

## The Importance of Insurance



At the start of the year, many people dream of new beginnings and set goals for what they want to accomplish over the next 12 months. When times are challenging, as they have been for many in the past couple of years, people often shift their focus to practicalities like comfort and security.

At the heart of it, security comes down to insurance and using it to protect yourself, your loved ones, and your assets. The new year provides the perfect opportunity to evaluate your family's needs and ensure that you have the types and amounts of coverage necessary to protect your family if the need to file a claim arises.

Consider the following:

### Disability Insurance

Disability insurance is designed to replace a portion of your income should you become disabled and unable to work. This type of insurance may be automatically provided by your employer, but you can purchase additional coverage on your own if desired. It is typically divided into two distinct types of insurance: short-term and long-term disability insurance.

- **Short-term disability** is intended to help you out financially in the immediate aftermath of an illness or injury that prevents you from working. It often covers three to six months of your being unable to work. Pregnancy typically qualifies as a short-term disability.
- **Long-term disability** picks up when short-term disability ends and is intended to mitigate the financial effects of illnesses or injuries that prevent employment for a longer period of time.

### Health Insurance

Health insurance covers or supplements the costs of medical care and prescription medications for the insured. It is often provided by your employer, who pays a portion of the total cost and then passes on



the remainder of the cost to you. Individual health insurance can be purchased through the state or federal health insurance marketplace or a private insurer, and those who qualify based on their income may enroll in Medicaid.

- Servicemembers and their family members gain access to [TRICARE](#), the military's health insurance provider, upon joining the military. Retired servicemembers and their families may also be eligible for coverage.
- VA Health Care provides health insurance to eligible veterans; benefits provided are based upon one's history of military service, disability, income, and other VA or DOD benefits received; recommendations from a VA primary care provider; and existing health conditions. VA Health Care may be available to family members of veterans who are permanently and totally disabled, those who died in service to the country, or, sometimes, to those who have children with spina bifida.

### Life Insurance

Life insurance provides a monetary death benefit to survivors if the insured passes away while the policy is active. There are two broad types of life insurance for you to choose from: permanent life insurance and term life insurance.

- **Permanent policies** will pay out a death benefit upon the insured's death, regardless of the timing, so long as the policy is in good standing.
- **Term policies** will pay out a death benefit upon the insured's death provided the insured passes away during the policy's specified term period and the policy is in good standing.

Servicemembers are automatically signed up for up to \$400,000 of Servicemembers' Group Life Insurance (SGLI) coverage when they join the military. Those with families may opt in to Family SGLI coverage (up to \$100,000 for a spouse and \$10,000 per child) as well. This coverage lasts until 120 days after the servicemember's separation from the military.

Upon separating, veterans become eligible for Veterans' Group Life Insurance (VGLI) coverage in the same amount as their SGLI coverage. There is no additional coverage for family members. Veterans must enroll in VGLI within one year and 120 days of separating from service, after which they lose eligibility. VGLI renews every five years, with costs increasing at the beginning of each five-year term.

Many civilian employers offer group life insurance coverage in the amount of one to two times an individual's salary. This insurance coverage does not convey when you separate from your employer.

Private companies also offer individual life insurance coverage to those who wish to supplement an employer-sponsored group plan or to those who don't have insurance through their employer. In Navy Mutual's case, our high-quality, affordable [life insurance](#) plans are available to current and former servicemembers from all branches of the military and uniformed services.

### Long-Term Care Insurance

[Long-term care insurance](#) provides monetary benefits to the insured should they develop the need for long-term care as a result of illness or injury. Most long-term care insurance policies kick in when you are unable to perform two activities of daily living (ADLs) or in the event of cognitive impairment. Many of these policies require a premium payment until death or a qualified long-term care claim. It is important to keep in mind that long-term care insurance *only* covers long-term care costs, so there is a chance you will never see a benefit from premium payments.



- The [Federal Long Term Care Insurance Program](#) is open to active and retired servicemembers and their spouses. Note that with Federal Long Term Care and most other long-term care insurance options, there is medical underwriting, and not everyone who applies is approved. Premiums are based on your selected daily benefit amount, benefit period, and inflation protection. Once you leave the military, you can keep your Federal Long Term Care Insurance as long as you continue to pay the premiums.

### Property Insurance

Property insurance (typically homeowner's or renter's) provides monetary benefits to the owner or renter of a property in the case of property damage or theft *and* provides monetary benefits to a person other than the owner or renter of a property in the case of injury on the insured's property. Flood insurance and earthquake insurance are two examples of event-specific property insurance, protecting the insured's financial interest in the property should it be damaged by such an event. Property insurance is typically required, either by a mortgage company or a leasing agency.

- **Valuable personal property insurance** is a specialized type of property insurance that provides monetary benefits to the property owner should high-value items be damaged or lost; it is often used to cover jewelry.

### Vehicle Insurance

Vehicle insurance, whether that vehicle is a car, motorcycle, or boat, provides monetary benefits to the vehicle owner in the case of damage or theft and protects the vehicle owner from claims if the owner is found liable for injuries or damages to other people and property. Car insurance, specifically, is required in almost all states in minimum coverage amounts. Penalties for not maintaining coverage include a suspended driver's license or vehicle registration.

- Note that minimum coverage amounts are the *minimum* required to fulfill a legal obligation. They are unlikely to be enough coverage to fully protect your finances in the event of an accident with significant damages or injuries. Speak with a representative and do the math to ensure that you have the right amount of coverage to protect your financial future.

Insurance exists because bad things happen. Few people plan on becoming disabled or having their homes destroyed in an earthquake, and yet events that can have a dramatic effect on an individual's or family's finances happen every day. Set your family up for success by using insurance as a contingency plan; hope for the best, but prepare for the worst.

Make planning your financial future part of your New Year's resolution. A Navy Mutual representative can help you determine which of our life insurance products is best for your family based on your specific needs. To learn more, call **800-628-6011** or [schedule a consultation](#).