

Insurance Matters After Divorce

Part 1: Preparing for Changes to Automobile, Homeowner's, Life, and Disability Coverage

By Scott David Stewart

Your divorce is final and you'll be taking a serious look at your finances as you move forward with your new life. Set aside some time to review your insurance coverage and read your *certificates of insurance*. Your circumstances have changed, significantly. Does each policy provide the level of protection you desire for yourself, your children, and your property?

In this article we'll look at automobile, homeowner's, life, and disability insurance coverage after divorce. In our discussion of automobile insurance, we'll focus on private passenger cars, pickup trucks, and vans, but not commercial vehicles. And be sure to speak with your insurance agent about the risks and benefits associated with any changes to your premiums, deductibles, or basic policy coverage before making them.

AUTOMOBILE Insurance

During the marriage, both spouses are typically listed on the automobile insurance policies for all of their vehicles. The divorce required that the property be divided and with a change in the *certificate of title* comes a change in policyholder. Your insurance company should have all of your updated contact information. If your ex-spouse is paying the premium on the policy and a payment is missed, for any reason, then you need to be notified immediately.

Your insurance budget will have to cover a number of policies, including mandatory insurance for your personal vehicle. Your premiums will depend on the make, model, year, and condition of the vehicle, the distances you regularly drive, your gender, your driving record, and your credit history.

Under the *Fair Credit Reporting Act (FCRA)* insurance companies have a "permissible purpose" for looking into a potential insured's credit information. When problems leading up to the divorce included financial issues between the spouses, or even bankruptcy, then negative credit information and a low credit score can result in higher premiums.

In Arizona, you need a *certificate of insurance* to register the vehicle in the state. *The minimum coverage to operate your vehicle legally is bodily injury (\$15,000 per person, \$30,000 per accident) and property damage (\$10,000 per accident)*. If you decide that you want greater coverage than the bare legal minimum, then your premiums will increase correspondingly.

Bodily injury coverage pays for injuries that you cause to others in an accident, however, it doesn't pay for your injuries. If you want to be covered for your injuries, then you'll need to add *medical payments coverage* to your policy.

Property damage coverage pays for the damage that you cause to other people's vehicles or property, it doesn't pay for the damage to your vehicle from the accident. If you want to be covered for damage to your vehicle, then you'll need to add *collision coverage* to your policy.

If you want your insurance company to pay for damage or loss to your vehicle because of theft, glass breakage, fire, violent weather, vandalism, hitting an animal, and the like, then you should consider adding *comprehensive coverage* to your policy.

HOMEOWNER'S Insurance

If there is a mortgage or deed of trust on your home, then you need sufficient *property damage coverage* to satisfy your lender's minimum insurance requirements. If your home was totally destroyed, you would still be obligated to pay off that loan. Will your insurance policy cover your debt if such an event occurred? Your insurance may or may not cover you in the event of a flood. If you need *flood insurance* and your insurer doesn't cover it, then you can get coverage through the *National Flood Program (NFP)* (call (800) 638-6620 for information).

Your property damage coverage includes loss to the real property and your *contents insurance* covers loss to your personal property and possessions. If you have special collections, expensive jewelry, valuable antiques, or sophisticated computer equipment, then discuss additional contents coverage with your insurance agent and schedule these items to ensure adequate protection against loss.

Personal liability insurance coverage protects you should someone be injured on your property as a result of your negligence or for which you become legally responsible. The insurer will cover your defense costs up to the agreed upon limit on the policy. If you have anyone tending to your landscaping or working to make repairs to your home, then there is a risk that he or she could be injured and you could be held liable.

Also, discuss *medical payments insurance* with your insurance agent. With this coverage, a person injured on your premises will have some or all medical costs paid without regard to who was at fault for the injury. This type of coverage doesn't extend to any intentional acts on your part, doesn't cover your renter, doesn't cover your home business, and doesn't cover you and the family members living with you.

When you compare insurance premiums, you'll be asked questions about your home's construction, the year it was built, the location of fire hydrants, and the distance to the nearest fire station, among other things. In Arizona's rural areas the nearest fire station may be many miles away, which can mean increased premiums for rural homeowners.

Continued with ***Insurance Matters After Divorce, Part 2: Preparing for Changes to Automobile, Homeowner's, Life, and Disability Coverage.***