

MANAGING YOUR INSURANCE NEEDS DURING FINANCIAL CRISIS

Making Sound Financial Choices More Important Than Ever in Uncertain Times

In these challenging economic times, many Americans are cutting back on everything from luxury goods to everyday essentials. The National Association of Insurance Commissioners (NAIC) reminds consumers to be cautious when making budget cuts. Short-term savings could end up costing much more in the long run, especially when it comes to insurance coverage.

Be sure TO AVOID these mistakes when considering changes to your insurance:

- 1. Reducing your coverage.** Always make sure you have the financial protection you need. Selecting a “no-frills” plan might put you at financial risk by generating excessive out-of-pocket costs you cannot afford. In terms of health insurance, you might also compromise your physical health by putting off doctor’s visits or not filling prescriptions. Before making a decision about what level of coverage is best for you and your family, talk with your insurance agent or company about your insurance needs.
- 2. Significantly increasing your deductible.** Changing your deductible to decrease your premiums can be a smart move. However, remember that you will be responsible for a greater amount of out-of-pocket costs in case of a health emergency, major car accident or significant damage to your home. Before you increase your deductible, evaluate your finances to know how much you can bear to pay, in case of a major loss.
- 3. Switching insurance providers.** The recent problems with American International Group (AIG) led many Americans to consider switching to another insurance carrier. If an agent tells you to replace your policy because an AIG insurance company is in trouble and might not be able to pay your claim, this statement is false and could be a violation of the Unfair Trade Practices Act in most states. Consumers can check the financial health of an insurance company by contacting their state insurance department or by using the NAIC’s Consumer Information Source (CIS) at <https://eapps.naic.org/cis/>. Although changing companies in uncertain times can be tempting, hasty decisions can have unintended consequences. Read and fully understand the terms and conditions of your insurance policy, and any policy you might purchase, before making a final decision.
- 4. Canceling or liquidating an insurance policy.** Replacing or liquidating a policy, especially a life insurance or annuity policy, can have hidden costs and unintended tax consequences. Be aware that some policies contain surrender charges and/or cancellation penalties. Do not be pressured to make an immediate decision. If you decide to replace a policy, keep paying the premiums on your current policy until the new policy is issued. Failure to pay premiums can result in the termination of your insurance policy and could result in a gap in coverage.
- 5. Not knowing the details of your policy.** Read your policy carefully and ask questions of your insurance agent or company. Do your own research and make sure to evaluate your coverage needs annually. If you have questions about an insurance company or your insurance needs, visit www.NAIC.org or www.InsureUonline.org for more tips and information.
- 6. Acting too quickly.** Be wary of any sales pitch that tells you to act fast, or that requires immediate payment directly to an agent. State insurance regulators and the NAIC encourage consumers to (1) STOP before signing anything or writing a check; (2) CALL your state insurance department; contact information is available at www.naic.org; and (3) CONFIRM the company offering insurance is legitimate and licensed in your state.

About The National Association of Insurance Commissioners (NAIC)

The National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories. The NAIC’s mission is to support state insurance regulators in protecting consumers and helping maintain the financial stability of the insurance industry.