

Insurance

The Restaurant of Life

Course Flow Chart



A dream becomes a goal when action is taken toward achieving it.

Goals & Vision



Career Choice & Research



College & Certificates



Resume & Job Interviews



Choosing an Offer



Paycheck & Taxes



Budget & Retirement Planning



Savings & Investing



Credit Cards & Debt/Bankruptcy



Scams & Identity Theft



Auto/Housing Insurance & Loans

Risk

- **Risk** is the uncertainty about a situations outcome
 - This can be an unpredictable event which leads to loss or damage

Insurance Terminology

- **Insurance** is an arrangement between an individual (consumer) and an insurer (insurance company) to **transfers risk after paying a premium**.
- A **policy** is a contract between the individual and the insurer specifying the terms of the insurance arrangements

Insurance Terminology

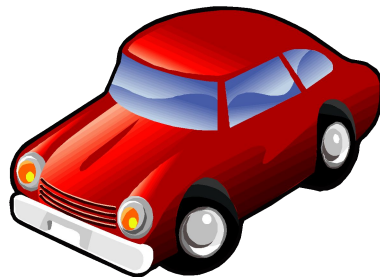
- A **policyholder** is a consumer who purchases the policy
- A **Premium** is a payment to the insurance company for an insurance policy
- A **deductible** is the amount of money an insured person pays before the insurance company makes payments for loss
- The first payment (\$500) for auto repairs that must be paid for an accident regardless of your fault

Types of Insurance

- Types of insurance can include:
 - Automobile
 - Health
 - Life
 - Disability
 - Homeowners/Renters

Automobile Insurance

- **Automobile Insurance** is an arrangement between an individual (consumer) and insurer (insurance company) to protect the individual against risk from automobile accidents



Four Types of Coverage

1. Liability Insurance
2. Medical Payment Insurance
3. Uninsured/Underinsured Motorists Insurance
4. Physical Damage Insurance
 - Comprehensive (accident, theft, vandalism, windshield damage, weather damage)
 - Collision (Auto damage only)



Liability Insurance

- **Automobile Liability Insurance**
 - Property damage and injuries to others as a result of an auto accident
- Two types of liability occur from owning and operating a vehicle:
 1. **Bodily Injury** – driver or car owner is held legally responsible for injuries suffered by another person
 2. **Property Damage** – driver or car owner is held legally responsible for damaging another's property

Liability Insurance continued

- Liability insurance is the minimum amount of insurance required by law
- Does not cover losses suffered by the insured or property damage to that driver's car if he or she caused the accident
- Must have at least the state minimum for liability insurance

Liability Insurance continued

- **Policy limits** for liability are usually quoted with three figures such as 25/50/10
 - Each figure represents a multiple of \$100,000
- 25 = \$25,000
 - Per-person bodily injury limit
 - \$25,000 is the most which will be paid for any one person's bodily injury liability losses from an accident



Liability Insurance continued

- 50 = \$50,000
 - Per-accident bodily injury limit
 - \$50,000 is the most which will be paid for all bodily injury losses from an accident
- 10 = \$10,000
 - Per-accident property damage liability limit
 - \$10,000 is the most which will be paid in property damage liability from an accident

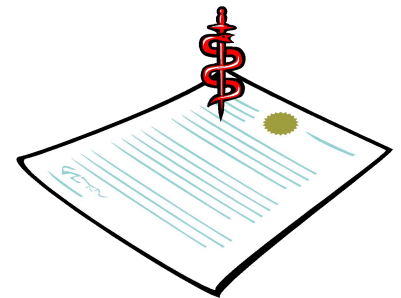
PRO-TIP

- Liability Only insurance should only be used on vehicles that are not used as a primary source of transportation.
 - Extra Cars
 - Toys
- Anything that, if stolen or destroyed, you wouldn't even bother with a police report.

Medical Payment Insurance

■ **Medical Payment Insurance**

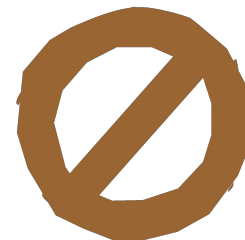
- Covers injuries sustained by the driver of the insured vehicle or any passenger regardless of fault
- Covers insured family members injured as passengers in a car or injured while on foot or bicycle
- Pays for hospital and medical bills
 - Some pay for funeral expenses
- Not required in all states



Uninsured/Underinsured Motorists Insurance

■ Uninsured/Underinsured

- Covers injury or damage to the driver, passengers, or the vehicle caused by a driver with insufficient insurance
- Situations where this is needed:
 - Hit-and-run accidents (unidentified driver)
 - Accident with an uninsured driver
 - Accident with someone with insufficient insurance to cover the losses
- Not required in all states



Insurance Rate Influences

- Insurance rates are determined for each individual:
- **Age**
 - People under age 25 pay higher premiums
- **Gender**
 - Men have more accidents, rates may be higher
- **Marital Status**
 - Married drivers have fewer accidents, so rates are lower

Influences continued

- Driving record
 - Safe drivers have lower rates
 - Number and type of tickets will increase rates
 - Number and severity of accidents will increase rates
- Type and age of vehicle
 - Newer, more expensive, and higher repair cost vehicles have higher rates
 - Frequently stolen vehicles have higher rates
 - Color of vehicle does not matter



Influences continued

- Vehicle use
 - Rates are usually higher when driving more than 7,500 miles a year
 - The more one drives, the greater the chance of an accident
- Place of Residence
 - Rates vary among states
 - People in large cities usually pay more than in rural or suburban areas
 - Weather conditions may affect rates

Influences continued



- Number of drivers on the policy
 - Additional drivers raise the premium
 - It costs a driver under the age of 25 less to be added to his/her parents' policy than to purchase a separate policy
- Driver training
 - May receive a discount for having taken a driver's education course

Influences continued



- **Good student discount**
 - May receive a discount for good grades in school
- **Multiple car discount**
 - May receive a discount for having two or more vehicles on the same policy
- **Anti-theft systems**
 - May receive a discount for anti-theft devices such as car alarms

Influences continued

- Multiple policies with the same company
 - Having both automobile and home insurance
- Long-time customers
 - Some companies might offer discounts to long-time customers



Save Money on automobile Insurance

- Shop around
- Select appropriate coverage and limits
- Avoid expensive or high-performance vehicles
- Take advantage of discounts



Health Insurance



- **Health Insurance** against loss by illness or bodily injury, which may cover doctor visits, medicine, or hospitalization.
 - Health insurance may cover hospital, surgical, dental, vision, long-term care, prescription, or other major expenditures
 - Health insurance **MUST** be purchased by the individual **OR** through their employer. Tax penalties for non-compliance.
 - Many high school participants are covered under their Parent/Guardians.

Life Insurance

- **Life insurance** pays a beneficiary in the event of an insured's death
- The **contract** is a policy which states the amount to be paid to the beneficiary upon the insured person's death
- Generally unnecessary insurance for high school students with no financial dependents.

Life Insurance

- A Beneficiary is the person to receive the death benefit (money from the policy)
- A **dependent** is a person who relies on someone else financially. Your Beneficiary should also be your Dependent.

Comprehensive Insurance

- **Comprehensive Life Insurance**

(Whole-Life) policy A life insurance contract with both an insurance and an investment component. The *insurance* pays the beneficiary upon death, the *investment* component accumulates a cash value that can be borrow against.

- **Annuity:** Whole-life policy that stops requiring payments once a certain value is reached. Then the Annuity pays back the policy holder until their death. Any remaining value of the annuity is given to the beneficiary.

PRO-TIP

- Some people use Annuities as a way to provide guaranteed money for family members.
- After the cash-value has been paid (after 30 years) the value of the annuity is guaranteed.
- Most Annuities allow you to take out a loan against the cash value (there is a fee) but, you are basically paying interest to yourself instead of a bank.

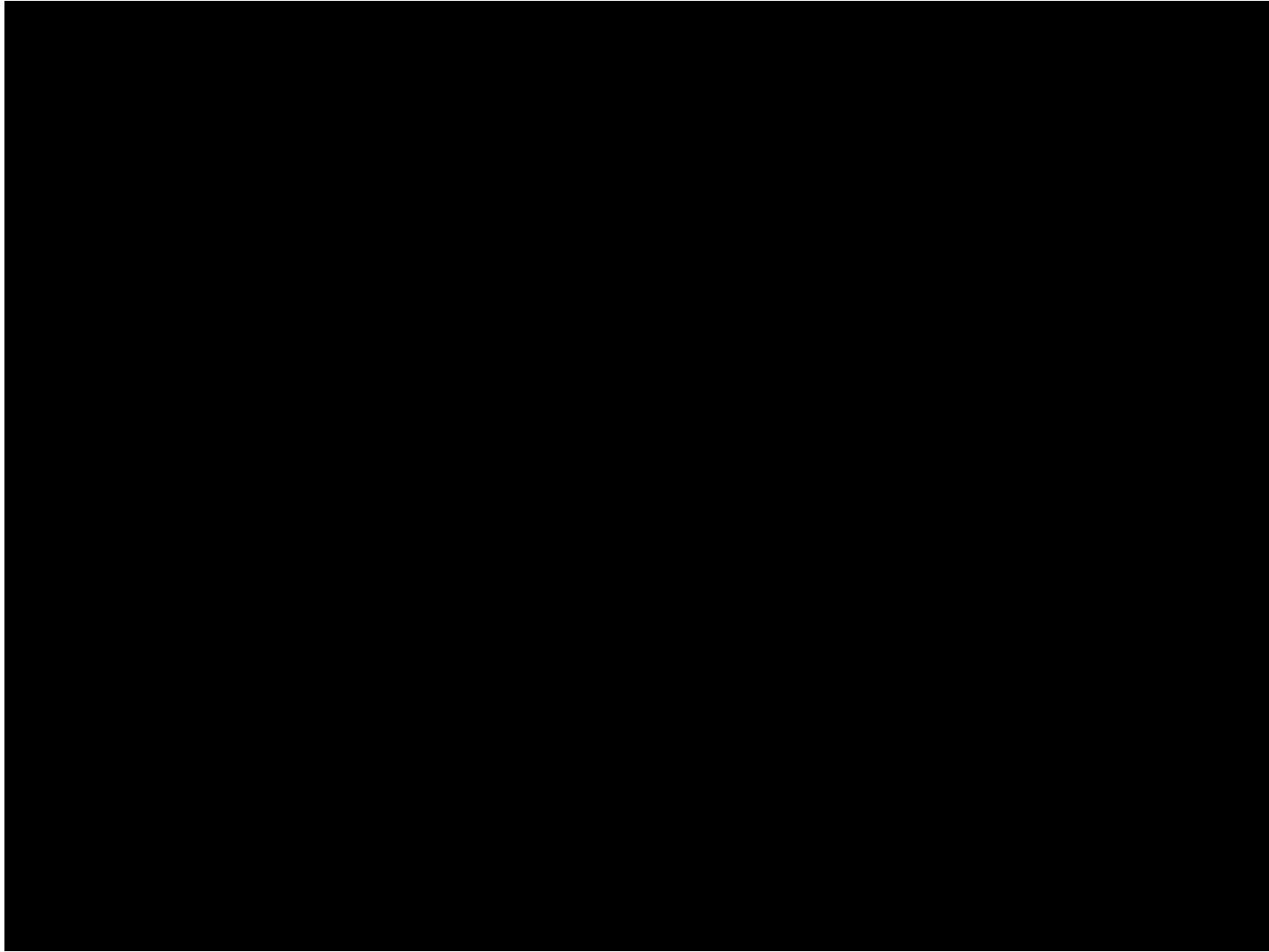
Term Life Insurance

- Unlike Whole Life, **Term life** only includes Death (although “riders” for Dismemberment and Disability can be purchased) and most importantly only covers you for a specified number of years (20, 25, 30, 50 years)
 - Typically **much less expensive** than Whole-Life
 - May have a renewal period where rates can increase.
 - May have the option to convert to whole-life if needed.

Death, Dismemberment, & Disability Insurance

- **Death** pays a set amount upon your death
- **Dismemberment** covers medical and rehab expenses relating to severe accidents
- **Disability Insurance** pays benefits in the event the insured becomes incapable of working.

Homeowners/Renters Insurance



Homeowners/Renters Insurance

- **Homeowner's Insurance** combines property and liability insurance into one policy to protect a home from damage costs due to perils.
- A **peril** is an event which can cause a financial loss like fire, falling trees, lightning and others

Property Insurance

- **Property Insurance** protection that covers damages to home or land which may cover damage from fire, flood, or earthquakes.
- **Liability Insurance** protects the insured party from being held liable for other's financial losses
- Homeowner's insurance should cover the replacement cost which will pay to rebuild the home if it is completely destroyed

Renter's Insurance

- **Renter's Insurance** protects the insured from loss of the contents of the dwelling rather than the dwelling itself
- Renter's insurance may be provided by a parent or guardian while an individual is still a full time student or under the age of 18
 - However, each policy is different and should be inspected by the policyholder

4 WE ARE FOLLOWING

DOZENS DISPLACED AFTER APARTMENT FIRE



66°
6:32

TOYOTA

HANKSVILLE

NOW
Clear



55°

TODAY
Sunny



102°

FORECASTS

Conclusion

- Review the following terms and concepts:
 - Risk
 - Insurance
 - Policy
 - Policyholder
 - Premium
 - Deductible
 - Types of Insurance

- Star Wars Insurance