

Evaluating Your Insurance Policies

Assessing Your Renters and Homeowners Insurance

Should a natural disaster occur, will you be underinsured or not insured at all? If you are a renter, you'd better have great renter's insurance. Make sure that it pays for damaged, destroyed or stolen personal property. Be clear about what the policy does and does not cover. Make sure that it covers you should you have to live somewhere else temporarily. In some areas you may want to add special coverage like earthquake or flood insurance.

If you require homeowner's insurance, buy guaranteed replacement cost coverage. Every few years, have your home reappraised to be sure that the policy reflects the true replacement cost. Update the policy to include any home improvements. Purchase a policy that covers the replacement cost of your possessions. Understand policy deductibles. Update your inventory list annually.

Assessing Your Umbrella Insurance

Umbrella insurance provides additional coverage, usually through your home or auto insurance policies, in the event that you face an unfortunate lawsuit.

Huge lawsuits are almost commonplace these days. It's not unusual for newspapers to carry stories of million-dollar judgments against people involved in tragic accidents. For many, such a lawsuit could threaten their most important assets—home, retirement funds, future earnings and other valuable property.

One way to gain added liability protection from a devastating lawsuit is with a personal umbrella policy. An umbrella serves as a backup to auto and homeowner insurance. For instance, when the home, auto or boat policy's limits have been used up, a personal umbrella will step in to add liability limits of \$1 million or more. Not everyone needs a personal umbrella, but it can offer real peace of mind for people whose assets have grown significantly over the years.

Assessing Your Disability Insurance

Contrary to what life insurance agents may tell you, the coverage you need most isn't whole life, universal life, variable life, or even universal variable life. It's disability income

insurance. This often overlooked coverage pays you a monthly income if you are unable to work because of injury or illness.

You are more likely to miss at least three months of work before you reach age 65 because of a disability than you are to die. Social Security Disability Insurance can pay you and your family benefits if you are severely disabled and are expected to be so for at least 12 months.

Statistics show that disability is far more probable than death, especially if you are young or middle-aged. In fact, disability is sometimes called living death, since our family's financial needs continue, but we can't meet them unless we have insurance.

Unfortunately, there are plenty of temptations to put off obtaining coverage. It is expensive. Also, you may mistakenly think you are fully protected by Social Security and possibly by your employer's group disability policy.

How much coverage do you need? In general, insurance experts recommend that disability insurance equal 60 to 70 percent of your before-tax earnings, with benefits starting 90 days after you become disabled and continuing, if necessary, until you reach age 65.

To avoid attracting phony claims, most insurers will cover you only to the point at which your disability income from all sources, including Social Security and company benefits, would equal 70 percent of your current before-tax earnings. Still, that's better than it sounds. Benefits from a policy you buy with after-tax dollars—in contrast to income from a policy paid by your employer—are tax-free.

Equally important as the amount of coverage is the way your policy defines disability. Under the most generous definition, insurers agree to pay full benefits if you can't work in your own occupation as long as you are under a physician's care. In contrast, a policy using the narrower definition would pay only if you are unable to work in any occupation for which you are clearly suited.

The most expedient way to minimize the cost of your coverage is to prolong the so-called elimination period—the time you have to wait for benefits to begin after you

become disabled. To change from a 90-day waiting period to a 30-day period would be extremely costly.

Finally, you should insist upon a policy that is at least guaranteed renewable, which means that the insured cannot cancel your coverage as long as you pay your premiums or raise your premium unless it boosts premiums in general. A preferable alternative is a non-cancelable policy, which guarantees that your policy cannot be revoked and that your premium cannot be increased at all.

In just two years, disability insurers lost more than \$586 million, in part because their policies didn't charge enough to cover promised benefits. These losses have resulted in many insurers drastically scaling back their disability policies and increasing their costs.

Assessing Your Life Insurance

Life insurance protects those who depend on you in the event of an untimely death. It frees them from financial disaster and the stress of trying to survive. There are many types of life insurance, often with huge sales commissions attached. Term insurance is a low-cost, efficient way to protect your family's financial well-being. If you are looking for the best deal in term life insurance, there are many solid companies to choose from. Check online by using a search engine. You will find plenty of quotes to compare.

Assessing Your Auto Insurance

You may qualify for lower rates if your car has seat belts, air bags, antilock brakes or an anti-theft device or alarm. Other deductions are given if you own more than one car, you drive your second car only occasionally, or you've had no accidents or moving violations in three years. Also, you benefit if you or another covered driver are over age 50, have completed a driver training course, are a student with good grades, or are away at college without a car.