Getting Through Tough Times

Meeting Your Insurance Needs

When your income changes, it is very important to review your insurance coverage. A comprehensive insurance review will help you determine whether you have adequate or perhaps too much insurance coverage. A guiding principle should be, how would a change in coverage affect the health and well being of my family?

If your income decreases because of a lack of business profit, layoff, illness, disability, or premature death, your family may find it extremely difficult to pay insurance premiums. If you are not able to make a payment, you need to determine your minimum needs for insurance. Then, contact your agent to check into a different payment plan that will allow you to keep the coverage you need. Or, investigate plans with lower premiums.

Insurance is the primary way you protect yourself against financial loss caused by illness, accidents and other 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 isn’t 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 don't drive during bad weather to reduce your chances of an accident. Or, practice a healthy lifestyle to decrease your chances of illness.

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.

Under a federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), group health insurance plans offered by employers with 20 or more employees are required to offer continuation of coverage. Under the law some employers, such as government, are not included. For job loss, coverage is extended for you and your dependents for 18 months. Following an employee’s death or divorce, the worker's family has the right to continue coverage for up to three years. If you wish to continue your group coverage under COBRA, notify your employer within 60 days. You will have to pay the entire premium.

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 that 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.
The Patient Protection and Affordable Care Act (PPACA) was signed into law in 2010. There are features of the law that have gradually taken effect, such as: children under age 18 cannot be excluded from coverage due to pre-existing conditions; children may remain on their parents’ family health policy until age 26 if they do not receive coverage through an employer; and certain preventive services are provided at no additional cost. When key parts of the health care law take effect in 2014, there will be a new way for individuals, families, and small business to get health insurance.

Starting October 1, 2013 health insurance marketplaces or exchanges will give people health insurance options which will take effect January 2014. States had the option of creating and running their own marketplace or use one supported by the U.S. Department of Health and Human Services (HHS). Minnesota chose to create it’s own marketplace called MNsure (http://mn.gov/hix/)

The marketplace will allow the consumer to select the policy that best fits their needs. Middle and low-income families will get tax credits to cover a significant portion of the coverage costs. Tax credits will also be available for qualified small businesses to provide health insurance coverage.

To make the most of your insurance dollar, avoid purchasing single disease policies or overlapping coverage. If you are unable to buy insurance due to your health or disability status, call the Minnesota Comprehensive Health Association (MCHA) at 1-800-325-3540 for assistance or access them online at http://mcharm.com/.

If you don’t have health insurance or can no longer pay the premiums, there are limited health services for the elderly, people with disabilities, children and pregnant women. Check with your county public health department to learn about health care programs provided at little or no cost. These may include immunization programs, well-baby clinics, blood pressure check and other screening programs. Minnesota has two main health care programs: Medical Assistance (MA or Medicaid), and MinnesotaCare.

What is Medical Assistance?

Medical Assistance (MA or Medicaid) is health insurance for medical care available to low-income individuals, families, children, pregnant women, people over age 65, and people with disabilities who meet eligibility guidelines. Income eligibility guidelines for MA will increase with enactment of PPACA in 2014. MA is funded jointly by the state and federal government. Check with your local county human services agency to see if you qualify for this type of assistance. For more info, see: http://www.dhs.state.mn.us/ and then search for Medical Assistance.

What is MinnesotaCare?

MinnesotaCare is for families and children who do not have access to affordable health insurance – either on their own or through their employers. MinnesotaCare provides basic health insurance coverage such as primary care, hospitalization, dental care, mental health care, chemical dependency services, and prescription drugs through managed care plans. You have to pay a monthly premium that is based on family size, coverage and income. For more information, see: http://www.dhs.state.mn.us/ and then search for Minnesota Care.

Part of Minnesota’s Aging Initiative program is to provide services to seniors and their families regarding making decisions about long-term care. Contact your county human services agency to see what long-term care consultation services they provide. For more information, see: http://www.dhs.state.mn.us/ and then search for Minnesota Long Term Care Partnership.

Disability Insurance

Maintaining disability insurance, whether through your employer or an individual policy, is important income protection for your family. If you do not have disability insurance coverage, check with the Social Security Administration for possible eligibility for coverage under Social Security disability benefits. In general, to qualify, you must have worked and paid into Social Security for a minimum of 5 years within the past 10 years.
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 or variable-adjustable life insurance policies can borrow against the cash value or use accumulated dividends to pay the premium to keep the insurance in effect. The cash value of these life insurance policies may be used for other expenses. This loan reduces the face value of the policy.

Life insurance protects your dependents against loss of income and helps to pay expenses in the event of an untimely death. If you no longer have dependents, you may want to cash in your life insurance policy when your income decreases.

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 lowest 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

The State of Minnesota requires you to carry minimum limit liabilities for car insurance. They are $30,000 per person and $60,000 per accident for bodily injury and $10,000 for property damage liability for damages and medical expenses to others when you are at fault. You must also carry Personal Injury Protection (PIP), or no-fault insurance, with a minimum limit of $40,000. You are also required to carry Uninsured/Underinsured Motorist Protection (UM/UIM) at $25,000 per person and $50,000 per accident to pay for injuries and damages caused by another driver who is uninsured/underinsured or an unidentified hit-and-run driver.

Other optional Minnesota State auto insurance coverage is available through most insurance companies. Examples are collision, comprehensive, towing, and rental reimbursement.

If your car is not new, one way to reduce automobile insurance premiums is to increase the deductibles for comprehensive and collision or consider dropping the coverage. 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 special categories considered good risks such as non-smokers, driver education training for young drivers, defensive driving courses for older drivers, and good driving records. When planning to purchase a different vehicle, be sure to check insurance rates as they vary considerably by vehicle make and model.

For more information on auto insurance, contact the Minnesota Department of Commerce website at: [http://www.commerce.state.mn.us](http://www.commerce.state.mn.us) and then search for auto insurance.

Homeowner’s Insurance

Most homeowners' policies protect you from loss of property and legal liability. If you experience a loss because of fire, storms, explosions, vandalism, theft or snow, most homeowners' 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 aren’t fully protected even for partial loss, however, unless 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
renters’ policy covers the replacement cost of the contents of your 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 5-year-old computer is stolen and your insurance only pays what the computer is now worth, you will not be able to replace it at current prices.

Summary

Estimate your needs, shop around, talk with several agents, and select coverage that will fit your budget. Don’t over-insure. Insurance needs should be reviewed periodically, particularly when income changes. With all types of insurance, make sure the insurance company has a very high financial rating with the insurance rating services. Check with your insurance agent, at the library or online for ratings. The Minnesota Department of Commerce website includes many consumer information resources on insurance topics. (http://mn.gov/commerce/insurance/?agency=Insurance) Friends and relatives can share experiences of companies’ payments on claims.

Helpful Internet Resources

Minnesota Department of Commerce
Provides unbiased information on insurance (http://www.commerce.state.mn.us)

Minnesota Department of Human Services
Provides information on various health care services and programs (mn.gov/dhs/people-we-serve/adults/health-care/)

University of Minnesota Extension
Information for families to make informed financial decisions. (www.extension.umn.edu/family)

Rural Minnesota Life
Provides information for Minnesotan rural families, including the other 16 Getting Through Tough Times fact sheets. (www.ruralmn.umn.edu)

U.S. Department of Health & Human Services
Information on accessing health care insurance (http://www.healthcare.gov/law/)

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Getting Through Tough Times: Meeting Your Insurance Needs (GTTT-7)

Getting Through Tough Times is a 17-part series for individuals and families experiencing personal and/or financial crisis. Visit www.extension.umn.edu/moneyeveryday for more information on this and other personal resource management materials and trainings.

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Adapted with permission from Getting Through Tough Times, University of Illinois Extension and Managing Between Jobs, University of Wisconsin Extension by Sharon M. Danes, Professor and Family Economist, and Amy N. Van Guider Dik, Administrative Fellow, Family Social Science Department, University of Minnesota. Information from Managing Between Jobs: Deciding Which Bills to Pay First, by Linda Boelter, Professor, Family Development Department, University of Wisconsin Extension, Oneida County, and adapted for Illinois by Charlotte Crawford and Lois E. Smith, Consumer and Family Economics Educators, University of Illinois Extension, 1999.

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