

An Annual Insurance Checkup Can Save You Money without Hurting Your Coverage

As we go through life, our insurance needs change. It makes sense to put certain dates on the calendar each year to see if your home, auto, umbrella liability, life, health, business and disability coverage not only fit your current needs at the right cost but protect you and your family in case of a disaster.

It really hasn't been that long since Hurricane Katrina underscored the need for individuals and families to think about how insurance fits into an overall financial plan. Weather-related disasters, however, should be only one part of your assessment – it's wise to consider if you are adequately insured in case a spouse or partner dies suddenly or becomes disabled or if your business is damaged or destroyed.

Here are some ways to examine the coverage and cost issues unique to your situation:

Homeowners' insurance: It's always good to see if you can afford to take a higher deductible to get a lower premium, but first, review whether you have the maximum home replacement coverage on your house and its contents. Go to several agents to see what you would get for maximum replacement coverage in your community. This particular coverage is particularly important since so many homeowners carry big mortgages and probably won't have enough in savings to cover the difference of what insurance won't. Also, be clear that "replacement cost" means the amount that it will cost to replace your home on the land where it stands – that usually means an amount considerably less than the market value of your home.

Also, make an effort to inventory your collectibles, home office equipment or additional furniture or assets you've acquired since you last took an inventory of your home. Make a list of those changes to review with your agent. Then take photos of all significant items and keep them in a safe place -- possibly outside the home.

Auto insurance: If you're driving an older car that if totaled wouldn't result in a financial burden to you, you might want to drop collision coverage and/or boost the size of your deductible. Take the money you save and put it in an account for your next new car in case your car is totaled. Also, if you consolidate your home and auto insurance at the same company, you'll generally get a discount.

Health insurance: Do you fully understand all your deductibles and co-pays? If you're getting ready to have kids, emergency room visits happen. Does your current plan provide for out-of-network care? Check your prescription coverage -- see what options your health coverage provides you for prescription discounts and prescription-by-mail availability so you can have uninterrupted access to important medications wherever you are. Also, if you travel frequently for work or vacation, check to see what your employer or individual health plan provides in the way of coverage across state lines or outside the country. One uncovered travel-related medical bill can leave you thousands of dollars in debt.

Disability insurance: Many people get disability coverage through work, but some advisors think you should have separate coverage because group policies can be more restrictive and therefore inadequate if you're out of work for a considerable period of time.

Life insurance: Talk to a trusted advisor, such as a CERTIFIED FINANCIAL PLANNER™ professional, about the right coverage to protect your spouse and children with enough money to help them continue their lifestyle and their educational goals if you die. That includes money for ongoing expenses, mortgage payment and tuition. Your spouse should also consider similar coverage, particularly if he or she is working. You might also consider life insurance for the children if only for burial coverage.

Lastly, remember how external forces affect your ability to buy insurance. For instance, if you buy in a high-crime area or an area hard-hit by weather disasters, you'll find home and auto insurance tougher to afford. Separate of all local factors, though, you're going to have to keep a very close eye on your credit report. Your ability to handle credit is pricing your attractiveness as an insurance buyer, a homebuyer, even as a prospective employee. If you really want to save money on insurance, keep your credit record clean.