



Insurance



How to Save, Avoid Risk

You may be wasting money on unnecessary coverage or not realize where you are vulnerable to serious losses. 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.

Now is a Good Time to Conduct an Insurance Check-up

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At Risk: How Could You be Underinsured?

Home-based business. At least 60% of in-home entrepreneurs are not properly insured, according to an Independent Insurance Agents and Brokers of

America (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.

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.

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. 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 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.

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.

Home remodeling. Home renovation can leave homeowners vulnerable. One-in-four home remodeling projects increases 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.

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. Most typical health or life insurance policies include anything offered in specific travel insurance packages.

Credit life insurance. The IIABA recommends avoiding credit life insurance (for new furniture or credit card debt, for example) under any circumstance. They are designed to protect a third party if the consumer dies before the loan is paid off.

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.

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.

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. 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. 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. ★