INSURANCE MATTERS | WHEN YOUR INCOME DROPS

UNIVERSITY OF GEORGIA
EXTENSION

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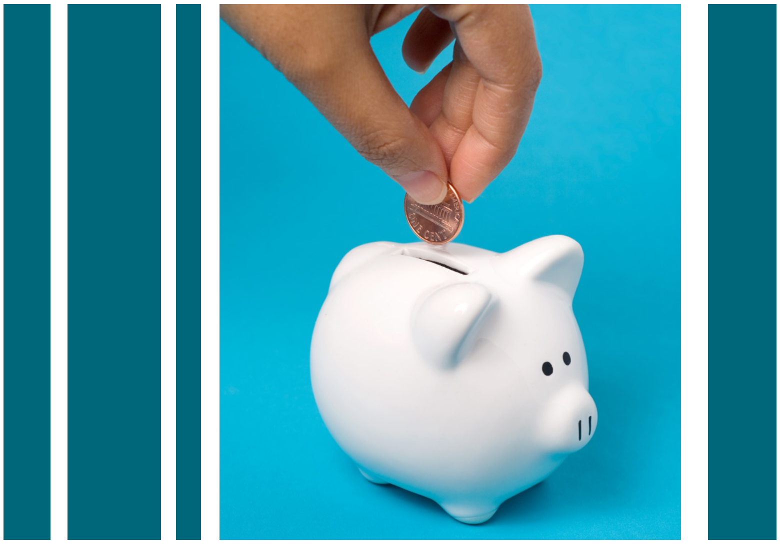

Every penny counts when your income drops. When times are hard, it is tempting to drop your insurance coverage. Sometimes that is okay, sometimes it's not a very good idea. You may need to continue paying for insurance because not doing so could lead to greater financial hardship. Insurance protects you and your family against financial losses caused by illness, accidents and other perils. When you buy insurance, the insurance company agrees to pay some or all of your losses for perils you are insured against. Examining the risks you face and your current insurance coverage is particularly important when your income drops.

Evaluate your insurance needs. Everyone's situation is different, so the decisions you make about what insurance to keep, reduce, or get rid of will be a personal decision. While trying to fit everything into your new budget, you may think insurance is not a necessity. This may be true for some insurance coverage, but not for others, so do not make the decision lightly. You do not want to put yourself in a worse financial situation than you are already in.

PULL OUT YOUR POLICIES.

Take a close look at your insurance coverage and how much you pay for each. Ask your agent if you qualify for any discounts. You may find you are paying for coverage you really do not need. Consider raising your deductibles (the amount you pay toward any loss) to reduce your premiums (the amount you pay each month). Depending on your income, there may be federal, state or local resources you can use that can compensate for the loss of needed insurance coverage.

HEALTH INSURANCE

covers medical expenses for you and your covered family members that result from illnesses or injuries. If you had group health insurance through an employer and lost your job, there are options. First, if it is an option, consider picking up health insurance through your spouse's employer-provided health insurance plan. If there is a change in family circumstances, most employers will allow you to make changes to your health plan choice outside of the open enrollment period.

ABOUT COBRA.

If you had health insurance coverage with your employer and your spouse does not have access to health insurance, you may qualify for coverage through the ***Consolidated Omnibus Budget Reconciliation Act*** (COBRA) which enables you, your spouse, and any eligible children to continue your group health benefits for a period of time (18-29 months). If you qualify for COBRA coverage, you will have to pay the premium and the employer's portion as well. You must apply for coverage under COBRA within 60 days after leaving your job, so check with your Human Resources Department right away.

If you did not have health insurance through your employer, individual health insurance is expensive. Shop around and compare policy benefits and costs. Keep in mind that you can lower the premium on your health insurance by choosing a larger deductible. You or your children may qualify for state health insurance plans such as Medicaid or PeachCare for children. Check with your local ***Department of Family and Children Services*** (DFACS) to find out if you or your children qualify for either of the programs.

AUTOMOBILE INSURANCE. Your automobile insurance policy includes bodily injury and property damage liability, medical payments, uninsured and underinsured motorist coverage, collision and comprehensive, and rental car and towing insurance. Understanding the different parts of the policy will help you make an informed decision about the changes you can make to save money. Once you decide on the levels of coverage you need, it pays to shop around since the cost for identical coverage can vary by as much as 600 percent from one company to another.

BODILY INJURY and property damage liability covers medical expenses you cause to other people outside of your car, damages to their property and any legal bills associated with the bodily injury and property damage losses. Georgia law requires you to maintain 25/50/25 of bodily injury and property damage liability coverage. In an accident caused by you, insurance will cover bodily injury losses up to $25,000 per person, up to $50,000 total for bodily injury losses per accident, and up to $25,000 for damage to another person's property. You have to pay for damages above the policy limits, so higher levels of protection are strongly recommended.

MEDICAL PAYMENTS cover compensation for bodily injury expenses to you and your passengers regardless of who is at fault. It also covers you and members of your household in any accident involving an automobile, whether you are on foot, on a bicycle or in someone else's car. If you have health insurance, you might consider dropping this coverage. Keep in mind, that other passengers in your car may not have health insurance. If the accident is your fault, they will be left with no insurance to cover their medical bills and you are legally responsible for their losses.

UNINSURED AND UNDERINSURED motorist bodily injury and property damage covers you and your passenger's medical expenses and property damages if you are in an accident that was not your fault with someone who does not have automobile liability insurance, is a hit-and-run driver, or does not have sufficient liability insurance to cover your losses. The property damage portion of this coverage comes with deductibles. If you have health insurance, you might consider dropping the uninsured and underinsured bodily injury coverage. You can reduce your premium by increasing the deductible on your uninsured and underinsured property damage coverage.

COLLISION AND COMPREHENSIVE coverage typically offers the best opportunity to save premium dollars. Collision covers repairs for damage you cause to your car if you collide with another vehicle or object, such as another vehicle, tree, or building. Collision covers you regardless of who is at fault, but you should be paid under the other driver's liability coverage when the accident was not your fault. Comprehensive covers damages to your car caused by anything but a collision, such as fire, break in, vandalism or theft, and acts of nature such as an earthquake, hail, hurricane or flood. Lenders require both of these types of coverage and sometimes, specify a maximum deductible. Once your car is paid for, you may decide to drop this protection.

HOMEOWNER'S INSURANCE. If you have a mortgage on your home, homeowner's insurance is required by the lender. When your home is paid for, it is not a good idea to drop your policy. Your home is most likely your most valuable asset and you want to be able to repair or replace it if it is damaged. You can purchase policies that only cover certain perils to save premium dollars. However, you gamble that your home will be destroyed by perils that you have not insured against. Make sure that you insure your home for its replacement cost. If you try to lower your premiums by choosing actual cash value coverage (what the item is worth) to cover personal property, you will not be able to replace the damaged property with the amount received from the insurance company. Renter's insurance policies are available for individuals who do not own their home. With renter's insurance, you purchase the amount of coverage you need to cover the cost of replacing what you own.

LIFE INSURANCE provides for those who are financially dependent on you in the event of your premature death. Life insurance comes in two basic forms (term and cash value) with many variations. Term life insurance has no savings component and provides temporary protection for a specified period of time such as 5, 10, or 20 years. If the insured dies during the term, the policy pays the death benefit to the beneficiary. Cash-value life insurance, such as whole life or universal life insurance, is a combination of insurance and savings that continues as long as the premium is paid. The policy owner can take loans from the cash value (the amount paid to the beneficiary if the insured dies is reduced by any amount not repaid) or make partial or total withdrawals (afterwards the policy ceases to exist) from the cash value.

Depending on your age, if you own a cash-value policy, you may be able to save premium dollars by replacing your cash value policy with a term life policy, which has lower premiums. In addition to saving money, you can use the built-up cash value to help you make ends meet while your income is lower. Be sure to secure the term policy before dropping the cash-value policy. Some people buy life insurance on all of their children, usually to cover funeral expenses. Eliminating this coverage is another way of cutting premium costs. If the policies are cash-value policies, the cash value received from the policies can be saved and invested to cover these costs.

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