Life & Health Insurance Advisor

Greenberg & Associates Insurance

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How to Spring Clean Your Health Plan

During this season, many people clean and reorganize their homes. It's also a good time to clean and reorganize your finances, including your health insurance plan and health documents.

Step 1

Think about your plans for the coming year. Life changes such as having a baby, a child graduating from college or retiring will affect your family's coverage needs. Specific situations to consider:

1 Pregnancy/prenatal care. Group plans will cover prenatal and maternity care if the plan sponsor employs 15 or more employees. If you have an individual plan, your insurer may offer maternity benefits as a policy add-on. (You'll pay extra.) You can also buy stand-alone maternity coverage. If your plans include increasing your family in the coming year, make sure you have insurance coverage first, or be prepared to spend the $10,000 to $20,000 a normal hospital delivery can cost. If you are already pregnant, an individual policy will consider your pregnancy a "pre-existing condition" and will exclude coverage unless it specifically offers maternity benefits. Under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), group insurance plans cannot, by law, consider pregnancy pre-existing if the plan already covers maternity benefits.

2 Coverage for newborns/newly adopted children. Most health insurance policies automatically cover a newborn child or newly adopted child for the first 30 days. However, to continue coverage after that, you must apply to the insurer and have the child added to your policy.

3 Coverage for graduates. Do you have a child graduating from high school or college this year? Your plan might not cover him/her after graduation. Most health plans cover dependent children until age 19, or while enrolled full-time in an accredited college until age 21 or 24, depending on state law. Some insurers are eliminating the requirement that your child be a full-time student and are allowing them to stay on your plan until age 26 or later. Check with your insurance company for its eligibility requirements.

If your dependents had coverage through your group health plan offered by an employer with 20 or more employees, COBRA may apply. Generally, the health provisions of this federal law allow "qualifying beneficiaries" to continue their existing group health plan up to another 18 months after a "qualifying event" ends their eligibility. But beware

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This just In

Has the financial crisis affected your life insurer? Although the financial crisis will affect insurers' investments, which they use to pay claims and expenses, regulators feel the industry is in no danger of meltdown at this point.

Late last year, a life insurance industry trade group asked insurance regulators to relax capital and surplus requirements in response to the country's economic crisis. The National Association of Insurance Commissioners has denied their request.

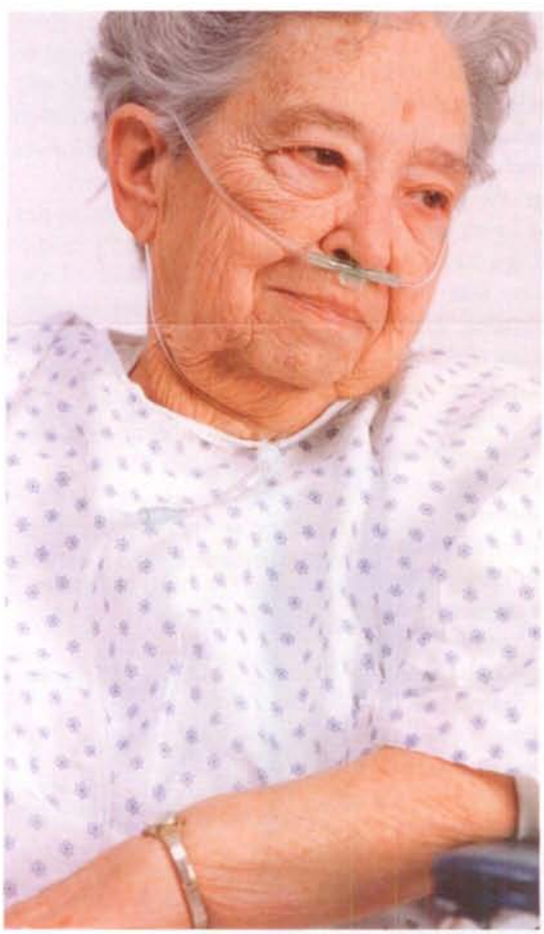
"So far the [life] insurance industry is in much better condition than most of the rest of the financial services sector because of strong state solvency regulations," said NAIC President and New Hampshire Insurance Commissioner Roger Sevigny.

However, as with all industries, some companies are better managed than others. For more information, see the article on Page 4.

Do You Need Critical Illness Coverage?

Illness is one of the leading causes of bankruptcy. Can your family's finances withstand the costs of a critical illness, such as cancer or Alzheimer's disease?

As medical technologies and treatments improve, more people are surviving once fatal forms of cancer, heart disease and other conditions. But medical and non-medical expenses often fall outside coverage by traditional health or disability insurance. These trends are creating a growing demand for supplemental health coverage such as critical illness policies. Here's what you need to know about critical illness coverage and its benefits.



Coverage. A critical illness policy pays a lump sum benefit if you are diagnosed with a serious health condition, such as cancer, heart attack or stroke. Illnesses covered under the policies vary, but can include a far longer list of ailments, including Alzheimer's, paralysis, coma, multiple sclerosis and loss of hearing. You can use these payments for any expense—co-payments for doctor/hospital bills, travel costs, experimental treatments, or even to replace the wages of a family member leaving work to provide care.

Payouts for critical illness policies typically average around \$25,000, with premiums costing about \$300 to \$500 annually, depending on your age, gender, health and location. Higher-end policies covering a dozen or more conditions generally pay benefits of more than \$100,000 and cost about \$1,500 to \$2,000 a year.

Some insurers offer a "return of premium" feature. If the insured dies of something that's not covered by the policy — say, a car accident or a very rare disease — the provider will give back all of the premiums, minus any benefits already paid.

Eligibility and enrollment. To buy critical illness coverage, you must complete a detailed medical questionnaire. An insurer will likely deny coverage if you already have a covered illness or if several blood relatives have had one. Policies under \$100,000 often don't require a medical exam. Some plans require waiting periods of 30 days or even several months before coverage begins. Others stop paying benefits after a fixed period of two or three years.

Limitations. New policies often can't be issued after ages 59 or 65, although cutoffs vary by insurer. After the cut-off age, many policies reduce the lump-sum payout by half, but don't reduce the premiums. In other words, if a policyholder has a stroke at age 75, she might only get half the benefit. Critical illness policies have fixed dollar limits, which limit your total benefits to a fixed amount. Limits usually range from a minimum of \$10,000 to a maximum of \$500,000, although some insurers will write policies with up to \$1 million in coverage.

Some financial advisors and consumer advocates say critical illness coverage is unnecessary. They believe consumers should spend the premium dollars on savings, investments, or even to fitness programs to help reduce the risk of illness. However, if you lack the discipline to keep thousands of dollars in reserve for catastrophic expenses due to a critical illness, this coverage might provide you and your family with needed peace of mind.

Critical illness insurance offers features other types of medical insurance lack. Most importantly, benefits are flexible — instead of going directly to medical providers, you can use them however you choose. You can use a critical illness policy to supplement disability coverage as well as your medical coverage. Business owners who suffer a critical illness can use policy benefits to supplement any lost income or operating expenses — it can even help cover the lost income of a person who acts as your caretaker during your illness. Because you don't have to prove disability, only illness, to collect benefits, it may offer more flexible coverage than many disability policies.

For more information, please contact us.

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— you may be paying a lot more than you used to. The employer can charge you the full premium, plus an additional 2 percent for administrative expenses.

4 Coverage after retirement. Those retiring after age 65 will be eligible for Medicare. If you are retiring earlier, will your employer continue coverage? If not, you may qualify for COBRA continuation coverage if you had coverage through the employer's group health plan. Generally, COBRA coverage lasts for 18 months. Again, COBRA coverage is expensive — but better than going without.

Step 2

Organize your documents.

1 Make sure you and any covered dependents have valid insurance identification cards. If not, you can obtain them from your insurer (for an individual plan) or your benefits administrator (for an employer group plan).

2 Locate your policy or summary plan description (SPD) and other plan documents and put them in a safe place. Make sure your spouse and older dependents know where to find them.

3 Gather bills and receipts from doctors' visits, prescriptions you've filled and other medical devices you've used on a doctor's order, whether they were paid by you or your insurer. You may need them for tax purposes.

Step 3

Review your existing plan.

1 Using your receipts, determine what type of services you used most during the year. If you use mostly preventive services, does your plan provide adequate coverage? Do you use a lot of prescription drugs? What type of coverage does your plan provide for prescriptions?

2 Some plans provide better coverage for preventive services, or cover these services with lower deductibles than treatments needed for urgent care. Others offer discounts on prescription drugs bought through mail order or online for chronic conditions. See whether you're taking advantage of all the cost-saving features your plan offers.

3 Take a look at any other benefits your plan offers. Some offer discounts on wellness programs, such as weight loss programs and gym memberships. Others offer discounts on vision care at specific providers. Consider taking advantage of these discounts.

4 Look at features you might be paying extra for, such as coverage for alcoholism and addiction treatments or maternity benefits. If you're unlikely to use them, drop them to save money.

Step 4

Consider the finances.

1 Are you taking advantage of any health-related discounts? If you've recently stopped smoking, lost weight or made other improvements to your health, you may qualify for lower rates.

2 Look at your deductibles. If you raise your deducible, your monthly premiums will drop considerably.

3 Does a high-deductible health plan linked to a Health Savings Account (HSA) make sense for you? If you're fairly healthy, take a look at this option. Many high-deductible health plans provide coverage for preventive services at lower deductibles than for other services, making them a good choice for healthy individuals and families who use their health plan primarily as emergency back-up. Savings in your HSA accumulate year to year tax free; you can use these funds to pay for eligible medical expenses, including health insurance premiums. In 2009, you can contribute up to $3,000 for an eligible individual with self-only coverage; up to $5,950 for family coverage. Individuals who are 55 or older can make additional catch up contributions of $1,000 for 2009.

To discuss your health plan needs with an expert, please call us. ■

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ing scales these organizations use? Then ask your agent for the insurer's Comdex, which is not a rating itself, but a composite of all of the insurer's ratings. According to EbixExchange, which developed the Comdex, "The Comdex gives the company's standing, on a scale of 1 to 100, in relation to other companies that have been rated by the services. It is an objective value based solely on the mathematical distribution of all of the companies that have been rated." In other words, it's a numerical grade that ranks insurers that have been rated by at least two of the rating organizations among their peers. An insurer with a Comdex score of 90 ranks in the top 10 percent of insurers.

Caveats

A good rating means your insurer is most likely financially sound. However, the rating services caution that ratings are "opinions" of insurer solvency, not guarantees. The following factors can also affect an insurer's finances, particularly where other factors indicate a weakness:

- **Product mix** – A company with a limited or very specialized product line can suffer during a downturn in its target market.
- **Geographic mix** – More applicable to a property insurer; however, an insurer whose risks are all concentrated in one geographic area can suffer crippling losses if a disaster strikes.
- **Quality of investments** - Insurers invest policyholder reserves in equities, bonds and other vehicles. Poor-quality investments have caused the downfall of several large insurers.

Ratings can help you decide among several insurance products but they don't provide the whole picture. An experienced independent agent can help you select the coverage that best meets your needs from many insurers' offerings. Please call us for more information. ■

Does Your Insurer Make the Grade? Rating the Insurance Companies

When you invest in a life insurance policy—something that might not pay off for 25 or even 50 years or more—you want to invest with a solid, well managed company. Checking with one of the many rating organizations can give you a better picture of an insurer's finances.

The following list of the insurer rating services includes a brief description of their rating criteria and rating scales:

A.M. Best Co. – Insurance buyers will want to check Best's financial strength ratings. Best uses GAAP reports, statutory filings and SEC filings, along with information on the quality of an insurer's reinsurance, management experience and adequacy of reserves, or the amounts kept by an insurer to cover debts to policyholders. Best ratings range from A++ (Superior) to D (Poor), along with E (under regulatory supervision), F (in liquidation) and S (rating suspended). www.ambest.com

Standard & Poor's – An S&P rating refers to an insurer's ability to pay claims. The ratings consider, among other things, an insurer's total assets for five years, total liabilities, net income, business history and product mix. S&P uses alphabetical ratings: AAA (extremely strong), AA (very strong), A (strong), BBB (good), BB (marginal), B (weak), CCC (very weak) to CC (extremely weak – likely unable to meet some of its financial obligations). An insurer with an "R" is undergoing solvency-related regulatory action. www.standardandpoors.com

Moody's Investors Service –A Moody's rating indicates Moody's opinion of an insurer's ability to punctually pay claims and obligations. Moody's ratings consider the insurer's profitability, capital adequacy, reserve adequacy, liquidity, diversification and market position. Moody's uses an alphabetic rating system similar to S&P's; an insurer rated AAA is "exceptional"; one rated C is "extremely poor." www.moodys.com

Fitch –The Fitch International Insurer Financial Strength Rating (IFS Rating) reflects an insurer's regulatory solvency, liquidity, operating performance, balance sheet strength, financial flexibility, management quality and long-term business viability. It also factors in economic and political risks. Fitch ratings range from AAA (exceptionally strong), to a DDD, DD or D rating (distressed.) www.fitchratings.com

Comdex – Confused by the different rat-

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The Worst-Case Scenario

Every insurance company licensed to sell life or health insurance in a state must be a member of the state's guaranty association. Each of the 50 states (as well as Puerto Rico and the District of Columbia) has a guaranty fund.

The guaranty association acts as a safety net for consumers. When a member insurer becomes insolvent, the association works with the insurance commissioner and the company's receivers to determine whether the company can be rehabilitated or if it should be liquidated. If it is liquidated, its active policies will be transferred to financially sound insurers.

According to the National Organization of Life and Health Insurance Guaranty Associations (NOLHGA), once a liquidation is ordered, the guaranty association provides coverage to the company's policyholders who are state residents, up to limits set by state laws.

Most states set basic limits of:

- **$300,000 in life insurance death benefits**
- **$100,000 in cash surrender or withdrawal value for life insurance**
- **$100,000 in withdrawal and cash values for annuities**
- **$100,000 in health insurance policy benefits**

Guaranty fund coverage applies to direct individual and direct group life and health insurance policies as well as individual annuity contracts issued by the guaranty association's member. Coverage does not extend to any non-guaranteed policy or annuity, or portion thereof, or any portion of a policy in which investment risk is borne by the individual, such as a variable annuity. For a complete listing of each state's laws regarding guaranty fund coverage, see http://www.nolhga.com/factsandfigures/main.cfm/location/lawdetail/docid/8.