

# Managing Risk

A Guide to Insurance





# How Safe Is Your Home?

It's easy to fall in love with where we live, without acknowledging the risks involved.

## LOCATION, LOCATION

Your home is likely your most valuable asset. Even if you rent an apartment or condo, these structures provide space for most everything else we own. So living near a potentially hazardous situation puts everything at risk. If you buy near the ocean, for instance, you'll often see higher insurance rates than for those who have homes away from the coast, according to the Insurance Information Institute. That's because these structures are naturally more prone to storm or flooding damage. Keep in mind that windstorm, hurricane and flooding insurance may be extra. On the other hand, your premiums could be lower based on how close you live to a permanently staffed, highly rated fire station. Simply having a hydrant nearby can be a big plus. Talk to a local insurance agent about recommended coverage for the location of your home.

## CONSTRUCTION DATE

Older homes can present myriad dangers, from faulty older wiring systems and plumbing, to foundation and structural problems. Traditional wooden floors and plaster walls are more expen-



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sive to maintain, and very costly to replace. Features like that may play a role in higher deductibles, as well. Hire an experienced, well-regarded inspector before purchasing an older structure, then keep up with a regular maintenance schedule. Have them pay close attention to electrical systems and plumbing,

since new builds feature many upgrades that weren't around when your classic home was constructed. A clean bill of health will give you confidence, and could also impact your insurance rate.

## QUALITY WORKMANSHIP

A home inspector will also be able to point out issues

with the quality of construction or work that's been done on the home along the way. Shoddy workmanship or conflicts with engineering-based modern building codes can present serious dangers in any home.

The inspector will also help pinpoint trouble spots where aging can become a factor.

Monitoring wear and tear is particularly critical, for instance, with something like your roof.

If left unattended, you could suffer intrusions from water or pests — and both can lead to much larger structural issues. Installing hail- or fire-resistant materials might qualify for a discount, too.





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# Understanding Life Insurance

Everyone can agree that life insurance is a good idea. But which policy?

With so many different options you may be unsure about what's right for you and your family.

## HOW IT WORKS

Before shopping for a new policy, familiarize yourself with the process: Life insurance is a legally binding contract stating that a death benefit will be paid to a designated beneficiary when the policy holder dies. A premium, either paid in regular installments or in

a lump sum up front, must be maintained in order for the policy to remain in force. The death benefit is the policy's agreed-upon face value. Various guaranty funds have been put in place to protect policyholders in case the issuing company fails.

When it's time to buy, you'll be choosing between policies that are organized in two very different ways, either term or permanent.

## KINDS OF COVERAGE

Term policies are designed to be more flexible, providing coverage for a period of time up to 30 years. Permanent insurance, on the other hand, is a life-long policy including uni-

versal and whole-life coverage. Term premiums are typically lower, but be aware that these costs may go up with each renewal as you age. In some cases, term policies are renewable on a decreasing basis with a predetermined rate.

A convertible term insurance allows a policy holder to shift to permanent insurance, where the policy premiums remain the same. If you're looking for the option of perhaps borrowing from or cashing in your policy at some point down the road, a permanent policy is the way to go.

Indexed universal and variable universal policies allow certain investments based on the cash value of the policy.

Term insurance doesn't grow in value.

## PEACE OF MIND

Shopping for life insurance can be overwhelming, even if your policy options were limited. After all, we first have to consider our own deaths before signing on the dotted line. A local life-insurance agent can walk you through the many available plans, but all of them have one goal in mind: Protecting our beneficiaries when we die. Some of these policies may potentially accrue some cash value in time, but you're not deciding based on any return on investment. You're trying to provide some level of financial peace of mind to those who will be left behind.



# Staying Safe at Work

Your level of risk often has a lot to do with where you work

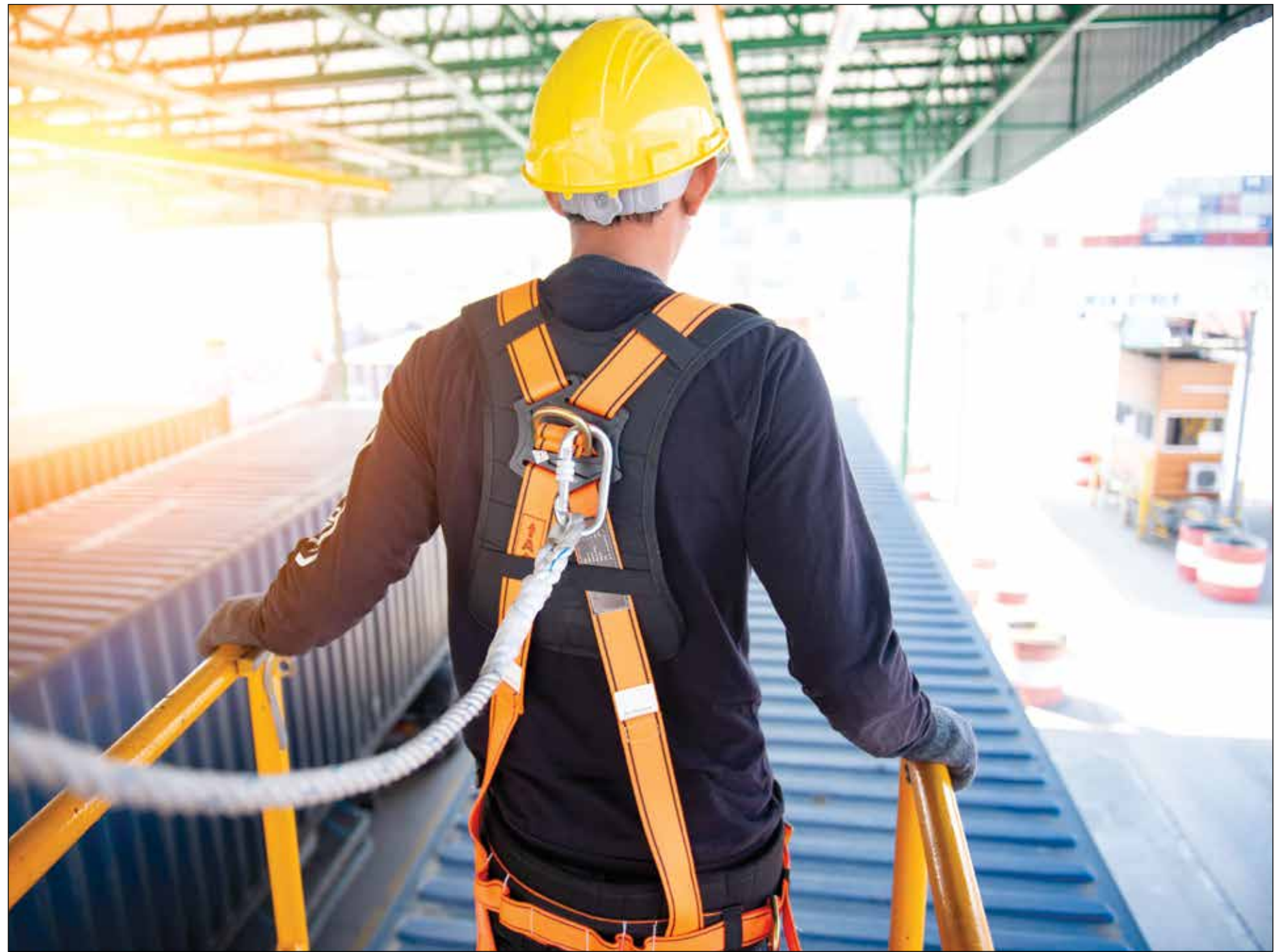
Dangers surround everyone on the job, so it's important to focus on staying safe at work.

## EVERYDAY HAZARDS

The risk of injury for someone employed in manufacturing might be more easily understood than a graphic designer who is working from home, but every-day hazards exist in both situations. The factory worker has to deal with loud, heavy machinery that may present a grave injury risk, meaning they'll have to remain focused and vigilant throughout the day. But spills and tripping hazards cause far more accidents. Workers should be especially careful when completing any task from a great height, whether on a ladder, scaffolding, roofs or other raised areas. The Occupational Safety and Health Administration also recommends that we all remain mindful of electrical hazards, including missing ground wires, frayed cords or improperly completed wiring. It's easy to overlook how these common issues might lead to an accident. But when workers are injured, there's both a physical toll and a loss of company productivity.

## PHYSICAL / BIOLOGICAL HAZARDS

Temperature extremes and constant sunlight pose their



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own very serious dangers. Loud and constant noise can lead to long-term hearing problems. Be careful around liquids like paints, cleaning products and solvents, since the chemicals used to create them might be harmful. Fumes from welding, or gases like propane, acetylene, helium and carbon monoxide

may also be present. Practice good ventilation. Don't forget ergonomic hazards like improperly adjusted chairs or work stations, along with any other repetitive movements or assignments that involve frequent lifting. Flammable liquids like gasoline should always be handled with great care.

## PROTECTING YOURSELF

Disability insurance is important for every age group. In fact, the Social Security Administration reports that a quarter of all workers will experience a disability of 90 days or more before they reach retirement age. Short-term and long-term policies

are designed to replace a portion of your base salary, up to a certain figure. Some long-term disability policies even include special training services to make returning to the workforce easier. If your employer doesn't provide disability insurance, talk to a local broker about buying an individual policy.



# Consider Renter's Insurance

An increasing number of landlords now require renter's insurance. Here's why you should consider buying a policy either way.

## INSIDE AND OUT

Insuring your belongings in a rental home means you're protected in the event of theft or other losses, while covering you financially should an accident happen to someone else while visiting. Most policies include comprehensive coverage with relatively affordable premiums. They'll typically cover damage to personal property and your personal liability, while also covering certain medical and living expenses depending on the situation. In some cases, your possessions are also covered due to theft wherever you may travel, anywhere in the world.

## WHAT THEY COVER

Landlords maintain their own insurance policies, but they only cover the buildings they rent. They don't provide any protection for anything found inside, including furnishing, electronics or appliances. A quality renter's insurance policy will make sure that you're made whole again if someone were to break in, or if a fire broke out. The liability portion of the policy will also help cover your legal bill, should the unexpected hap-



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pen. A standard HO-4 policy covers a very wide range of potential mishaps, including damage caused by explosion, falling objects or aircraft, riots or other civil unrest, smoke or water damage, theft or vandalism, even the weight of snow. Renter's insurance is especially important if you live in an

area that's at risk for natural disasters like hurricanes, flooding, wildfires or tornadoes — though in many cases you'll need to add a special rider to address those risks.

## SIGNING UP

Most renters don't buy their own personal insurance

because they mistakenly believe that they'll be covered under the landlord's existing policy — and that the expense isn't worth the potential benefits. Neither is correct. Cost will depend, of course, on how much coverage is required, the type of insurance, your pre-selected

deductible and where the home is located. But the average renter's policy runs less than \$200 a year, according to the National Association of Insurance Commissioners. Better still, many insurers offer discounts if you bundle a new renter's policy with existing coverage.



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# Risks for the Uninsured

Insurance policies aren't cheap — but neither is the cost of caring for yourself. Is your health worth the risk?

When money is tight, it may be tempting to consider cutting the cost of a personal health insurance policy. We understand more about staying healthy today than ever before, and preventative care has come a long way. Still, ongoing wellness is never a certainty. If the worst happens, you may be risking both your financial security and your health.

## HIGHER COSTS

The typical out-of-pocket costs for general health care are far more expensive when you aren't insured. Those with a policy in place may only

pay a portion of the total bill, or nothing beyond a standard deductible. Those without are at the mercy of the individual health-care provider's pricing structure.

## PUTTING THINGS OFF

Nearly 25% of the uninsured postpone health care because of the costs involved, according to a survey by the Kaiser Family Foundation.

But hesitating to take care of a problem, or avoiding treatment all together, puts you at risk of far worse medical outcomes.

You might eventually need more criti-

cal treatment, and that costs even more.

## MISSING MEDICATION

Many rely on a regular regimen of medicine to control personal health conditions, including high blood pressure, diabetes and mental wellness. But as with medical procedures, out-of-pocket expenses can quickly add up. Insurance offers us more affordable access to these various prescriptions, and without it some may be forced to ration medicine — or skip it all together.

## FACING PENALTIES

Until somewhat recently federal legislation required everyone to obtain a certain level of coverage, though that condition has since been dropped. However, a handful of states have con-

tinued to hand out tax penalties to the uninsured. If you live in one of those states, remaining uninsured might lead to two separate bills — one for out-of-pocket health-care costs and another for additional taxes. Check here to see if your state requires insurance: <https://www.ehealthinsurance.com/resources/individual-and-family/does-your-state-require-you-to-have-health-insurance>.

## FINANCIAL ISSUES

As these expenses pile up, you might quickly find yourself behind on payments to your medical provider. Penalties usually follow, which then only put you further behind.

Eventually, this cashflow issue will impact other parts of your budget, potentially leading to financial ruin.



# Inside Retirement Annuities

They're popular, but how do they work?

Annuities are actually an insurance product, and they pay out in a similar fashion: You invest, with a scheduled payout in the future.

## HOW THEY PAY

You'll be investing money in an annuity owned by the insurance company, brokerage or mutual fund, who then invests on your behalf. Buyers are guaranteed a steady income over a set period of time. The annuity income can be paid out in a variety of ways, including lump sum, annually, quarterly or even monthly. You may choose a payout that arrives on a single day, or over a series of dates. The size of payout is determined by payment-period length, among other factors. You'll have the choice between a fixed or variable annuity. Study the differences before signing with an insurance salesman or financial planner, since your particular situation may play a determining role.

## DIFFERENT OPTIONS

How much you'll be paid also depends on the type of annuity. Immediate annuities begin with a lump sum, and you'll begin receiving payments immediately. An insurance broker can offer you a variety of scheduling options. Differed annuities, as the name indicates, begin long before your planned retirement. Your investments grow over time until you're ready to



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cash out. Unlike other tax-deferred retirement options like IRAs and 401(k)s, however, you may contribute as much as you like annually. That makes it particularly useful for anyone who's nearing retirement and wants to quickly build a nest egg.

## RIGHT FOR YOU?

The question of investing through an annuity comes down a series of individual answers, including how close you are to retirement age. They can be a smart investment for those looking for a regular income after leaving work, and

those who haven't saved as much as they'd have liked along the way. Be aware, however, that insurance companies determine return rates, and those determinations may not lead to the long-term earnings figures you'd hoped for. Annuities are also known for

carrying high fees as compared to other long-term options. Insurance brokers take a commission off the top. There are so-called "surrender" charges, if you pull your money out too early. Annual fees are also much higher than typical mutual funds.

# Buying Travel Insurance

Travel is costly enough, especially if you're visiting overseas. If the unthinkable happens, however, you may wish you'd purchased travel insurance.

## WHAT IT COVERS

The amount of coverage needed depends on where you're going, what you're spending, and what you're bringing. Your health coverage may remain depending on the destination, but extra insurance can help cover additional out-of-pocket expenses. Check credit card offers, too. Then look for the plan that comprehensively addresses any remaining concerns, with a focus on reimbursements for missed connections, lost bags, refunds if you become sick or otherwise can not travel, and medical emergencies. Most providers offer an array of policies meant to cover all levels. You can purchase individual insurance or family coverage. There are also multi-trip plans available.

## IN AMERICA

Experts agree that travel insurance is generally not necessary when taking a trip within the United States. The policy is meant to protect you from canceled reservations and, more importantly, help with doctors expenses. Your person-



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al health insurance would cover any medical emergency, and the typical domestic flight and hotel room may not be worth covering. Some U.S. airlines offer penalty-free cancellations or flight transfers. Credit-card companies also have special travel-related provisions.

## WHEN ABROAD

Help may not be easily

found in some faraway places. "Many foreign medical facilities and providers require cash payment up front and do not accept U.S. insurance plans," according to the State Department. "Medicare does not provide coverage outside of the United States." A U.S. Embassy can help with a stolen passport. They can also get in touch with family or help facil-

itate communication with local authorities. But they can not provide emergency transportation in most instances, or help with financial losses.

## HOW TO BUY

Travel insurance is a good idea if your prepaid trip doesn't allow cancellations without penalty, or if you are traveling to a place where weather could

play a deciding factor. Travel agents often help with purchasing insurance while booking trips. Sites like Expedia have options, as do cruises — which usually offer a coverage package when you sign up. Airlines may have special offers through their website. There are a variety of travel insurance companies to choose from, as well.