

INSURANCE WILL PROTECT YOU!!

WHAT IS INSURANCE?

Insurance is a contract, arrangement, or policy in which an individual makes a regular, predictable, more affordable payment in return for protection from a potentially large, catastrophic or life changing financial loss. When you have an insurance policy, the risk of loss the specific financial loss (car accident, medical illness, fire, etc.) is transferred to the insurance company in return for your regular payments. Generally, individuals buy insurance to protect themselves from the unexpected costs of negative life events that they could not otherwise afford. Learn more with Be Insurance Ready on FutureFinancePrep.com.

WHAT ARE THE BENEFITS OF INSURANCE?

Insurance is a critical financial vehicle as it can save you from the costs of disastrous, life-changing events that most typical consumers cannot afford. Some examples include losing your home to a fire, being unable to work permanently due to disability, or potentially owing millions of dollars in liability due to an accident for which you are at fault, etc.

HOW DOES INSURANCE WORK?

You pay a **premium** to an insurance company to ensure that you're covered in case the unexpected happens. Sometimes a **deductible** is required for services, depending on the coverage included in your insurance plan.

DEAR DICTIONARY: INSURANCE

INSURANCE = An agreement where you make regular payments to a company and the company promises to pay you money if you suffer an injury, illness, loss, etc.

INSURANCE POLICY = A contract in which an individual or entity receives financial protection or reimbursement against losses in return for regular payments

LOSS = When someone with insurance endures a negative outcome, such as injury or theft, and expects payment from the insurance company to compensate them

PREMIUM = Amount you pay monthly, quarterly, semiannually or annually to purchase different types of insurance

CLAIM = A formal request from the customer to an insurance company asking for a payment to cover a loss based on the terms of the insurance policy

DEDUCTIBLE = The amount of \$ you agree to pay towards your losses before your insurance coverage will begin paying – often the higher your deductible, the lower your premium

LIABILITY INSURANCE = Insurance that provides protection from claims that you are responsible for injury or damage to a person or their property; liability coverage can also be included in auto, homeowners or renters insurance

QUOTE = An estimate of your premium and your plan for a certain insurance coverage

CHAPTER NINE: INSURANCE

WHAT ARE COMMON TYPES OF INSURANCE?

- **Health Insurance** – Covers the costs of medical care
- **Disability Insurance** – Supplements a portion of your income if you are disabled (or ill/injured) and cannot work for a specific length of time.
- **Life Insurance** – A contract between an insurer and a policyholder in which the insurer guarantees payment of a death benefit to named beneficiaries (or someone designated to receive payment) when the insured dies.
- **Auto Insurance** – Is required by law and provides protection in case you damage someone's vehicle or injure someone in an automobile accident. Auto insurance can also cover the cost of damage to your own vehicle for repair, replacement costs and even medical bills based upon the coverage and limits you choose.
- **Renters Insurance** - A type of insurance available to a renter that covers the policyholder's belongings including some liability.
- **Home Insurance or Homeowners Insurance**- A type of property insurance that covers damage to a private residence that is owned by the insured.
- There are many other types of insurance to cover specific items, pet care, travel etc. Do your homework and shop around. Consider what risks you can afford to take on your own and where you need insurance to protect you.

HOW DO YOU GET INSURANCE?

Different types of insurance (health, dental, eye, life, disability, etc.) are often provided by your employer, especially if you work full-time for a larger company. This can provide significant cost savings so ask about benefits when you are applying for a new position.

Another common way to obtain insurance is through an insurance agent. This is typical for car, life, homeowners, and renters insurance; however, you can also purchase other types of insurance privately if not offered by your employer. You can purchase insurance from online insurance companies.

When shopping for insurance, be sure to consider:

- The cost of your premium and how it fits in your budget
- The coverage or benefits provided by the insurance
- The amount of your deductible and if you can cover that cost yourself with your emergency savings
- The reliability of the insurance company and their customer service
- Any legal requirements in your state or for your mortgage, etc.
- Read the fine print of your policy!
- Shop around and consider discounts, such as bundling insurance (i.e. buying more than one policy from a single insurance company) or student/good driver discounts, etc.

Rule of Thumb:

Without insurance, you will likely face daily financial risks without support or a backup option.



CHAPTER NINE: INSURANCE

Auto Insurance Saved Me Money & Legal Trouble Testimony:

“When looking for auto insurance, people should make sure it’s affordable and within their budget range. If you have a good insurance plan, they will 100% back you up. When I had my accident, I was fully covered because I paid my payments on time. It would have been bad if I didn’t have insurance because, by law, you have to have insurance, whether it’s for car, renting, life, etc. If I would have not had it, I would have been in trouble with the state and also not gotten full coverage (for my accident).”

DEAR DICTIONARY: AUTO INSURANCE

Collision Coverage = Auto insurance that protects you against costs to repair or replace your vehicle after a collision

Comprehensive Coverage = Auto insurance that protects you against costs to repair or replace your vehicle after an event out of your control that is not collision, such as weather, vandalism, theft, etc.

Liability Coverage = Auto insurance that protects you against medical costs for the bodily injury of others and damages to the property of others if you are at fault in an accident

Uninsured/underinsured Motorist Coverage = Auto insurance that protects you against another driver not having enough coverage to pay for your entire loss

HOW INSURANCE CAN HELP? REAL WORLD QUOTES

Renters insurance protects me testimony:

One of the advantages of renters insurance is that just in case someone breaks into my apartment and steals some of my belongings, renters’ insurance will help.



EAC Intern & Renter

DEAR DICTIONARY: HEALTH INSURANCE

Copay = A set dollar amount you agree to pay each time you receive medical treatment, while the insurance company agrees to cover the rest

Deductible = The amount of money you agree to pay towards your losses or costs before your insurance coverage will begin paying

Maximum Out-Of-Pocket Expenses = The maximum amount of money you will have to spend on health care in a year, after which the insurance company agrees to cover all costs

CHAPTER NINE: INSURANCE

SPOTLIGHT: HEALTH INSURANCE

Having health insurance coverage can save you money on doctors' visits, prescription drugs, preventative care and other health-care services. Typical health insurance plans for individuals include costs such as a monthly premium, annual deductible, copayments, etc.

Health insurance can often be purchased through your employer or if you are in college, through your university. However, **if you do not have coverage available to you, visit the official healthcare marketplace at www.healthcare.gov to enroll in or change plans if you have certain life changes, or qualify for Medicaid or CHIP** (which are programs that offer free or low-cost healthcare to low-income families & individuals).

Insurance Options:

PPO: Plan that does not require you to choose a primary care physician. You may choose the doctor or specialist within the network without a referral. Additionally, you may choose to go outside your network but will likely pay a higher cost.

HMO: Plan that typically provides members with lower out of pocket expenses but usually does not allow members to choose their primary care physician or hospital. All of your health care must come from the providers on the list or network. You will need a referral for visits to specialists.

HDHP/HSA: A High Deductible Health Plan (HDHP) is a type of insurance that has a higher-than-average deductible. This means you typically pay more when you do need services, but your monthly costs are lower. An Health Savings Account (HSA) is not an insurance plan but rather a type of savings account that lets you set aside money on a pre-tax basis to pay for qualified medical expenses. You are only allowed to contribute to an HSA if you have a High Deductible Health Plan (HDHP). It can be used for deductibles, co-payments, co-insurance - not premiums.

Note: To save on insurance, you can stay on your parent's health insurance policy until you are out of school and on your own. The Affordable Care Act regulations allow children to stay on their parent's health insurance plan until they are 26 years old. Children are able to stay on their parent's plan even if they are married, do not live with their parents, or have children of their own.

INSURANCE JEOPARDY

- ▶ Question: A set dollar amount you agree to pay each time you receive medical treatment, while the insurance company agrees to cover the rest is called a c_____.
- ▶ Question: Renters can buy i_____ to protect their belongs.
- ▶ Question: Four types of insurance many adults have are l____, h_____, a____, and h_____ or r_____ insurance.
- ▶ Auto insurance premiums can vary from company to company; therefore, it is important to s____ around for the best price and coverage.
- ▶ H_____ insurance is a type of property insurance that covers damage to a private residence that is owned by the insured.
- ▶ L_____ insurance provides protection from claims that you are responsible for injury or damage to a person or their property.

