As the New Year Begins, Remember That Changes in Your Life May Require Changes in Your Insurance

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NEW YORK, January 15, 2008 - Major purchases and lifestyle changes such as marriage, divorce or retirement can have a profound effect on your insurance needs, according to the Insurance Information Institute (I.I.I).

"To make the most of your insurance dollars, it is very important that you let your insurance agent or company representative know about alterations to your home and other major events in your life," said Jeanne M. Salvatore, senior vice president and consumer spokesperson for the I.I.I. "A great way to start the New Year off on a firm financial footing is to discuss your current insurance needs with your agent, broker or company representative to make sure that it is up-to-date."

At least 32 million U.S. households own insurance policies that aren't right for them, according to a survey by the Independent Insurance Agents and Brokers of America, Inc.

To ensure that yours is not one of those households, the I.I.I. recommends asking the following 10 questions:

1. Have you gotten married or divorced?
If you have gotten married, you may qualify for a discount on your auto insurance. Couples may well bring two cars into the relationship and two insurance companies, so take the opportunity to review your existing coverage and see which company offers the best combination of price and service.

If you are merging two households, you may need to update your homeowners insurance. And you may want to consider increasing your insurance for any new valuables received as wedding gifts, and for jewelry such as wedding and engagement rings.

After getting married, it is also important to review your life insurance needs. Becoming a couple means sharing responsibility with and for someone else; life insurance is an excellent way to ensure that the surviving spouse is taken care of in the event of the premature death of the other spouse.

If you got divorced, you will probably no longer be sharing a car and may move to a smaller home-you
should inform your insurer as this will mean setting up separate auto and homeowners policies.

2. Have you had a baby?
If you have recently added a child to your family, whether by birth or adoption, it is important to review your life insurance protection. According to a MetLife study of survivors (i.e., spouses and children) of someone who died "prematurely," 39 percent had no life insurance at all. Of these families, 40 percent had children under age 18. Therefore, in about 16 percent of all cases survivors of premature deceased persons were families with young children of who had no life insurance.

If you are planning on your life insurance to match your survivors' expenses after your death, the new child will likely add to those expenses, requiring more life insurance to keep your family secure. If you plan to save for your child's college education, life insurance can assure completion of that plan. And if you keep your current life insurance policy, don't forget to update the beneficiary designations to include the new child.

For more information on life insurance planning, see Learn about Life Insurance.

3. Has your teenager gotten a drivers license?
It is generally cheaper to add your teenagers to your insurance policy than for them to purchase their own. If they are going to be driving their own car, consider insuring it with your company so that you can get a multi-policy discount. And choose the car carefully—the type of car a young person drives can dramatically affect the price of insurance. You and your teenagers should choose a car that is easy to drive and would offer protection in the event of a crash.

Also, encourage your kids to get good grades and to take a driver training course. Most companies will give discounts for getting at least a "B" average in school and for taking recognized driving courses.

If your teenagers move at least 100 miles from home—say to go to college—you can get a discount for the time they are not around to drive the car. This, of course, assumes that they leave the car at home!

For more information, see How do I insure my teenage driver?

4. Have you switched jobs or experienced a significant change in your salary?
If you had life insurance through your former employer, and your new employer does not provide equivalent protection, you can replace the "lost" coverage with an individual life insurance policy.

In the case of a salary increase, you may have taken on additional financial commitments that your survivors will depend on. Make sure to review your life insurance program to ensure it is adequate to maintain those commitments.

If your salary decreased, you may want to cut your life insurance premiums. Fortunately, life insurance premiums in general have been dropping in price, so if you shop around you may pay less for the protection. If you have two or more policies you can combine the death benefit amounts into one policy to qualify for a lower rate because you may reach a "milestone" amount of insurance. (For example, at many companies, $500,000 of insurance costs less than $450,000 because of the "milestone" discount.) But don't drop existing life insurance until after you have a new policy in place.

5. Have you done extensive renovations on your home?
If you have made major improvements to your home, such as adding a new room, enclosing a porch or expanding a kitchen or bathroom, you risk being underinsured if you don't report the changes to your insurance company.

Don't forget about new structures outside of your home. If you have built a gazebo, a new shed for your tools or installed a pool or hot tub, you should speak to your agent.
If, as part of a renovation, you purchase furniture, exercise equipment or electronics, you may need to increase the amount of insurance you have on your personal possessions. Keep receipts and add any new items to your home inventory.

For more information, see Remodeling your home.

6. Have you decided to buy a retirement or vacation home?
If you are searching for your dream vacation home or a second home you might retire to, make sure you research the availability and cost of homeowners insurance before you commit to the purchase. Often, the very factors that make a vacation home seem ideal—whether it is a waterfront property or a mountain retreat—can introduce risks that, together with the fact the home is likely to be vacant much of the time, can make it costly and difficult to insure.

In the event you have already bought a vacation home, don't skimp on the insurance. The risk of theft or disaster is just as significant, if not more so, in a second home as in your primary residence.

If your new property is close to the water, be sure to ask about flood insurance. Damage to your home or belongings resulting from flood is not covered under standard homeowners insurance policies. Flood insurance is available from the National Flood Insurance Program (NFIP), and is generally sold though private agents and brokers. You can ask your agent or representative whether your home is at risk for flood. The NFIP Web site also has a handy tool for assessing your flood risk—just enter your address, and it will tell you your level of risk. If you have a very valuable home, some homeowners insurers do offer flood coverage in excess of the NFIP policy.

For more information on things to consider before buying a new home, see the Homeowners Insurance Checklist.

7. Have you acquired any new valuables—jewelry, electronic equipment, fine art, antiques?
A standard homeowners policy offers only limited coverage for highly valuable items. If you have made purchases or received gifts that exceed these limits, you should consider supplementing your policy with a "floater," a separate policy that provides additional insurance for your valuables and covers them for perils not included in your policy such as accidental loss. Before purchasing a floater, the items covered must be professionally appraised. Keep receipts and add the new items to your home inventory.

For more information on floaters, see Do I need separate coverage for jewelry?

To create your personal home inventory, see the free download, Know Your Stuff - Home Inventory Software.

8. Have you signed a lease on a house or apartment?
If you are renting a home, your landlord is responsible for insuring the structure of the building, but not for insuring your possessions—that's up to you. Nevertheless, nearly seven in 10 renters say they do not have renters insurance, despite the fact that, according to the U. S. Bureau of Justice Statistics, rented households are burglarized at rates about 50 percent higher than owned households. If you want to be covered against losses from theft and catastrophes such as fire, lightning and windstorm damage, you should invest in renters insurance. Like homeowners insurance, renters insurance includes liability, which covers your responsibility to other people injured at your home, or elsewhere by you, and pays legal defense costs if you are taken to court.

Regardless of whether you are an owner or renter, you will have the following options when it comes to insuring your possessions:

- **Actual cash value** pays to replace your home or possessions minus a deduction for depreciation.
- **Replacement cost** pays the cost of rebuilding or repairing your home or replacing your possessions without a deduction for depreciation.
Think carefully about what your financial position would be in the aftermath of a disaster, and make sure you have the type of policy that is right for you. According to the National Association of Insurance Commissioners (NAIC) 12 percent of people surveyed did not know the difference between actual cash value and replacement cost; it is a distinction that could represent thousands of dollars to your insurance payout in the event of a disaster.

9. Have you joined a carpool?
If you are a frequent carpool driver, whether it is to work, or ferrying kids to school and other activities, your liability insurance should reflect the increased risk of additional passengers in the automobile. Check with your agent or representative to make sure your coverage is adequate.

10. Have you retired?
If you commuted regularly to your job, then in retirement your mileage has likely plummeted. If so, you should report it to your auto insurer as it could significantly lower the cost of your premiums. Furthermore, drivers over the age of 50-55 may get a discount, depending on the insurance company.

As part of your annual review, it is always a good idea to talk with your insurance agent or company representative.

Download a related audio file.

For more information on insurance and financial planning for different stages of your life, see the Life Stages tool on the I.I.I. Web site.

The I.I.I. is a nonprofit, communications organization supported by the insurance industry.

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