

Business

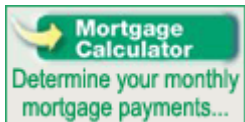
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Get informed before buying insurance

01:00 AM EDT on Monday, October 2, 2006

It's time for open enrollment. That means millions of workers will be evaluating their health, life and disability insurance options as part of their employee benefits package.

I don't know about you, but when that fat envelope comes in the mail I cringe. There's just so much information to pore over my head hurts just looking at the package.

Trying to decide what coverage to get for yourself or your family can be a trying experience. According to a survey conducted by Aetna and the Financial Planning Association, nearly two-thirds of women are responsible for family health-care decisions and 35 percent of them do not know basic information about health benefits and more than half (54 percent) say they have some difficulty choosing a health plan.

But it's not just picking the right health plan at work that confounds consumers when it comes to insurance choices. Many people aren't getting the best deal for their auto insurance. Or they don't have enough disability insurance, if they have it at all. Or there are gaps in their homeowners insurance coverage.

Kimberly Lankford, a columnist at Kiplinger's Personal Finance who has covered the industry for 10 years, says many people make big mistakes when they purchase insurance.

"Your entire financial plan is at risk if you do not have the right insurance," Lankford writes in her new book, *The Insurance Maze: How You Can Save Money on Insurance -- And Still Get the Coverage You Need* (\$18.95, Kaplan

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Just ask many of the victims of Hurricane Katrina who are still fighting with their insurance companies and arguing over whether damage was flood-related, for which they had no coverage, or wind-related. This type of legal bickering and the resulting financial chaos can happen to anyone, Lankford warns.

Because insurance is so critical for any financial plan, your best defense is a good offense: becoming better informed. You can do that by reading Lankford's book.

It won't bore you. Lankford deftly avoids using industry jargon that typically weighs down such books. Still, she covers the basics that you need to know about the major insurance products -- health, homeowners, auto, life, long-term care and disability insurance.

Lankford says this is a particularly good time to reevaluate your insurance because the industry is going through some changes. For example, life insurance rates have plummeted over the past decade, and many consumers can take advantage of these lower rates. Got a preexisting medical condition? It may not be impossible to get coverage, Lankford writes.

As many employees enter their employer's open-enrollment period the chapter on health insurance will be particularly helpful. For example, Lankford does a good job of explaining the new health savings accounts, or HSAs. This type of plan was created by the Medicare bill signed by President Bush in 2003. The plans are supposed to help individuals save for future qualified medical and retiree health expenses on a tax-free basis.

To be eligible for an HSA you can't be enrolled in Medicare and your health insurance policy must have a deductible of at least \$2,100 for a family policy this year. The minimum deductible for an individual policy is \$1,050. You can set aside tax-deductible money in an HSA up to the amount of the deductible -- this year that's up to \$2,700 for singles and \$5,450 for families. If you are 55 or older, you can put in an extra \$700.

There are, of course, other requirements and restrictions, all of which you probably will eventually need to know about because an increasing number of employers are offering the plans. Last year, only about 7 percent of employers offered the plans. That number is expected to increase to 32 percent this year, Lankford says.

If you're having trouble finding health insurance because of a preexisting condition, don't get discouraged, Lankford says, just keep shopping. One excellent source is the Web site for Communicating for Agriculture and the Self-Employed at www.selfemployedcountry.org. Scroll to the middle of the home page and click on the link for "Risk Pools," which directs high-risk consumers to states that offer insurance to those

who have been denied coverage.

And just because you're high-risk don't be so desperate that you fall for a scam, Lankford warns. Specifically, she cautions against getting health insurance through an association group policy. "Be very wary if an association health plan is offering unusually low premiums, asking few medical questions, or is working with an association you've never heard of."

Think that's too simple? As Lankford reports in the book, between 2000 and 2002, state investigators shut down 41 illegal operations selling insurance through phony and real associations.

Got a home office? Did you know all that expensive equipment might not be adequately covered under your homeowners policy? That was news to me.

If you have a home-based business, get a business-in-home rider, Lankford advises. This will increase your coverage for business property and liability. It will cost you about \$150 a year if you have a basic consultant's office with a computer system and you don't have clients visiting your home.

Most helpful is how Lankford concludes the book. She walks readers through the insurance that they need depending on where they are in life, such as when you get married, send your children off to college or retire.

Typically, consumers get their information about their coverage from the people selling the policies. There's nothing wrong with that but you need an objective source. The Insurance Maze can be that resource.

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