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Five ways to finesse your insurance policies

By Mark Halpern, Special to Financial Post

Insurance companies make money from clients who do not ask questions. Here are 5 reasons to review your policies

Insurance companies benefit from clients who do not ask questions and from advisors who “file and forget.”

Once they sell you a policy, they are not beholden to tell you when prices have fallen or whether there is a better way to use your money.

Here are five reasons why insurers don't want you to review your insurance:

1. Hidden Finance Charges. Home and car insurance premiums are calculated by taking your annual premium and dividing it by 12. In the life insurance industry, a term insurance or whole life insurance annual premium can also be divided into monthly payments - but the insurance companies charge a financing premium of as much as 9%. That means you pay an extra month's premium a year just for the benefit of cash flow management. If you have money in the bank or access to a cheap line of credit, consider making the annual payment and save your money. You can always go back to the monthly payment plan if necessary.

2. Term rates have dropped. Term life insurance has never been as inexpensive as it is now. People renewing their term insurance today pay less than they did 15 years ago, even though they may be 15 years older. If you are close to the end of a 10-year term plan or in a new renewal past your first 10-year term period, ask your advisor to get the insurance reviewed. Not only is there a good chance you will pay less, but you can also extend the duration of the policy to another 10-year, 20-year or longer term plan with a starting date of today.

3. Revisit your ratings. If you were heavier when you bought your policy - or smoked, or participated in dangerous sports like scuba diving - then your policy was probably “rated.” That means you paid more for your insurance premiums. But if you have lost weight, for example, and are now in better shape or have had additional life style changes, ask to have your policy reviewed. The price may come down or the rating might be removed altogether.

4. Convert your policy. If you own a term insurance policy and later develop a health problem, do not let your insurance policy lapse - keep paying your premiums or your insurance will get cancelled. Most term insurance policies have an option that will allow you to convert all or some of the policy to permanent insurance - without needing medical evidence. Yes, it will be more expensive, but you keep your coverage for when you need it most.

5. Lost policies. Be sure you let someone other than your spouse know that you have life insurance. If both spouses die and have not left any notice for anyone that they have a policy, the money stays in the hands of the insurer. Keep an estate directory accessible by an executor.

Mark Halpern is a Certified Financial Planner and Trust & Estate Practitioner at illnessPROTECTION.com.