**TOPIC 5 INSURANCE**

**LVL I: As you read, answer the questions that follow.**

1. What does insurance guard against?
2. What are the five types of insurance?
3. What type of automobile insurance is required?
4. What does health insurance cover?
5. If you don’t get health insurance, what do you have to pay?
6. What does life insurance cover?
7. What is a beneficiary?
8. What provides people with income in case they become injured or are unable to work at a job?
9. What type would you get if you have a child?
10. What are the two types of property insurance?
11. What is the term for the fee you pay to have insurance?
12. What is a deductible?
13. What is the relationship between premiums and deductibles?
14. What does shared liability mean?

**SSEPF5 Describe how insurance and other risk-management strategies protect against financial loss.**

**Insurance** is a product purchased to guard oneself against life’s risks, specifically the financial losses associated with these risks. One may not be able to avoid dying, but one can avoid leaving loved ones in financial ruin by purchasing life insurance. The law requires people to buy certain type of insurance while other types are voluntary.

1. **List and describe various types of insurance such as automobile, health, life, disability, and property.**

This course requires identification and description of five types of insurance: automobile, health, life, disability, and property. Most states in the U.S. require automobile owners to maintain a certain level of **automobile insurance** coverage. The required coverage is liability insurance. Liability insurance covers the other vehicle(s) when you are at fault in a car accident. If an owner wants coverage for their own vehicle, then they need to purchase collision insurance as well. Vehicles purchased with a loan from a financial institution require collision insurance until paid in full. It is important for vehicle owners to know the level of insurance required by law may not adequately cover all damages in an accident. The other driver can sue the at fault driver for any additional damages.

**Health insurance** pays for medical services. As of April 2017, federal law required people to have a certain level of health insurance or pay an annual penalty when filing federal taxes. Health insurance plans vary widely from those protecting against catastrophic care to plans paying for routine wellness visits.

**Life insurance** provides a monetary payment to a designated beneficiary when the insured person dies. The beneficiary is one who experiences financial harm from the death of the person covered by the policy such as a spouse, a parent, or a child.

**Disability insurance** provides people with income in case they become injured or are unable to work at a job. Many employers offer disability insurance as an option in worker benefits packages. Short-term disability covers temporary work restrictions such as the period of recovery from childbirth or surgery.

**Property insurance** takes a variety of forms. The most common types are homeowners and renters insurance. Homeowners insurance pays for damages sustained to your real estate property and for injuries to others that happen on your property. Renters insurance protects your personal property assets when you live in a rental property instead of a home you own.

1. **Explain the costs and benefits associated with different types of insurance, including deductibles, premiums, shared liability, and asset protection.**

In general, all insurance policies allow a person or business to pay a relatively small amount of money (a **premium**) in the present to purchase asset protection against the possibility of a future financial loss caused by an unforeseen event. Assets protected range from one’s home to one’s health. Most insurance policies include a **deductible** stipulating the amount of money the insured must pay when filing a claim with the insurance company. In most cases, the higher the premium is, the lower the deductible is. This is true in reverse as well. Purchasing insurance involves **shared liability** between the insurer and the insured. This means that the insurance company assumes a pre-determined amount of financial liability for a claim that the insured might file. The insurance company is obligated to pay for the loss since the insured has paid premiums for the financial protection. In some cases, people pay insurance premiums for years and never file a claim. However, most people know they would be unable to cover a catastrophic loss themselves and are willing to pay for the peace of mind insurance provides.

**LVL II APPLICATION**

1. **During the snow storm this year, your house was damaged by a tree branch that struck your roof. What steps would you take to place a claim with your insurance company?**
2. **Your deductible is $1500. After meeting with your claims adjuster, the insurance company determines that the total value of the claim is $4000. How much money will you receive from the insurance company?**