

Consumer and Family Sciences

Department of Consumer Sciences & Retailing



When Your Income Drops: Fact Sheet 8

Meeting Insurance Needs

If you lose your job due to a layoff or plant shutdown, an important concern is to maintain health and hospitalization insurance coverage. Studies have shown that unemployment is particularly stressful and can sometimes lead to health problems in the family. A period of unemployment is not the time to let health insurance coverage lapse if this can be avoided.

The publications in this series were adapted by Purdue Extension specialists based on subject matter from a publication by Carol S. Kramer, Extension specialist, consumer economics, Kansas State University, Manhattan, Kansas.

The first step is to find out what provisions exist under the company group health plan for extending insurance coverage after a layoff. If you no longer have a job, some alternatives exist. Under a federal law, (the Consolidated Omnibus Budget Reconciliation Act of 1986, known as COBRA) group health insurance plans sponsored by employers with 20 or more employees are required to offer continuation of coverage for you and your dependents for 18 months. Under the same law, following an employee's death or divorce, the worker's family has the right to continue coverage for up to three years. If you wish to continue your group coverage under COBRA, notify your employer within 60 days. You will have to pay the entire premium.

If COBRA does not apply in your case, you may be able to convert your group policy to individual coverage. Contact your employer and the insurance company for your options. An advantage of converting policies is that you may not have to pass a medical exam. A disadvantage is that benefits may be reduced and premiums will probably be higher.

If you are between jobs, another option on health insurance is to take out a short-term or

interim policy, which is typically written for six months or less. Shop around to compare prices.

If your spouse is employed, check out the possibility of being covered on your spouse's group health insurance. See if and when your spouse could add family coverage through his/her employer. Many employers or other groups have limited "open enrollment" periods. Investigate buying insurance through another group such as a fraternal or civic organization, professional association or health maintenance organization. Group coverage is almost always cheaper than coverage by individual policies.

If you don't have health insurance or can no longer pay the premiums for health insurance, there are limited health services for the elderly, disabled, children, and pregnant women. Check with your county public health department to learn about health care programs provided at little or no cost. These may include immunization programs, well baby clinics, blood pressure checks, and other screening programs.

Life insurance

If you have life insurance, try not to let it lapse if others depend on your income or wage-earning capacity. Your policy could be expensive or impossible to replace later. Owners of whole life insurance policies can borrow against the cash

value or use accumulated dividends to pay the premium to keep the insurance in effect. The cash value of a whole life insurance policy may be used for other expenses. This loan reduces the face value of the policy.

Life insurance protects your dependents against loss of income and helps to pay expenses because of your untimely death. If you no longer have dependents, you may want to cash in your whole life policy when your income decreases.

You may have had group term life insurance through an employer. This is pure protection without a cash value or savings feature. If you are uninsurable elsewhere, you may want to convert your former employer's group plan into an individual policy. Check with your employer about converting the policy.

If you are healthy, insurable, and need coverage, you may benefit from purchasing individual term life insurance. This insurance usually provides maximum protection at the least cost. It insures your life for a fixed period of time — usually 5, 10, or 15 years — and benefits are paid only if you die within that time period. Shop around; there is a big difference in term policy prices.

As with all insurance, evaluate your needs before talking with an agent. Determine any income that is coming into the household — spouse's income, Social Security, interest, unemployment benefits — as well as your debts and your family's living expenses to help you decide what you can afford for insurance. If you have questions regarding all types of insurance in Indiana, contact: Indiana Department of Insurance, 311 W. Washington St., Suite 300, Indianapolis, IN. Phone: 317-232-2385 or e-mail: doi@doi.state.in.us.

The publications in this series

- 1) Don't Panic – Take Control (CFS-704-1-W)
www.ces.purdue.edu/extmedia/CFS/CFS-704-1-W.pdf
- 2) Control Stress (CFS-704-2-W)
www.ces.purdue.edu/extmedia/CFS/CFS-704-2-W.pdf
- 3) Take Stock of Family Resources (CFS-704-3-W) www.ces.purdue.edu/extmedia/CFS/CFS-704-3-W.pdf
- 4) Take Stock of Community Resources (CFS-704-4-W) www.ces.purdue.edu/extmedia/CFS/CFS-704-4-W.pdf
- 5) Set Priorities for Spending (CFS-704-5-W)
www.ces.purdue.edu/extmedia/CFS/CFS-704-5-W.pdf
- 6) Plan to Pay Creditors and Protect Family Welfare (CFS-704-6-W) www.ces.purdue.edu/extmedia/CFS/CFS-704-6-W.pdf
- 7) Keep a Roof Overhead (CFS-704-7-W)
www.ces.purdue.edu/extmedia/CFS/CFS-704-7-W.pdf
- 8) Meeting Insurance Needs (CFS-704-8-W)
www.ces.purdue.edu/extmedia/CFS/CFS-704-8-W.pdf
- 9) Sharpen Your Survival Skills (CFS-704-9-W)
www.ces.purdue.edu/extmedia/CFS/CFS-704-9-W.pdf

PURDUE EXTENSION

Revised 01/08

It is the policy of the Purdue University Cooperative Extension Service that all persons have equal opportunity and access to its educational programs, services, activities, and facilities without regard to race, religion, color, sex, age, national origin or ancestry, marital status, parental status, sexual orientation, disability or status as a veteran. Purdue University is an Affirmative Action institution. This material may be available in alternative formats.