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NEW CHILD ON BOARD CHANGES INSURANCE NEEDS: New Parents Need To Get Smart on Coverage Options

The South Dakota Division of Insurance suggests these steps to help new parents protect their growing family

Health Insurance

- **Understand your coverage before the child arrives.** Review coverage options and find out exactly how your health care plan handles the costs of a new baby. Remember to consider prenatal vitamins, prenatal and neo-natal screenings and tests, emergency procedures, delivery (C-section and traditional) and pediatric care.
- **Notify your insurer of your new child.** It is extremely important to notify your health insurance company about your newborn within 30 days of the birth as you will lose your legal right to add the child if timely notice is not given. In fact it is a good idea to notify them before the birth as no extra premium is charged until after the baby is born. If the proper notice is given, South Dakota law requires that a newly born or newly adopted child be added to the plan without underwriting and without the imposition of any preexisting waiting period. Similarly, if you are adopting a child, notify your insurance company no later than the start of the adoption bonding period. Some insurance companies ask that you notify them upon learning of a pregnancy so as to help coordinate the care of the mother and expectant child.
- **Evaluate your options.** If both parents have health insurance coverage, compare them to see which one best fits the needs of your family. Review the deductible, co-pay amounts and different options carefully to see exactly what is covered – and what isn't – for both parents and children. Check with the benefits administrator at your office or your insurance agent about your options.
- **Make use of tax advantages.** Ask if your employer offers a flexible spending account or health savings account (HSA). These plans allow you to set aside pre-tax dollars for medical expenses and child care.



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Life Insurance

- **Plan the contributions of both spouses.** Consider covering both spouses with life insurance, even if one is not employed outside the home. In the event of the stay-at-home parent's death, the insurance policy can help the surviving spouse with the financial necessities of the household.
- **Account for child care costs.** In determining the amount of life insurance to purchase, take into account your full child care costs (housing, education, child care, medical needs, etc.), especially for children under five years old or for kids with special needs.
- **Understand the types of life insurance.** Understanding your life insurance choices will help you weigh the costs and benefits of whole life versus term life insurance as part of your overall financial plan.
 - **Whole life insurance.** Whole life insurance policies build cash value and pay a death benefit, but will have a higher premium at the beginning. Part of the premium that is not used for the cost of insurance is invested by the company and builds up cash value. You may borrow against the policy's value; use the cash value to increase your income in retirement or even help pay for needs, such as a child's tuition, without canceling the policy.
 - **Term life insurance.** Term life insurance covers you for a specific number of years, or term, such as 10, 20 or 30 years. It pays a death benefit only if you die during that term after the time your coverage ends. Term insurance generally offers the largest insurance amount of protection for your premium dollar. A term life policy has lower premiums than a cash value policy for the same amount of life insurance; however, it does not build up cash values that can be used in the future.
 - **Keep your policy current.** Remember to update your policy to include your children as beneficiaries. If your children are under the age of 18, name a trustee who would administer the benefit of the policy until they are adults.

Auto Insurance

- **Check rates before upgrading vehicles.** Auto insurance premiums are linked to vehicle age and type, so if you decide to get a larger vehicle, like a mini-van or SUV, to transport your family, it could affect your premiums.
- **Plan for carpools.** Consider increasing your liability insurance in case of an accident when transporting other kids.



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Homeowners Insurance

- **Notify your insurer of major additions.** Alert your insurance company when making any major home improvements (usually anything over \$5,000) to prevent being underinsured.
- **Protect the backyard.** Inform your insurance company if you install backyard items for kids, such as a swing set, trampoline or swimming pool. You might consider increasing your liability coverage – that protects you in the event that someone is injured while on your property – with an umbrella policy.

More Information

If you have questions or are confused about your insurance coverage, contact the Division of Insurance at 605.773.3563, insurance@state.sd.us, www.state.sd.us/insurance, or by mail at 445 E Capitol Avenue, Pierre, SD 57501.