

Insurance coverage you shouldn't do without

Written by Jason Alderman
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Some people looking to reduce expenses drop or trim their insurance coverage, gambling that they won't become sick, have a car accident or suffer a fire or other catastrophe. Unless you've got unlimited savings, however, forgoing adequate insurance could place you just one unexpected event away from financial disaster.

Here are insurance policies no household should be without:

Medical. This is the most critical – and unfortunately, the most expensive – coverage you need. When comparing plans, consider:

- Are your doctors in their provider networks? If not, can you afford the out-of-network charges or are you willing to find new doctors?
- Do they restrict specialized services you might need like maternity benefits, out-of-state coverage, mental health coverage, etc.?
- If you choose catastrophic coverage to lower premiums, can you afford the high deductible in case of an accident or major illness?
- If your employer doesn't offer medical insurance, can you obtain coverage through your spouse's employer?

Homeowner/renter. Faulty plumbing, fires, theft and home-accident lawsuits are only a few catastrophes that could leave you without possessions or a place to live. A few tips:

- "Actual cash value" coverage repairs or replaces belongings, minus deductible and depreciation, whereas "replacement cost" coverage will replace the items in today's dollars. Depreciation can significantly lower values, so replacement coverage is often worth the extra cost.
- Jewelry, art and computers usually require additional coverage.
- Consider additional liability insurance, especially if you have significant property, investments or savings.
- Review your coverage periodically to account for inflation, home improvements, new possessions, change in marital/family status, etc.

Car insurance. You probably can't even get a driver's license without demonstrating proof of insurance. Consider these coverage options:

- "Liability" pays if you cause an accident that injures others or damages their car or other property.
- "Uninsured motorist" pays for damage caused to you or your car by an uninsured motorist.
- "Collision" pays for damage to your car resulting from a collision and "comprehensive" pays for damage to your car caused by things like theft, vandalism and fire. However, they only pay up to the actual cash value (ACV) minus deductibles. Because the ACV for older cars is low, repairs often cost more than the car is worth; therefore many older-car owners drop these coverages and increase liability instead.
- Common ways to lower premiums include: Raising deductibles; discounts for good drivers, exceeding age 55 or installing security systems; comparison shopping; and buying homeowner and car insurance from the same carrier.

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Life insurance. If you're single with no dependents, you may get by with minimal or no life insurance. But if your family depends on your income, you should probably buy coverage worth at least five to 10 times your annual pay. A few other considerations:

- Many employers offer coverage, but if you're young and healthy you may be able to get a better deal on your own.
- After your kids are grown you may be able to lower your coverage; although carefully consider your spouse's retirement needs.

Long-term disability insurance is also extremely important – especially if you're single – since other sources of income may not be available in the event of serious illness or disability. To learn more about disability insurance, visit Practical Money Skills for Life, Visa Inc.'s free personal financial management site (www.practicalmoneyskills.com/unexpected).

Insurance is there to protect against unforeseen circumstances; don't risk your financial future by gambling that you're immune to accidents, large and small.