your car is not new, is to increase the deductibles for comprehensive and collision or drop these coverages. Consider dropping collision coverage if the car's value is so low you could assume the loss yourself.

Minimize your automobile insurance premiums by checking rates among companies, selecting a higher deductible, purchasing less expensive coverage, and insuring all family cars with one company. Check for special categories that are considered good risks such as nonsmokers, driver education training for young drivers, and good driving records. When planning to purchase a different vehicle, be sure to check insurance rates as they vary considerably by make and model.

## **Property Insurance**

Most homeowner's policies protect you from loss of property and legal liability. If you experience a loss because of fire, storms, explosions, vandalism, or theft, most homeowner's policies reimburse you for loss or damage to the house and its contents.

Coverage is based on the cost of replacing the entire structure, with personal property figured as a percentage of that cost, typically 50 percent. Coverage should be based on replacement costs rather than actual cash value. You are not fully protected even for partial losses unless purchased coverage is at least 80 percent of replacement costs.

Liability protection covers individuals injured on your property, your damage to someone else's property, and medical payments for the injured. A renter's policy covers the replacement cost of the contents of your leased home as well as liability protection.

If you try to save money by lowering premium costs, beware of under-insuring. Check your policy to see that it will rebuild your house and replace your possessions at today's prices. For example, if your 10-year-old television is stolen and your insurance only pays what the television set is now worth, you will have trouble replacing it at current prices.

## **Disability Income Insurance**

If your income is reduced because you are disabled, you know the importance of buying income protection through disability income insurance. The coverage typically provides 50-70 percent of a worker's before-tax income. Once disabled, workers need to check their qualification for benefits provided through their employer, Social Security, or veteran's affairs. Other types of insurance policies already owned, such as life or credit insurance, may cover payments or premiums if the policy owner is disabled. Some loans provide payment of debts if the debtor purchased disability coverage.

## **Conclusion**

Estimate your needs, shop around, talk with several agents, and select coverage that will fit your budget. Do not over-insure. Insurance needs should be reviewed periodically, particularly when income changes. With all insurance, make sure the company has a very high rating with the insurance rating services. Friends and relatives can share experiences of companies' payments on claims.

## 30 Additional Ways to Cut Your Insurance Costs

### For All Insurance

1. Look for broad policies that insure exactly what you need to insure. Avoid narrowly defined policies. For example, one comprehensive health insurance policy should eliminate the need for a cancer insurance policy.
2. Do not buy insurance coverage for risks that you could insure yourself. You could prepare for low-cost risks, such as minor damage to your car, through savings.
3. Take the biggest deductible that you can afford. The deductible is the part of the insurance costs that you have to pay.
4. Check policies to make certain that you are not paying twice for the same coverage. For example, you could lower your auto insurance premium by decreasing your medical payments coverage if you have good health care coverage for you and your family.
5. Check out all possible discounts with your insurance representative.
6. Pay premiums the least expensive way which is usually annually, not quarterly or monthly.
7. Compare the costs of several different companies before making a choice. Call the South Carolina Department of Insurance to obtain a list of typical prices with different licensed companies.
8. Learn if you are eligible for a group policy. Group rates are lower than individual rates.
9. Check the local library for information about the financial soundness of insurance companies, such as Best's Insurance Reports. You should select a company that has at least an "A" rating.

### For Health Insurance

10. Select a company that returns a high percentage of the premiums paid to it. Ask the agent or the state Department of Insurance for the loss ratio.
11. Do not try to make a profit on your insurance by carrying overlapping

coverage. A coordination of benefits clause usually limits benefits paid by one or more policies to 100 percent of expenses.

12. Note pre-existing condition clauses. These clauses mean that for the first weeks or months your policy will not cover medical conditions you had when you bought the insurance.
13. Check renewal provisions. Ideally, you would purchase a non-cancelable, guaranteed renewable policy.
14. Study deductibles and coinsurance clauses. If you are able to absorb more medical expenses by choosing a higher deductible, you can lower your insurance premiums.
15. Keep records of your expenses and file claims on time.
16. Be cautious about switching policies. A new policy may mean new waiting periods and exclusions.

### For Life Insurance

17. For universal life insurance policies, compare administrative costs. Some can be substantial. Ask if the charges are front loaded (deducted before the premium is credited to your cash value) or back loaded (paid when you surrender the policy).
18. Find out the purpose of any optional features of a policy and decide which are worth the added cost.
19. Compare the interest-adjusted net cost index. Cost comparisons should only be made between similar plans of life insurance. The index for a cash value policy cannot be compared with that of a term policy.
20. Evaluate fees and agents' commissions before switching policies. The costs may outweigh the benefits.
21. Buy credit life insurance only if you cannot find life insurance coverage

elsewhere. Lenders sell credit life policies and collect the proceeds to repay the debt if the borrower dies. A good term life insurance policy is far less expensive than credit life insurance.

### **For Auto Insurance**

22. Choose the right car. Discounts and surcharges for particular models can be from 10 percent to 55 percent. Your insurance company can tell you which cars are more or less expensive to drive.
23. Change your rating category. Car pool or use public transportation rather than driving your car to work. Have a young driver share the family car rather than drive his or her own.
24. Avoid unneeded options. If you have adequate life, health, and homeowner's insurance, you may not need the limited life, medical payments, and theft insurance that many companies sell.
25. Do not buy rental car insurance if your auto insurance policy protects you.

### **For Property Insurance**

26. Install security devices. Practically every insurance company offers discounts for some combination of the following protection devices: burglar alarms, deadbolt locks on all doors, smoke alarms, and fire extinguishers.
27. When purchasing or building a home, consider one built of a fire resistant material such as brick.
28. Your home's location affects your insurance rates. A home located near a fire station is less expensive to insure than one several miles away from fire protection. Insurance costs are lower for homes in low crime and vandalism areas.
29. Review your homeowner's insurance regularly. Drop riders you may have purchased years ago and no longer need.
30. Ask about discounts. You may receive a discount if, for example, you buy your homeowner's and auto insurance from the same company.

## **KEEP YOUR INSURANCE POLICIES UP-TO-DATE**

Even if a policy change will result in a higher premium, make sure that you keep your agent fully informed and up-to-date about the coverage you need. This will reduce the possibility of a loss that is not covered by your insurance.

Notify your agent if you or a member of your household:

- should no longer be covered on a policy
- gets married or divorced
- moves to a different location
- a boarder moves into the house
- substantially reduces or increases amount of driving
- buys or sells a car, recreation vehicle, or boat