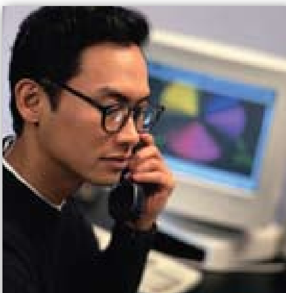
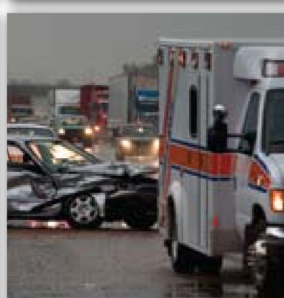
A CONSUMER GUIDE TO INSURANCE NEEDS FOR YOUNG SINGLES





GET SMART ABOUT INSURANCE
INSURE U
NAIC
National Association of Insurance Commissioners

FOUNDED 1634
MARYLAND
INSURANCE ADMINISTRATION

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About Insure U

Ever feel overwhelmed trying to figure out your insurance? Well, now you have help. Together, your state regulator of insurance (Maryland Insurance Administration) and the national organization for insurance regulators (National Association of Insurance Commissioners) developed a series of educational materials aimed at you, the consumer. The materials take into account your current stage of life and which insurance products you are most likely to need.

Therefore, the material on “Young Singles” offers the appropriate guidance for those newly on their own. The material on “Young Families” will be most pertinent to those just starting to raise a family. Teenagers raise new insurance questions, so material is provided to address the needs of “Established Families.” However, “Empty Nesters” will find the material on “Seniors” most helpful.

They say “Knowledge is power,” and you have it all right here in easy to understand, everyday terms. This brochure is a first step to feeling “smart” about insurance. The Maryland Insurance Administration is available to help, so visit our web site at *www.mdinsurance.state.md.us* or call us at 800-492-6116.

Young Singles Considerations

As a young single, you’re on your own – without parental support for the first time. You could be finishing college, or you may be looking for or starting a new job. This stage of your life might require you to leave your hometown and move to a different city or state. It also means new responsibilities, including building the foundation of your financial security.

At this point in your life, it’s important to understand that your financial decisions – even very early ones – have long-term implications. That’s especially the case with insurance coverage. So you’ll want to make informed choices about what kind of coverage is best for you.

Consider these four types of insurance coverage:

I. Auto Insurance
II. Home Insurance
III. Life Insurance
IV. Health Insurance

Who We Are

The Maryland Insurance Administration (MIA) is the State Agency that regulates the business of insurance in the State of Maryland. If you are having a problem related to an insurance policy that is sold to you here in Maryland, the MIA will try to help you resolve that problem. If you have purchased the policy elsewhere, contact us and we can give you the contact information for the state that can help with your problem.

We provide assistance to consumers, businesses, health care providers (doctors, hospitals), and producers (agent or broker) in all areas of insurance, including life, health, disability, automobile, homeowners, and property.

The MIA is here to protect your consumer rights. If you feel that:

- the terms of any policy you receive are not what you agreed to;
- you have purchased additional unnecessary insurance;
- you have been charged for a policy that you did not authorize;

please contact us at:

410-468-2000 or 800-492-6116
410-468-2020 (Fax)
www.mdinsurance.state.md.us

When you contact us, it will be beneficial to know the name of the insurance company and who sold you the policy.

Resources for Maryland Consumers

The MIA produces consumer guides, rate comparisons and frequently asked questions related to various types of insurance. The following is a sample list of available publications:

- *Consumer Guide to Homeowner Insurance*
- *Consumer Guide to Automobile Insurance*
- *Consumer Guide to Health Insurance*
- *An Insurance Preparedness Guide to Natural Disasters*
- And more . . .

You can access this information in several ways:

- Download it from our web site, *www.mdinsurance.state.md.us,* on the *Consumer Publications* page; or call or write the agency to have copies mailed to you.
- Visit our display at any number of community events around the State.
- Find these printed materials at various state and local agencies.

- As long as you live with your parents and don't own your own vehicle, you are eligible to remain on your parents' auto policy. Staying on their policy saves money because parents are considered lower-risk drivers than young singles. However, many people buy their first car as a young single. If you do, insurance companies will require you to purchase your own insurance policy to avoid any potential legal confusion about who owns the vehicle and is responsible.

- In most states, the law requires you to maintain auto liability insurance to cover losses that are caused by your negligence, and sometimes you are required to carry personal injury protection coverage. To avoid penalty, pay your premiums on time, and don't let your coverage lapse to save money in the short-term. If you do, you may be putting yourself at substantial financial risk as well as negatively affecting your insurance history.

There are several ways that you can prudently control your costs for auto insurance:

- When buying or leasing your first car, remember to consider the cost of insurance in your financial calculations. Insurance rates vary with the type and model of vehicle, so check out these costs before you decide which car to purchase. For example, SUVs, convertibles and performance vehicles typically cost more to insure than other cars.

- While auto policies are an important way to protect your financial health, don't go overboard when purchasing liability coverage. Since young people typically have a low net worth, they may not need hundreds of thousands of dollars in liability coverage.

- If you purchase a used car, or your parents give you their old car, you might consider dropping the collision coverage as a way to cut expenses. With older cars, the cost of collision coverage can exceed the value of the car.

- You might also consider raising the deductible for your comprehensive and collision coverage. A higher deductible will lower your premium cost.

- Seriously think about commuting to your job via public transportation, rather than by driving. Your premiums may be lower if you limit your vehicle use to weekly recreational activities.

- If you will be traveling extensively or will be deployed in the military for an extended period of time – and no one will be driving your vehicle – you may be able to suspend some or all of your coverage to save on premium payments. For travelers, you should check out and choose a policy that specifically allows for full or partial suspension. Military members assigned to overseas duty may suspend their auto insurance while abroad and have it reinstated upon return without penalties for a lapse, as long as there was continuous coverage until actually deployed.

- Taking a defensive driving course may help lower your premiums.

- And, of course, it's wise to maintain a good driving record – one devoid of tickets, accidents, and Driving While Intoxicated citations.

- For those of you in school, it's also advantageous to maintain good grades, and inform your insurance company every semester, as they often offer preferred rates and discounts to young people who do so.

Home: Living Single

- At this stage of your life, you're more likely to be a renter. So you should seriously consider renter's insurance. However, make sure you understand what's covered and what's not covered by your policy. Don't rely on the landlord's insurance, or your parents' insurance. As someone living independently, you need to protect yourself and your belongings.

- In maintaining your own residence, you must realize that you may be liable for things that happen on your premises. Your homeowner's or renter's policy should protect you against lawsuits due to these types of liability issues.

- You might be sharing your apartment with roommates who are unrelated to you. In such a case, insurance coverage can become complicated because renter's insurance is designed for single individuals and traditional families. Be sure that you have an individual policy of your own to cover you and your possessions.

- If you are in the military, speak with your insurance agent about whether personal items that you take with you during your deployment will be covered if they are lost, stolen or damaged. Homeowner's insurance typically covers personal property that you take with you while traveling, but most policies exclude coverage for damage caused directly or indirectly by war. In addition, most homeowner's policies require you to occupy the residence insured. If you are deployed, call your insurance carrier and state insurance department to discuss any possible coverage issues. Maryland law provides that active military personnel assigned to overseas duty may not have their homeowner's insurancce cancelled, nonrenewed or increased in price based on a lack of continuous coverage if they suspend their insurance prior to deployment. Additionaly, occupancy is deemed met if you take reasonable steps to maintain and protect the property before going overseas.

- Most Standard homeowners insurance policies do not cover losses from flood. Therefore, you may want to consider purchasing flood insurance even if you do not live in a flood zone. You can purchase a flood policy to cover your home and a separate flood policy to cover your personal belongings; a standard flood insurance policy does not automatically provide both coverages. Please note that flood insurance is underwritten by the federal government.

At this stage of your life, you are no doubt mindful of your expense budget. Some prudent steps can help you control your home insurance costs, as well as lessen the likelihood of damages occurring in the first place.

- Installation and maintenance of an operable smoke detector is required by Maryland law for residential properties. Investing in a few smoke detectors and fire extinguishers, and strategically placing them around your home – particularly in the kitchen and bedrooms – is a smart practice that can pay off big time. Not just in lower insurance premiums, but in providing real life-saving protection to you and everyone else you invite into your home.

Key Considerations for Homeowners:

- Comply with Maryland's mandates for minimum auto insurance coverage.
- Consider renter's and flood insurance for protection of your belongings.

For more information about homeowners insurance, refer to the MIA's *Consumer Guide to Homeowners Insurance* and *Homeowners Insurance Comparision Guide to Rates.*

Life: Lessons for Life

There are differing opinions about the importance of purchasing life insurance as a young single since you are unlikely to support individuals whose livelihood is dependent upon your income. While buying a policy early in your life will provide you with better deals and potentially guarantee your insurability, some experts doubt that individuals need life insurance at a young age when they typically don't have dependents.

As a young single, you should consider your options and make a choice based on your finances, health and other circumstances. It always makes sense to start thinking about life insurance early-on so that you can make the most educated decision.

- When choosing a life insurance product, permanent and term policies are the two major options. If you are a young professional, earning a good salary, able to afford higher premiums and looking for a savings component, you might want to invest in permanent insurance, such as a whole life policy, which builds cash value and also pays a death benefit.

On the other hand, a term life policy, which offers death benefit protection for a specified time period, is a less expensive option for young people who are still working out their finances and just want to leave something for their loved ones in the event of their death. Term life is typically less expensive in your younger years than permanent life insurance, which covers you for your entire life and typically has level premiums.

If you can't afford whole life insurance right now, but think you may want it in the future, you may want to consider term life insurance with a conversion option that will let you change to a whole life policy for a fee when you are ready.

- If you are in the military, consider Serviceman's Group Life Insurance (SGLI) - a program of low-cost group term life insurance automatically available to all military members. This policy is automatically activated unless the service member opts out.
  - If you have decided to purchase additional life insurance outside of the SGLI, review the list of exclusions to the policies, and make sure that the benefits will be payable even if the death is a result of war, the action of a military force or traveling on a non-commercial aircraft.
  - Individuals who sell life insurance at military installations are required to obtain authorization from the Department of Defense, so ask to see the agent's permit or license.

The cost of life insurance is affected by multiple factors that you should understand. However, some are not easily in your control, such as pre-existing or chronic health problems like diabetes, heart disease or cancer.

But others are more behavioral in nature and, therefore, within your power, such as…

- Poor health habits such as smoking and excessive drinking.
- Your driving record, in terms of accidents, Driving While Intoxicated citations, tickets and claims. The better your driving record, the better the rates you'll receive for your life insurance.
- Engaging in dangerous hobbies, such as skydiving or rock climbing.

The insurance business is all about assessing risk. If you participate in high-risk activities or exhibit high-risk behaviors, insurers will treat you as a high-risk customer. They may charge you higher premiums or deny you coverage.

Key Considerations for Life:

- Consider the affordability of Term versus Permanent policies.
- Avoid lifestyle habits that increase your risk.

For more information about life insurance, refer to the MIA's *Consumer Guide to Life Insurance.*

Health: I Got a Job…and Health Insurance Too!

As health insurance in the U.S. is typically employer-provided, getting a job is often the first time a young person begins to think about this matter.

While you are young and healthy, you might actually feel that you don't need health insurance. In fact, you might be tempted to do without coverage because you are strapped for cash and want to avoid paying the premiums. The National Association of Insurance Commissioners recently surveyed U.S. consumers and nearly a fifth of young singles indicated they would decline employer health insurance to save money.

However, forgoing health insurance is a dangerous decision. Accidents and unforeseen illnesses can be financially devastating for you and your family. Weigh carefully the repercussions of not being covered, and seriously consider buying health insurance suited to your needs.

- Know your family's health history. If you are at high risk for developing a medical condition – such as diabetes – later in life, think carefully before saying no to your employers' health policy, even if it means paying higher premiums while you are young and healthy.

- Understand that if you have been covered under your parents' health insurance policy while you were in college or by a plan offered through your college, often this coverage ceases when you graduate. Additionally, many companies have employee probation periods before health coverage goes into effect. For details on how long you may remain on your parent's helath insurance policy, see the *MIA's Consumer Guide to Health Insurance.*

  For periods when there is no coverage, you should check to see whether you can extend your parents' coverage shortterm under COBRA. Some colleges also offer graduates interim coverage. As an alternative, talk to an insurance agent about purchasing catastrophic health coverage as a short-term measure.

- As you sort through job prospects, don't make the salary your sole priority. Health coverage is perhaps the most important job-related benefit you can receive; so study the health plans that prospective employers provide. Many companies have coverage through an HMO or a managed-care plan, which means that many decisions – including which physicians are included in the network – are made by the healthcare provider. Others have more flexible plans that allow their participants to choose their physicians. In either case, the employee is responsible for co-payments which help keep costs under control.

Key Considerations for Health Insurance:

- Learn about your options.
- Weigh the serious repercussions of going without coverage.
- Consider your health risks.

Here are some ways that you can control your health insurance costs or cover an interim period before or between jobs when you are not under an employer's plan:

- If you feel you can't afford regular health insurance, a more affordable option you may want to consider is purchasing a high-deductible major medical policy that only covers very serious or catastrophic health costs. It will offer lower premiums than regular health insurance policies and help you cover bills for "major" medical events, like surgery, hospitalization or emergency room care. But it will typically not cover routine doctor visits or check-ups.

- If you are convinced that you are generally healthy and have a healthy lifestyle and definitely do not want to pay (or can't afford to pay) high insurance premiums, consider a Health Savings Account. HSAs can be set up individually or, increasingly, as an option through employers. They allow you to accumulate and spend pre-tax money for health expenses via an account that you own and can take with you should you change jobs.

- If you are in a physically demanding job, you might want to consider purchasing disability insurance, as research shows that young people are four times more likely to be disabled than die at an early age. As an option, many employers offer disability coverage, which provides lost income in the event that you are injured and unable to work. If the injury is workrelated, then workers compensation coverage applies.

  If you decide to purchase disability insurance, try to get a non-cancelable, guaranteed renewable policy. That means it can never be canceled and it's good until age 65. Make sure you review your disability policy on an annual basis to ensure any disability payments continue to keep pace with your increase in earnings.

Notes

Notes

Persons with disabilities may request this document in an alternative format. Requests should be submitted in writing to the Director of Public Affairs at the address listed below.

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