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'Money \$ense': Review your insurance coverage periodically to check for gaps

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ONE ITEM on your to-do list should be a periodic review of your insurance coverage. Insurance is all about shifting or sharing the risk exposures in your life with a third party, such as an insurance company. Reviewing your coverage to determine if there are any gaps is important to your financial well-being. Here are just a few types of insurance to consider.



One very important asset you might have is your home. Understanding the coverage is paramount. This is probably one of the largest assets you own. Your homeowner's policy might be hard to understand, and it might be unclear just what you are covered for and for how much.

One example of the difficulty is the concept of replacement cost. If your home was destroyed, would the policy pay for its full replacement? Are there any caps on the amount? Is the cap the face value of the policy? Having a solid idea of the value of your home excluding the land value will give you a baseline as to the amount of coverage you should have.

Your homeowner's policy also might have exceptions to the coverage. Common examples are floods, earthquakes and hurricanes. Special addendums might be needed to cover these,

or you might need a separate policy. You might also have jewelry, antiques, collectibles, watercraft or other personal property that need special attention.

Other examples of policy ambiguities are paying for the extra costs involved due to more stringent building codes. Does your policy pay for the extra costs? Payment for temporary housing while repairs are made could be another area in which your policy doesn't meet your needs.

Even a home renovation might affect your policy. It could add value to your home and might qualify you for policy discounts. It might also mean more coverage is needed. An example here would be finishing your basement. Maybe you now need coverage to pay for damage from water – what if the sump pump breaks?

Another asset you might have is a car. One fundamental question to answer is which drivers and vehicles are included. For example, is your college student covered? Does it matter whether or not the student is living away from home? If you divorce, which policy covers the child? Are you covered for stolen electronic devices? What is the rental limit for using a car while yours is repaired? Does the policy cover damage to the replacement rental?

If you are leasing a car on an ongoing basis, there might be other things to think about. Check to see if your policy covers the replacement cost and under what conditions. Is this amount going to be enough to pay the balance of your lease?

Other insurance areas to review are life and disability. Disability will help replace your income if you cannot work for a time period. Many workers get this type of coverage through their employer. What is the definition of disability included in the policy? Is the benefit amount enough? Would the purchase of a private plan help reduce any gaps in your employer policy? Remember, should you leave your job, any employer-provided coverage usually disappears.

Your employer also might offer life insurance. Once again, is this coverage enough? What does your family need to replace your income if you should pass away? Be sure to consider factors like the extra child care expenses if your children are young. Employer-provided life insurance is another coverage that often goes away if you terminate your employment. The purchase of private coverage can help fill the gap.

Insurance can be complicated. Be sure to read and understand your coverages. Any questions or concerns should be addressed with a certified financial planner or an insurance professional familiar with your situation.

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