

Today's news had an article stating that very soon, the Social Security Administration will no longer pay benefits by check. 93% of payments now are handled by Electronic Funds Transfer, or EFT and now the federal government is working on getting that last 7% weaned off of their paper checks. The same sort of change has been taking place in the insurance industry with less and less people paying their monthly insurance bills by check. But there are more benefits to you of signing up for EFT payments than you might realize at first glance.

Let's start with what the insurance company can offer you if they don't have to send out a paper bill and then process your paper check each month. To begin with, they will save money. Back to my original example, the federal government says they can save over \$100 million per year by getting social security recipients off of the paper check system. Those savings apply to insurance companies as well. A few of them will give you some of these savings back. Auto Owners Insurance will apply a \$5 credit to your policy if you sign up for paperless processing with them. Most insurance companies will also waive the monthly installment fee on your policy if you sign up for EFT. With some companies charging as much as \$5 per installment per policy, this can add up pretty quickly.

Another relatively overlooked advantage of EFT insurance bill payment is the cancellation protection that it gives you. Consider if you are out of town when your monthly bill comes in or it gets lost in the mail and you fail to pay it. At the worst, you might have an uncovered loss that could destroy you financially. But on the other end of the spectrum, you might have to pay fees to reinstate your policy or you might owe fees to your license tag agency for a lapse in coverage on your auto insurance while you still had the tags in your possession. With EFT, you don't risk a cancellation of your policy for nonpayment of premium, unless of course you don't keep enough money in your account to cover the EFT deduction.

And this brings me to the most common objection that I hear from customers who are considering EFT for their insurance policy. They are uncomfortable with the idea of a big insurance company reaching into their bank account and withdrawing funds each month to pay premiums. While I understand the basic privacy issues that generate these concerns, I believe that they are mostly without merit. EFT charge errors are extremely rare and in our experience, insurance companies are quick to correct their errors and pay any bank charges that they may have caused. Face it, you are going to have to pay the insurance payment anyway, so you will need the money in your bank account either way. But with EFT you can also get one additional benefit. Most insurance companies will let you choose which day of the month the money will be withdrawn. So, if you get paid on the 1st and the 15th of the month for instance, you might want to choose the 19th as the withdrawal date so that you are confident that you have money in your account each month to

cover the EFT withdrawal.

There is one more iteration of this concept that I have found adds another benefit. Many insurance companies will simply charge your credit card each month for your monthly premium instead of withdrawing from your bank account. This has two additional advantages. First of all, you won't need to worry about keeping enough money in your checking account to cover the charge as you will be able to just pay it off when the credit card payment is due. In addition, if you have air miles or some other perk on your credit card, you can now apply your insurance expenses to those perks and increase the benefits for yourself.

If you have any questions about how EFT or automatic credit card payments might be useful to you with your insurance policies, please give us a call, toll free, at 877-687-7557. We would love to help you understand this better.