

# MANAGING



Karen P. Goebel  
and Linda A. Boelter

## Meeting your insurance needs

**W**hen your income is reduced, it is important to review your insurance coverage. A thorough review will help you determine whether your coverage is adequate and where you can cut costs.

With less income, you may find it more difficult to pay insurance **premiums** (regular amount you pay for insurance coverage). Use this fact sheet to help you maintain coverage that insures your family's health and well-being.

### **If you cannot make a payment:**

Determine your highest priority insurance needs. Then, contact your insurance company before your payment is due. Ask for a different payment plan or a plan with lower premiums that allows you to keep needed coverage.

**If you are seasonally employed:** Ask the insurance company to make premiums due while you are employed.

See the fact sheets in this series *Deciding which bills to pay first/Cómo decidir que cuentas pagar primero* and *Talking with creditors/Comunicación con los acreedores*.

## Review your insurance coverage

Insurance is the primary way you protect yourself or your family against financial loss caused by illness, injury, accident, or other destructive or damaging event. You pay — or your employer pays — a **premium** to an insurance company, which in return pays if you suffer a loss or need medical care.

Maintain insurance to protect your family from the biggest financial risks.

## Health insurance

Most workers rely on employer group health insurance to ease the burden of medical costs. If you no longer have a job, you still have options for coverage.

**If your spouse is employed and has group health insurance:** Ask if and when you could be covered by your spouse's group health insurance through his or her employer.

Many employer or other group health plans offer limited "open enrollment" periods to add or change insurance coverage. If you can be covered under your spouse's insurance, converting his or her individual policy to a family policy may be your least expensive option.

**If you had group health insurance through your former employer:** Group policies may allow you to continue coverage for a limited time after your job ends. For example, you may be covered for 30 days after your last working day. If you find a new job that provides health insurance within 30 days, you would then have continuous group coverage.

You are eligible to continue or convert your coverage if you lost your job because of a layoff, dismissal, or resignation, but not because of misconduct.

Contact the employee benefits staff where you worked to:

- Find out what coverage options you have through your former employer.
- Ask about continuing group health coverage or converting to an individual policy.

**If you had group health insurance for at least three months:** You may continue the group coverage for up to 18 months by paying the premiums yourself. After that, the insurance company may require you to convert to an individual policy.

As long as you continue to pay the entire premium and are not eligible for similar coverage under another group policy, federal and Wisconsin laws require employers to allow you to continue the group coverage for up to 18 months.

**If individual coverage is your only option:** Compare costs to find the best deal. You may be able to reduce the costs by choosing a larger deductible amount. With a higher deductible, you may have to pay for routine medical expenses, but you will have insurance to cover major costly illnesses, injuries, or emergencies. Avoid purchasing policies covering only a single disease or policies with overlapping coverage.

**If an individual policy is too expensive or you do not qualify:** Look into buying insurance through a common-interest group such as a society, professional group, or managed care. Group coverage is almost always less expensive than individual coverage.

**If you do not have health insurance — or can no longer pay the premiums for health insurance:** There are limited health services for the disabled, children, pregnant women, and older adults. These programs may include immunizations, well-baby clinics, blood pressure tests, and screenings.

Your reduced income may qualify you for Medicaid — medical assistance for people of any age who cannot otherwise afford to pay their bills. Uninsured children and their families may qualify for BadgerCare. For more information, call (800) 362-3002 [toll-free (English)] or visit their web site at [www.dhfs.state.wi.us](http://www.dhfs.state.wi.us).

Some communities also have free clinics for those not able to pay for medical care. To learn about low- or no-cost health care programs, contact your public or tribal health department. See also the Resources listings at the end of this fact sheet.

## Vehicle insurance

Any motorist licensed to drive in Wisconsin must have either insurance or enough money to pay for damages caused to others. You have to pay not only for the property damage you cause, but also the medical expenses, lost wages, and pain and suffering of any injured person. The amount of money you may have to pay could be substantial.

**If you do not have vehicle insurance:** Whenever you owe for damages you cause others, the courts can seize anything of value that you own — including your home, savings, future wages, and other assets — to pay for those losses.

Vehicle **liability insurance** pays for claims others make, as well as the legal fees to defend against any claim or lawsuit that may be payable under the insurance policy. This insurance has three parts: bodily injury, property damage, and uninsured motorist coverage.

Wisconsin law requires policies to provide the following minimum liability coverage, usually referred to as \$25,000/\$50,000/\$10,000:

- \$25,000 for bodily injury or death of one person
- \$50,000 for injury or death of two or more people
- \$10,000 for property damage
- Uninsured motorist coverage of \$25,000/\$50,000 for bodily injury only

**Vehicle insurance** includes medical coverage. That means vehicle insurance will pay medical expenses (for you and your passengers) that are not covered by your health insurance. This also covers you and your family if you are injured while riding in another vehicle or while walking.

Vehicle policies include two types of coverage that pay to repair **physical damages** to your vehicle regardless of who is at fault:

- **Collision coverage** pays for damage to your vehicle if it collides with an object, including another vehicle, or if your vehicle overturns.

- **Comprehensive coverage** pays for damage to your vehicle from almost all other causes, such as fire, vandalism, hail, glass breakage, falling objects, and hitting an animal.

**If the value of your vehicle is so low you that could assume the loss yourself or if repairs would cost more than the vehicle is worth:** Consider dropping collision or comprehensive coverage.

Minimize the cost of insurance premiums by comparing rates among companies, selecting a higher deductible amount, purchasing less expensive coverage, dropping unnecessary types of coverage, and insuring all family vehicles with one company.

Check special categories which are considered good risks, such as non-smokers, driver education training for young drivers, and good driving records.

## Homeowner's or renter's insurance

Homeowner's and renter's insurance policies protect you from property loss and liability costs. These policies will reimburse you for loss or damage to your home and its contents if you experience a loss because of fire, storm, explosion, vandalism, or theft. Most homeowner's insurance policies contain:

- Replacement cost coverage on the home.
- Actual cost value coverage on personal property.

**Replacement cost** is the dollar amount it would take to replace or rebuild your home or to repair damages with materials of similar kind and quality — without deducting a dollar amount for the home's age or condition (**depreciation**).

Take care not to confuse replacement cost with **market value** — the real estate term that describes what the current price of your home would be if you were to sell it, including the price of the land.



**To qualify for full replacement cost coverage:** The building must be insured at 80 to 90 percent of the replacement cost. The amount of replacement cost coverage available is limited to the amount of insurance you choose to buy. The coverage amount is stated on the declarations page of your insurance policy.

**If your insurance covers less than 80 percent of the cost to rebuild your home:** Your policy may not fully cover your loss. The loss settlement section of your policy explains how the settlement is calculated.

**Actual cost value** is the value of your personal property when it is damaged or destroyed — the item's purchase price minus its decrease in value since you purchased it. For example, if your furniture is ten years old and your insurance pays only actual cost value, you will have trouble replacing it at current prices.

Your homeowner's insurance also provides **personal liability coverage** for injury or damages resulting from non-vehicle accidents caused by you, a family member, or your pet. This coverage pays the costs of defending you as well as the damages the court orders you to pay.

**Medical payment coverage** pays if someone outside your family is injured at your home, regardless of who is at fault. Coverage is usually \$1,000 per occurrence or incident.

**If you are a renter:** You do not need protection against damage to the building. But you do need insurance protection for damage to or theft of your personal property, and for liability if someone gets hurt on the part of the premises you rent.

Increasing the dollar amount of your deductibles may help lower the cost of your insurance premiums.

**If you try to save money by lowering premium costs:** Beware of under-insuring your home or personal property. For example, check whether your policy will rebuild your house and/or replace your possessions at today's prices.

## Life insurance

**If you have life insurance and others depend on your income or wage-earning capacity:** Don't let your policy lapse. Your policy could be expensive to replace later.

There are two basic types of life insurance — cash value and term life insurance.

**Cash value life insurance policies** — sometimes called **whole life** or **straight life** insurance — are part insurance and part savings. These policies are intended to provide coverage for your whole life, as long as you pay the premiums. Premiums usually stay the same during your lifetime. The insurance company invests part of the premium to build up the policy's cash value.

You can access the cash value of this policy by borrowing against it, or you can use that money to pay the premiums to keep the insurance in force. Or cancel the policy, and take the cash. Keep in mind that borrowing against the policy will reduce the death benefit if you die before repaying the loan.

**Term life insurance policies** only provide insurance protection and are usually less expensive than cash value policies. Term policies provide coverage for one or more years and pay a death benefit only if you die during that time period or **term**. Premiums are based on your life expectancy and increase as you get older.

**If you are uninsurable elsewhere and need life insurance coverage:** If you had life insurance through your employer, you may want to convert your former employer's group plan into an individual policy. Ask employee benefits staff at your former workplace 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. This insures your life for a fixed time period — usually 5, 10, or 15 years — and pays benefits only if you die within that time period.

Shop around. Term policy prices differ greatly. For example, the Wisconsin State Life Insurance Fund offers various life insurance policies with up to \$10,000 maximum coverage.

For more information, call the Office of the Commissioner of Insurance toll-free weekdays at (800) 236-8517, TTY 711 [Ask for (608) 266-3586], or in Madison at 266-3585. You can also visit their web site at [oci.wi.gov](http://oci.wi.gov). Or contact the State Life Insurance Fund at (800) 562-5558 or in Madison at (608) 266-0107.

## Insurance you may not need

While health, vehicle, homeowner's, and life insurance protect you from catastrophic financial losses, you may be able to eliminate some other insurance coverage where you have fairly small financial risks, such as:

- **Extended warranties or service contracts.** Instead of buying insurance to pay for repairs on home electronics or appliances, use the money you save to pay for unexpected expenses such as equipment repairs or replacement.
- **Credit insurance.** Many lenders offer to sell you policies that will pay off your mortgage, installment loan, or credit card balance if you die, are disabled, or lose your income. Studies show these policies are highly overpriced and can be difficult to collect.
- **Life insurance on children.** The death of a child is emotionally devastating, but not a large financial risk. These policies are often promoted as a way to save for college, but there are better ways to achieve that goal.
- **Dread disease insurance.** Being insured for cancer or stroke does not replace the need for comprehensive health care insurance that covers any disease or medical condition you may have.

## Keep the most important insurance

Determine which insurance policies are most important to protect your family from significant financial losses, then shop around. Talk with several insurance agents, and compare costs and coverage. Then select coverage that fits your budget.

Avoid over-insuring. Make sure you have enough coverage, but not too much. Review your insurance needs whenever your income changes.

## Resources

### For help with health care and healthy living...

Find out about services and resources for income-eligible women, children, and families. Or search the Resource House database of more than 3,000 programs and services. Call toll-free any time: Public Health Information and Referral Services for Women, Children, and Families at (800) 722-2295 or visit their web site at [www.mch-hotlines.org](http://www.mch-hotlines.org).

Ask directory assistance for the Women, Infants, and Children (WIC) nutrition program nearest you or visit the agency online at [www.dhfs.state.wi.us/wic](http://www.dhfs.state.wi.us/wic).

For free, practical counseling and information to help you stop smoking, call the Center for Tobacco's Research's Quit Line toll-free any time at (877) 270-7867 (English), (877) 266-3863 (Spanish), or (877) 777-6534 (TTY). Or visit their web site at [www.ctri.wisc.edu](http://www.ctri.wisc.edu).

## For help meeting your insurance needs...

Obtain a copy of the *Consumers' Guide to Insurance/Guía del Consumidor Seguros*. For a free copy, call the Office of the Commissioner of Insurance (800) 236-8517 (press 4 for Spanish). Ask for (608) 266-3586 (TTY), or 266-3585 (in Madison). Or visit their website at [oci.wi.gov/pub\\_list.htm](http://oci.wi.gov/pub_list.htm).

See these money management fact sheets in this series, in English or Spanish:

*Setting spending priorities* (B3459-01)/  
*Cómo decidir cuáles son los gastos más importantes* (B3459-01S)

*Strategies for spending less* (B3459-02)/  
*Cómo gastar menos* (B3459-02S)

*Deciding which bills to pay first* (B3459-03)/  
*Cómo decidir qué cuentas pagar primero* (B3459-03S)

*Talking with creditors* (B3459-04)/  
*Comunicación con los acreedores* (B3459-04S)

*Keeping a roof overhead* (B3459-05)/  
*Cómo asegurarse de que la familia tenga donde cobijarse* (B3459-05S)

*Meeting your insurance needs* (B3459-06)/  
*Cómo pagar por el seguro que necesita* (B3459-06S)

*Bartering* (B3459-07)/  
*El trueque* (B3459-07S)

*Making the most of what you have* (B3459-08)/  
*Cómo sacar el mayor provecho de lo que tiene* (B3459-08S)

*Deciding if bankruptcy is an option for you* (B3459-09)/  
*Cómo decidir si la protección por bancarota es una buena opción para usted* (B3459-09S)

*Taking care of yourself* (B3459-10)/  
*Cómo satisfacer las necesidades personales* (B3459-10S)

*How you can help when mom or dad is unemployed* (B3459-11)/  
*Cómo puedes ayudar cuando tu papá o tu mamá está sin empleo* (B3459-11S)

*Helping children cope* (B3459-12)/  
*Cómo ayudarles a los niños a sobrellevar las dificultades* (B3459-12S)

*Community agencies that can help* (B3459-13)/  
*Las agencias comunitarias pueden ayudar* (B3459-13S)

*Looking for a job—Watch out for scams* (B3459-14)/  
*Búsqueda de trabajo—Tenga cuidado con las estafas* (B3459-14S)

*Where to go for help finding a job* (B3459-15)/  
*Dónde conseguir ayuda para encontrar empleo* (B3459-15S)

*Starting your own business* (B3459-16)/  
*Cómo iniciar su propio negocio* (B3459-16S)

**UW**  
**Extension**

**Copyright © 2006** by the Board of Regents of the University of Wisconsin System doing business as the division of Cooperative Extension of the University of Wisconsin-Extension. All rights reserved. Send copyright inquiries to: Manager, Cooperative Extension Publishing, 432 N. Lake St., Rm. 103, Madison, WI 53706.

**Authors:** Karen P. Goebel, professor and consumer science specialist, University of Wisconsin-Madison and UW-Extension, and Linda A. Boelter, CFP®, professor emeritus, UW-Extension.

**Reviewers:** Marsha A. Goetting, CFP®, professor and extension family economics specialist, Montana State University; Michael Gutter, assistant professor and family financial management specialist, University of Wisconsin-Extension; Brenda B. Janke, Lincoln County family living educator and family financial specialist, UW-Extension; Elizabeth Kiss, family resource management specialist, Purdue University; John Merrill, professor and housing specialist, UW-Madison and UW-Extension, and Barbara Roder, Fond du Lac County family living educator and family financial specialist, UW-Extension.

Produced by Cooperative Extension Publishing, University of Wisconsin-Extension.

An EEO/AA employer, University of Wisconsin-Extension Cooperative Extension provides equal opportunities in employment and programming, including Title IX and Americans with Disabilities Act (ADA) requirements.

This publication is available in English or Spanish — from your Wisconsin county UW-Extension office ([www.uwex.edu/ces/cty](http://www.uwex.edu/ces/cty)) or from Cooperative Extension Publishing. To order, call toll-free 1-877-WIS-PUBS (877-947-7827) or visit our web site at [cecommerce.uwex.edu](http://cecommerce.uwex.edu).