

Conduct an Insurance Check-up this Tax Season *How to Save, Avoid Risk*

Richmond, TX— Tax season is a great time to reexamine your financial risk with your insurance adviser. You may be wasting money on unnecessary coverage or not realize where you are vulnerable to serious losses. In addition, the insurance landscape has shifted since September 11th, and prices and protections are changing in some key areas.

Because there are so many types of insurance available, consumers should sit down with a reputable insurance professional who can help sort through some of the confusion. Solid advice from a Trusted Choice[®] insurance agency may save homeowners thousands of dollars by outlining which kind of coverage suits them. A comprehensive homeowners policy may even eliminate the need for other smaller, more specific personal insurance policies. Here are a few key issues consumers may want to explore when deciding if the insurance coverage they have is really right for them.

AT RISK: HOW COULD YOU BE UNDERINSURED?

Home-based business. At least 60% of in-home entrepreneurs are not properly insured, according to an IIABA study. Of those inadequately protected, nearly half didn't realize they were at risk because they thought their homeowners insurance covered them. While a basic homeowners policy will cover a computer used at home for personal use, it won't protect entire home-based firms. For example, homeowners' policies typically provide \$250 for computers off-site and won't cover lost data or business liability. That leaves many people who use laptops for business and other entrepreneurs vulnerable.

Valuable collectibles. "Standard" homeowners' policies usually provide coverage for the "contents" of a home to 50% of the value of the house. So, people with extensive collections of silver, antiques, jewelry, dolls, etc. should consider additional coverage to protect these sentimental treasures. But the best way to buy this type of coverage is from the home insurance company—an "endorsement," which is cheaper than a stand-alone policy. (For instance, a person with \$100,000 coverage on their home will have its contents insured to \$50,000. If that same person has \$30,000 in antiques, that will significantly subtract from coverage for the rest of the home's contents, such as clothing or furniture.) Many policies also set "sublimits" for contents insurance. For instance, most limit theft coverage on jewelry to \$1,000 and firearms to \$2,000. Those with more valuable jewelry, gun, or other collections should consider additional protection.

High income bracket. People lucky enough to have high-profile jobs or other accumulated assets should consider a comprehensive umbrella liability policy to protect against serious financial loss. Unfortunately, many people don't have this coverage because they haven't thought of it or they feel that their basic insurance programs are adequate. A good umbrella policy can cost as little as \$150 per \$1 million in coverage and insures against personal liabilities, including car- and home-related claims.

No replacement cost coverage on their property. Replacement cost coverage is 10 or 15% more expensive, but it replaces the item(s) with like kind and quality. Most standard home insurance policies provide replacement cost on the structure, but only “actual cash value” (ACV) on the property. ACV is the actual cost to replace the item, but after depreciation. With replacement cost coverage, a \$1,000 TV set bought eight years ago would be replaced with a similar type of TV, regardless of depreciation.

Children in college. An IIABA national survey showed that 80% of college students who rent housing for the school year may not have adequate coverage to protect their belongings when away from their primary residence. Incidentally, it also revealed that one-in-seven college students lack health insurance coverage and that an alarming 85% of families thought their health insurance would cover a college student studying overseas for more than a month. In fact, most health policies do not extend abroad and families need to know they may be underinsured in that area.

Home remodeling. Home renovation can leave homeowners vulnerable. One-in-four home remodeling projects increase the value of a home by more than 25%, but too few consumers consider increasing their homeowners insurance limits to reflect that increased value. Most insurance companies require homeowners to insure their home to a minimum of 80% of its replacement value to be eligible for full coverage. If coverage falls below that level and the homeowner experiences a loss, they will be penalized with a partial settlement. In addition, many people don't take basic steps to protect themselves from liability exposure while construction workers are in the home. Consumers should always ask for a certificate of insurance from anyone employed in their home and seek advice from a good insurance agent.

SAVING MONEY: HOW COULD YOU BE OVERINSURED?

Both travel and flight insurance usually are costly and unnecessary short-term policies that simply aren't needed for those who have broader health and disability insurance through an employer or other plan. Don't be lured by the flood of travel-related insurance offers since September 11th. Most typical health or life insurance policies include anything offered in specific travel insurance packages. And incidentally, baggage insurance is usually covered by a homeowners policy.

Credit life insurance. Trusted Choice[®] agencies recommend avoiding credit life insurance (for new furniture or credit card debt, for example) under any circumstance. These policies, offered by credit card companies and other lenders, extend for the term of the loan and decrease in value over its life. They are designed to protect a third party if the consumer dies before the loan is paid off. However, they provide no protection to beneficiaries, only to the company that offered the credit or loan.

Deductibles are too low. The owners of an expensive home need to consider whether a low deductible makes sense. If someone steals the TV, it isn't going to break the bank. Those same consumers need lots of insurance for a total catastrophe or if they get sued. Therefore, they may want to take a \$1,000 deductible and use the savings, which can be

10 to 20%, and buy an "umbrella liability" policy to give them \$1 million or \$2 million of coverage in case they're sued.

Specific computer insurance policies. Though this coverage may seem like a good idea, because so many people now have computers at home, a standard homeowners policy will cover most basic personal computer equipment. If you have a home insured for \$100,000, you typically have \$50,000 of personal property coverage, including computer equipment not used for business. If used for business, the home insurance policy typically provides \$1,500 or \$2,500 of coverage for computers. Only people with home-based businesses, laptops used for business outside the home, or elaborate high-tech equipment need to consider extra coverage. But it's cheaper to buy an endorsement to the home or home-business policy rather than a separate computer policy. (By the way, the same concept holds true for cancer insurance or trip-specific life insurance, and other specific policies. Broader coverage is cheaper in the long run and might be needed.)

DID YOU KNOW?

Renters insurance not only protects the contents of a rented property, but also almost always shields the policyholder from liability. And it's not expensive (because you're not insuring the building—that's the landlord's responsibility). A typical policy that offers \$15,000 in property protection and \$100,000-\$300,000 in liability coverage can be as little as \$150-200 a year.

Dog owners whose pets are known to be aggressive should never go without liability insurance or they may be in for a rude awakening if they get sued. Bites are by no means rare. Companies pay out about \$1 billion in dog-related claims a year and estimate that one-third of all homeowners' liability claims are due to dogs.

Insurance discounts are readily available for consumers who combine family policies, use one insurance company for several types of coverage, or take other measures such as using property theft deterrents or maintaining good driving records. Consumers should consult with an independent insurance agent at least once a year to evaluate changing needs and look for cost savings.