



Furthering Families

Meeting families' insurance needs

An essential part of financial success is ensuring that your family's insurance needs are met. Families may experience many unexpected events in life. Insurance is one way to prevent devastating financial consequences for the family when these unexpected life events happen.

There are a variety of types of insurances available to help you and your family guard against risk. This financial risk is the chance that your family may experience a loss of income or the overwhelming expenses that can occur when something unexpected happens. The best way to combat risk in may be to choose the correct kind and amount of insurance. Exploring your insurance needs is one way to plan for future uncertainty.

When you have a loss of income, discontinuing insurance coverage may seem like an easy way to save a few dollars. However, there are a variety ways to continue insurance coverage, but at a reduced cost, that you may not be aware of.

What types of Insurance will my family need?

There are four main types of insurance that families need:

- Automobile Insurance
- Home Owners Insurance
- Health Care Insurance
- Life Insurance

Tips for Stretching Your Insurance Dollar

Here are some tips for reducing your insurance costs (adapted from *6 Tips for Getting Smart About Insurance* brochure, National Get Smart Week, National Association of Insurance Commissioners):

1. First, stretch your insurance dollar with a "Multiple Policy" discount. Many insurers offer discounts if you have multiple policies with them, including having both your automobile and home insured by the same company or having both you and your spouse's vehicles insured by the same company.

2. Installing the proper safety equipment is another way to reduce your insurance. Ask your insurance agent about any safety features that can lower insurance costs. For example, anti-lock brakes or an alarm on a car will lower your auto insurance premium (A premium is the cost of the insurance, usually payable monthly, quarterly or yearly).
3. A third way to reduce your insurance costs is by being a long-time policy owner. If the same insurance company has covered you for a number of years, ask about a reduced premium. This company values your business, and this is one way to reward you for your commitment to them.
4. Do you lead a healthy life-style? Some insurers take life-style into consideration when determining premiums. The healthier your life-style, the lower the cost of your insurance.
5. Another way to lower your insurance cost is to request a higher deductible on your policy. This may lower your premiums; however, there are consequences to this action. If you need to make a claim, be prepared to pay the higher deductible.
6. Finally, take advantage of all the extra benefits you can on your insurance. Do you belong to an association, union, or credit union that may qualify you for reduced rates? Generally, this benefit will lower your premium by a specific percentage rate. Check with your insurance provider to see if you qualify for a lower rate on your insurance premiums.

There are a variety of ways to help individuals and families with insurance costs. Finding the right program and benefits will ensure that you and your family are getting the right amount of coverage.



Reference: National Association of Insurance Commissioners, 2002, *6 Tips for Getting Smart About Insurance*.

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Automobile Insurance

Automobile insurance is available to cover auto repair and replacement expenses for your car, as well as auto related liabilities that are filed against you.

Michigan's Essential Insurance Act was designed to make auto insurance available to all eligible Michigan citizens at reasonable rates. Based on the Michigan Compulsory Insurance Law, no fault insurance is required by law in Michigan. Every car owner must buy certain basic insurance coverage in order to license your car. It is against the law to drive or let your car be driven without no-fault insurance.

The Michigan No-Fault Insurance Law has three main parts:

- **Personal Injury Protection**
Personal Injury Protection pays any medical expenses that may result from an accident for you and others riding in your car.
- **Property Protection Insurance**
Property Protection Insurance pays for damages, regardless of fault, done by your car to properly parked vehicles or fixed properties. Damage to your own property is not covered under this part of the law.
- **Residual Liability Insurance Bodily Injury and Property Damage**

Residual Liability Insurance Bodily Injury and Property Damage pays your legal defense costs and claims against you if your car injures or kills someone. It provides coverage for family members living with you and others driving with your permission. In addition, this part also pays your legal defense costs and claims against you if your car damages another's property. However, this does not cover your property, including your automobile.

Any coverage over these three basic parts is a luxury, not a necessity. The State of Michigan – Office of Financial and Insurance Services has a guide that can assist individuals and/or families to find the appropriate kind of auto insurance. To view this guide, go to www.michigan.gov (under Consumer and Industry Services – Office of Financial and Insurance Services).

References: Consumer and Industry Services, Office of Financial and Insurance Services, State of Michigan – www.michigan.gov/cis.

Michigan State University Extension, 2001, *Money 2000: Protecting Family Assets* (Module H).

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Health Care Insurance

Health Care Insurance is a critical component to ensuring the well-being of individuals in the state. In Michigan, there are four main ways that individuals can opt to pay for health care expenses.

The first way individuals can pay for health care expenses are through employee benefits programs. Employee benefit programs allow individuals who work for a company that furnishes medical coverage as part of an employee benefit package to utilize their insurance available to their employees and their families at a free and/or reduced cost.

Purchasing insurance is another way individuals can pay for health care expenses. Through this option, the individual and/or family purchases coverage and make the required payments to the insurance agency.

The third way individuals pay for health care expenses are through government programs such as Medicaid, Medicare, Healthy Kids, and MI Child. There are a variety of program eligibility requirements for these governmental programs. To find out more information about these state and nationally funded programs, visit the Michigan Department of Community Health web site at www.michigan.gov/mdch.

The last way is to be self-insured. This means that none of the three previous ways are available and/or being accessed and this person is covering their own expenses. Individuals/families that are self-insured potentially cover their expenses through investments, savings, and other assets.

What if I can't afford health insurance? What is available to me?

The **Medicaid program** is a federally funded program, made available locally through the state of Michigan through the Family Independence Agency. Medicaid provides health care coverage for individuals and families who may have a difficult time in finding insurance coverage elsewhere. There are a variety of programs available through Medicaid for which individuals and/or families may qualify. Eligibility

is based on income level, family size and age, as well as a variety of other factors. For a complete listing of the Medicaid programs, see www.michigan.gov/mdch.

COBRA is an acronym for the federal Consolidated Omnibus Budget Reconciliation Act of 1986. This federal law allows terminated employees and their families who may lose group health care coverage because of termination of employment, death, divorce, or other life events to continue coverage for specified periods of time. The law applies to group health coverage provided by employers with 20 or more employees, but does not apply to federal employees and church-sponsored plans. To find out more about COBRA's services, see <http://www.cobrahealth.com/>

Children's Insurance – There are a variety of insurance coverage's specifically targeted to children's needs. **Healthy Kids** is a program for children under the age of 19 and for pregnant women. There is an income limit, but no asset limit for this program.

Another program is the **MiChild** Program. This program is administered by the Department of Community Health and is for the uninsured children in Michigan families. The MiChild program has a higher income limit for eligibility. This program is for children under the age of 19. MiChild provides a comprehensive package of health care benefits including vision and dental. To find out more about these two programs, see www.michigan.gov/mdch.

References:

Family Independence Agency – State of Michigan -
www.michigan.gov
Michigan Department of Community Health – State of Michigan -
www.michigan.gov
Michigan State University Extension, 2001, Money 2000: Protecting Family Assets (Module H)

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Home Owners Insurance

Home Owners insurance protects families from devastation by protecting their home with both liability and property damage insurance coverage.

Liability insurance protects you from financial losses suffered when you are found responsible for the losses of others. This coverage includes general liability protection (when you are legally liable (responsible) for another person), no fault medical payment protection (bodily injury losses suffered by visitors regardless of who was at fault), and no-fault property damage protection (property losses suffered by visitors at your home).

Property insurance protects you from financial losses resulting from the damage to or destruction of your property or possessions. This coverage includes damage to your dwelling, damage to other structures or property, damage to personal property and dwelling contents, and expenses arising out of loss of use of the dwelling.

You may need homeowner's insurance because your mortgage lender requires it. But, even if you own your home outright, you still need home owners insurance to protect that which you can't afford to lose. If devastation occurred to your home and there was no insurance, rebuilding your home and security for your family would be a very costly process.

References: Michigan State University Extension, 2001, Money 2000: Protecting Family Assets (Module H)

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Life Insurance

If you have a family that's dependent on your income, then you need life insurance. Most people require enough life insurance to make sure that their family could continue to live their current life-style, if they passed away. As a general rule, you should buy protection equivalent to five to eight times your annual income, so that you may be able to support your family after you have passed away.

There are three main types of Life Insurance available.

- The first type is **Whole life insurance**. Whole Life Insurance protects you for your entire lifetime, from the day you purchase the policy until you pass away, as long as you pay your monthly premiums.
- The next type is **Term life insurance**. This type of insurance usually provides affordable protection, often with a guaranteed premium for a shorter period of time. If the insured should die while the term life insurance policy is in effect, the face amount is paid to the named beneficiary. At the end of the premium guarantee period, the insured can renew the coverage at a higher premium or the insurance will terminate.
- The last type of insurance is **Variable life insurance**. This type of insurance gives you the flexibility to choose the amount of protection that best suits your family. It allows you to increase or

decrease coverage as insurance needs change. You may not decrease your coverage below the required minimum. With variable life insurance, you control the amount and frequency of your payments.

Is there any state assistance available if I don't have life insurance?

The Family Independence Agency assists with burial when the decedent's estate, mandatory co-payments, etc. are not sufficient to pay for burial, cremation or other specified costs such as costs associated with donation of a body to a medical school. The decedent's remains **MUST** be in Michigan. Transportation, or other charges to bring a decedent back to Michigan, is not covered. There are income restrictions on this assistance. You can contact your local Family Independence Agency for more information.

References:

Family Independence Agency – State of Michigan – www.michigan.gov.
Michigan State University Extension, 2001, Money 2000: Protecting Family Assets (Module H)

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