

Insurance coverage: You do not need it until you really need it

By U.S. Army Capt.
Anouck McCall
Legal Assistance Attorney
JFHQ-NCR/MDW

In youth, we are cloaked in a feeling of invincibility. The possibility of a catastrophic medical condition or car accident seems most remote. Why expend our hard-earned money year after year on insurance coverage that we likely will not need? The answer is that out-of-pocket expenses that can arise in the absence of insurance could be asphyxiating and lead to financial ruin.

Active duty service members are further lulled into a sense of comfort – less known to those in the outside world – on account of having their healthcare automatically covered by Tricare at no cost. Unlike our civilian brethren, if we become ill or injured during the course of service, we will receive treatment and never see a bill.

Regarding life insurance, the military makes it easy by offering the Service members' Group Life Insurance (SGLI) with coverage up to \$400,000.

The monthly premium is directly deducted from our paychecks. It has been said, "You don't buy life insurance because you are going to die, but because those you love are going to live."

However, when it comes to automobile or homeowner's/renter's insurance, we are responsible for securing those policies. Purchasing insurance is a multi-faceted exercise that includes several decision points.

First, it is important to study options or enlist the expertise of an agent familiar with the market and available discounts. Second, one must determine necessary limits and type of protection desired. Increasing the amount of liability coverage expands protection but raises the premium. Increasing the deductible lowers the premium. The premium is the periodic payment to transfer the risk from the insured (individual) to the insurer (company). The deductible is the out-of-pocket expenses the insured must pay before the insurer assumes the remaining costs. Third, one should compare quotes from various carriers. Behind the

scenes – in a process called underwriting – the insurance company evaluates the risk and merit of extending insurance, examines the insurer's history (e.g., at-fault accidents, citations, claims, etc.) and other factors (e.g., age, other drivers, make/model of vehicle, average mileage, where vehicle is garaged, etc.), and establishes the premium.

While the carrier completes the underwriting, it can issue interim insurance known as a binder. If the underwriters discover discrepancies from the information supplied during the application, they can modify the quote upwards or decline coverage. Otherwise, the policy will be issued as quoted and proof of insurance along with a declaration page provided. Be sure to review the policy as it is a legally-binding contract.

Typically, policies automatically renew semi-annually or annually. The carrier will assess whether – based on rate increases or events during the prior period – the premiums will be altered. It is imperative that the renewal payment is made on

time. Although some companies have a slight grace period, the consequences of not rendering payment can be grave. If you experience a loss or are involved in an accident and the premium was not paid, you may be personally liable for the damages to the tune of possibly tens of thousands of dollars. If there are injuries or fatalities, that figure could sky-rocket. The total may be so astronomical that you can never satisfy the obligation. You may face garnishments, lawsuits, attorney's fees, bankruptcy, and more.

As American folk singer-songwriter, Pete Seeger, noted, "Education is when you read the fine print. Experience is what you get if you don't."



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