

Love hurts: 5 insurance headaches when good lovin's gone bad

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While lovebirds are nesting in honor of Valentine's Day, the less lucky in love may be planning a hasty—or not so hasty—exit. Sadly, when good lovin' goes bad, there's more to the fallout than emotional baggage and bickering over who gets the dog. Insurance plays a role, too. Here's how in five heart-breaking scenarios:

1. You break up, and your ex is still the beneficiary on the life insurance policy

"No matter what your will says, the life insurance policy is a contract, and that money will flow according to what the contract says," says Darren Scrimshire, managing director with Sapient Financial Group in San Antonio. If, after your divorce, you married someone else and enjoyed 50 happy years together, your ex would still get the life insurance proceeds if you never bothered to change the beneficiary. Some divorced couples who have children together maintain their exes as the beneficiary for the sake of the kids. If you don't trust your ex to spend the money wisely, you can set up a trust for the benefit of the children and name it as beneficiary of the life insurance policy, Scrimshire says. Work with an attorney and contact your life insurance company when you're ready to change the beneficiary. And don't forget to make changes on all your policies, including group life insurance you have through work.

2. You divorce, but have to share the house because you're underwater on the mortgage and can't sell it

Homeowner insurance is tied to the property and who is listed on the mortgage lien. So if the home is still titled to both of you, the insurance generally should stay in both your names, says Mary Bonelli, a spokesperson for the Ohio Insurance Institute. However, you should still have a written agreement about who is responsible for the mortgage and insurance payments. If you can't stand living under one roof, you'll need a separate renters insurance policy when you move to an apartment to cover belongings and provide additional liability protection—even though you still are named on the home insurance policy, Bonelli says. If you both move out and leave the home unoccupied, you'll need a policy for a vacant home, which won't provide as much protection as a standard policy. You're probably better off with one of you maintaining residence in the home.

3. Your estranged spouse bashes in the windshield on the car you own together

"If you and your soon-to-be-ex share an auto insurance policy, you'd likely have to pay such damages out of pocket," Bonelli says. "Most insurers would consider this an 'intentional

act.” But if your enraged ex is no longer on the auto insurance policy, this could be considered vandalism and would be covered under comprehensive insurance, an optional type of car insurance coverage that covers damage caused by factors other than traffic accidents. You probably will need to file a police report before making the insurance claim. The deductible would apply, but your insurance company could go after your ex’s insurance carrier to make it pay for the damage, including your deductible, Bonelli says.

4. You divorce, and you want to stay on your spouse’s employer-sponsored health insurance plan

You may be able to continue the coverage by electing COBRA insurance, named for the federal Consolidated Omnibus Budget Reconciliation Act. The law provides a safety net for employees and their families who lose health insurance because of job losses or changes, death of the employee, or divorce. The federal law applies to employers with 20 or more workers, but many states have their own mini-COBRA laws that apply to employers with smaller workforces. If you choose COBRA, you can get coverage through your ex’s plan for up to 36 months, but you have to pay the entire monthly premium, plus an administrative fee.

COBRA might be the best option if you have a pre-existing condition that would make it difficult to qualify for coverage elsewhere, says Martin Rosen, co-founder and executive vice president of Health Advocate Inc., which helps clients navigate

the health care system. But if that’s not the case, get insurance quotes for individual health insurance plans and compare them with the cost of COBRA. Think carefully about what you need from a health insurance plan—you might come out ahead by purchasing a high-deductible plan, versus paying expensive premiums for a low-deductible, low-copay plan. “Do your homework in making these calculations,” Rosen says. “Buy what you need, and don’t overbuy.”

5. You’re splitting up and want your spouse off your car insurance policy

It’s OK to stay on the same auto insurance policy until you’ve divided car ownership, as long as you agree on how to pay for the coverage. Keep in mind that if you remove your soon-to-be ex-spouse from your car insurance before the divorce is finalized, you could lose your multi-car discount or possibly a multi-policy discount if your home insurance policy is with the same carrier, Bonelli says. When it’s time for separate policies, make sure the new ones are effective before removing yourself or an ex from the joint policy. “What could be problematic is if there is a miscue in coordinating the policy switch-over and one person finds out too late that they are actually an uninsured driver,” Bonelli says. “In some states, it’s easier—and cheaper—to switch carriers while you’re still insured than allowing your coverage to lapse. If you are an uninsured driver, even for a short period of time, you could be pegged as a higher-risk driver than you actually are.”