

# Learning for Earning

Your Route to Success

Sixth Edition



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*PowerPoint Presentations for*

# Learning for Earning

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**CHAPTER**

**28**

# **Insurance**



# Chapter Objectives

After studying this chapter, you will be able to

- describe types of automobile insurance coverage.
- explain the importance of health insurance as a fringe benefit of a job.
- compare and contrast the three forms of life insurance.
- list reasons for buying property insurance.
- explain how to file an insurance claim.



# Key Terms

- policy
- premium
- deductible
- health maintenance organization (HMO)
- preferred provider organization (PPO)
- life insurance
- dividend
- disability insurance
- property insurance
- insurance claim

# Financial Protection



- Insurance provides financial protection for your health, life, and property.



# Financial Protection

- Compare the type of protection offered by companies before buying insurance.
  - You become the *insured*.
  - The insurance company is the *insurer*.
- Get help understanding the insurance plans before buying any.
- To purchase insurance, you must complete a written application.



# Financial Protection

- ***Policy*** – A legal contract describing the rights and responsibilities of a person purchasing insurance and those of the company offering it.
- ***Premium*** – The amount of money paid for insurance.



# Did You Know?

- In ancient times, insurance was probably first used to protect trade caravans and seaborne commerce.

Source: [www.encyclopedia.com/html/section/insuranc\\_TheHistoryofInsurance.asp](http://www.encyclopedia.com/html/section/insuranc_TheHistoryofInsurance.asp)





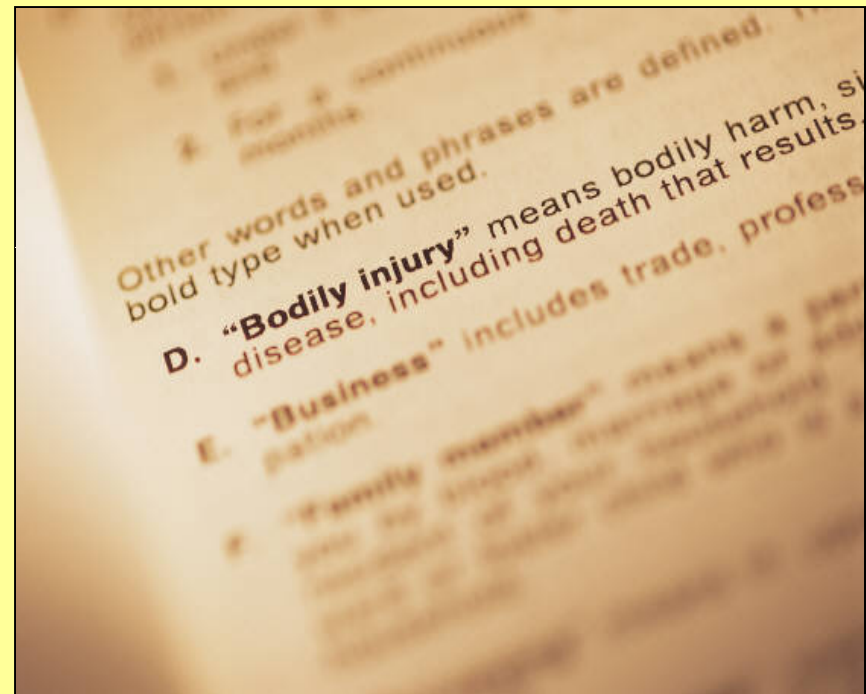


# Automobile Insurance

- Several types of coverage are important:
  - liability
  - bodily injury
  - property damage
  - collision
- *Liability insurance* protects you against the claims of other people and accidents caused by any person you allow to drive your car.

# Automobile Insurance

- *Bodily injury insurance* protects you against lawsuits and claims for injuries to other people resulting from accidents that you cause.

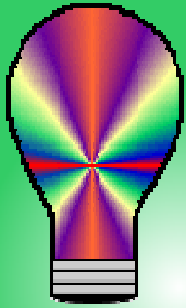


# Automobile Insurance

- *Property damage insurance* protects other people's property against damage you cause, but not the cost of repairing your own car.
- *Collision insurance* pays for repairs to your car, even if you are at fault.
- ***Deductible*** – The amount a policyholder must pay before an insurance company will pay a claim.

# Automobile Insurance

- Premiums vary widely according to a rating system that includes these factors:
  - driving record(s) of owner(s)
  - age(s) of driver(s)
  - home address
  - type of car
  - average miles driven
  - satisfactory completion of a driver education course for new drivers
  - academic records and grades



# Think About It

- ❖ *What factors increasing the cost of auto insurance can you control?*
- ❖ *When would you drop collision coverage from an older vehicle?*





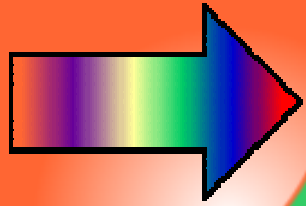
# Health Insurance

- Health insurance helps pay the cost of medical care.
- Some plans pay for all costs, but most provide partial payments, while the insured person pays the rest.
- Many employers provide health insurance to full-time employees and pay a portion of the premiums.



# Health Insurance

- ***Health maintenance organization (HMO)*** – A health insurance for which members pay a set fee and receive medical care from a participating doctor or hospital.
- ***Preferred provider organization (PPO)*** – An organization of doctors or hospitals that contract with an insurance company to provide health services.



# In Your Opinion

- ❖ *What are the risks of having insufficient or no health insurance?*





# Life Insurance

- ***Life insurance*** – Insurance designed to provide financial security to the family of the insured if that person dies.
- The face value of the policy is paid to the beneficiary, as determined by the owner.
- Different types of policies cover various lengths of time and may double as a savings investment.



# Life Insurance

- *Whole life insurance* is an insurance plan that offers the insured permanent coverage.
- The policy is in effect until the insured dies or the policy is cashed, as long as premiums are paid.
- Premiums generally do not increase.
- Policies gain cash value over time and some pay dividends.



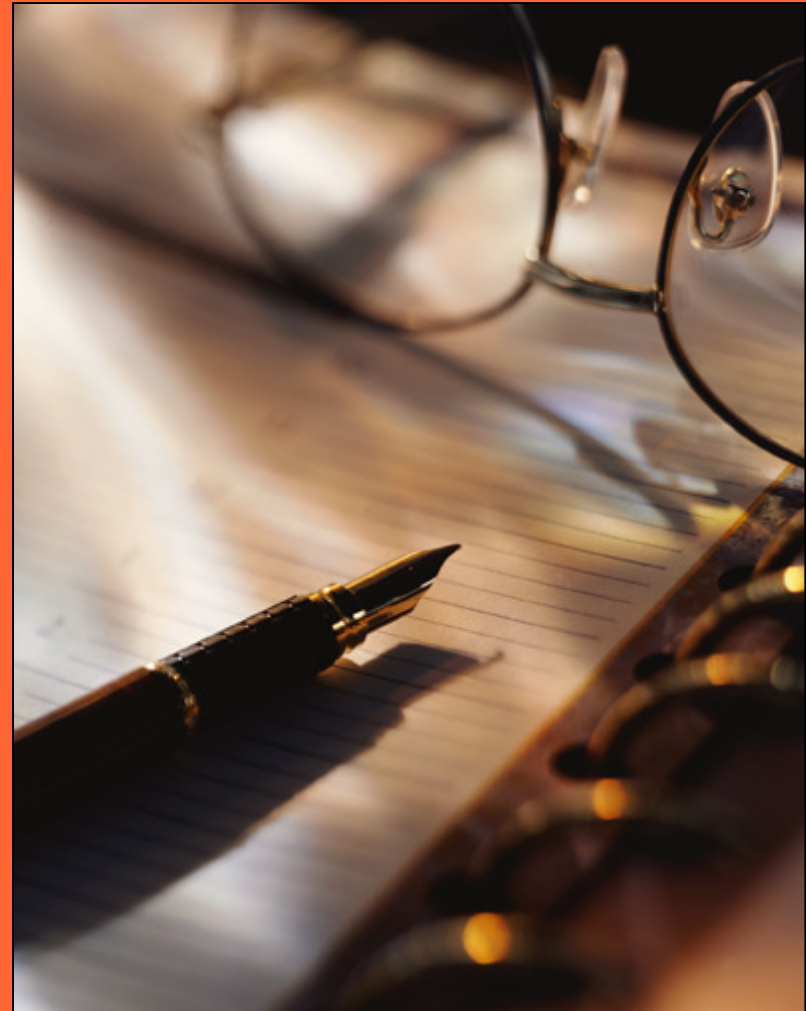
# Life Insurance

- ***Dividend*** – A payout, usually annual, on money earned on whole life insurance.
- After a certain period, you can get the cash value by turning in your policy, but then are no longer insured under it.
- ***Term life insurance*** is an insurance plan that offers coverage for a limited period of time.



# Did You Know?

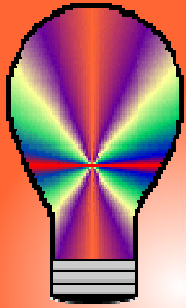
- ❖ *Employees often receive term life insurance worth the value of one year's salary as a fringe benefit.*





# Life Insurance

- Term insurance usually covers 5 or 10 years, but must then be renewed.
- Premiums are lower than whole life insurance, but increase over time.
- Term policies do not gain cash value.
- *Variable-rate life insurance* provides a guaranteed life benefit and is also an investment tool.

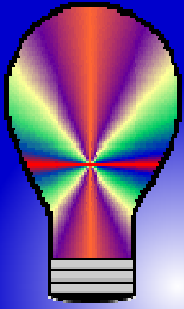


# Think About It

- ❖ *In general, is life insurance more important for single people or married people? Why?*
- ❖ *How would you go about deciding how much life insurance you need?*

# Disability Insurance

- ***Disability insurance*** – Insurance that provides income for people who become unable to work due to serious illness or injury.
- It allows disabled employees to receive a percentage of their incomes for an extended period of time.



# Think About It

- Many employers offer disability coverage, but policies vary greatly.
- ❖ *What steps would you take to decide whether you need to purchase additional disability coverage?*





# Property Insurance

- ***Property insurance*** – Insurance that protects your possessions against fire, theft, or other types of loss. Property insurance also provides liability coverage in the event that someone is injured in your home.
- A renter's policy should cover personal belongings, furniture, appliances, and other valuables.

# Property Insurance

- A homeowner's policy should cover all possessions plus the building itself.
- Standard property insurance covers your belongings for what they are worth at the time you file a claim.
- *Replacement value coverage* costs more, but pays the full cost for replacing your items.



# Did You Know?

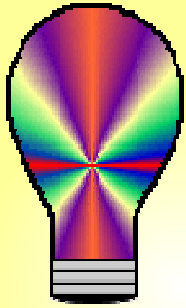


- ❖ *You should always save receipts from more expensive purchases so the insurance company can better assess their current value.*



# Property Insurance

- An inventory of all your possessions can help you decide how much property insurance to buy.
- An inventory also provides a record of your valuables in case you need to file a claim.



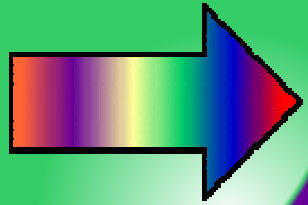
# Think About It

- ❖ *Do you think it is smarter to buy standard property insurance or the more-expensive replacement value coverage?*
- ❖ *What steps can you take to reduce your property insurance premiums?*



# Filing a Claim

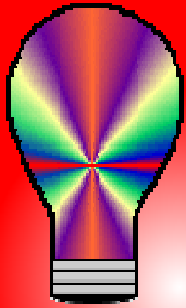
- ***Insurance claim*** – Requesting payment from your insurance company for a covered loss.
- You must provide a list of valuables that were damaged or destroyed.
- Talk with your insurance company about the procedures for filing a claim.



# In Your Opinion

- ❖ *Which of your possessions should be covered by property insurance?*





# Think About It

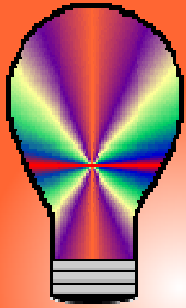
- ❖ *Describe the types of automobile insurance coverage.*
- ❖ *Explain the importance of insurance for health care and for disability.*
- ❖ *Compare and contrast the three forms of life insurance.*
- ❖ *Identify several reasons for buying property insurance.*
- ❖ *Explain how to file an insurance claim.*





# Chapter 28: In the Know

- Automobile insurance policies may include liability, bodily injury, property damage, and collision coverage.
- Health insurance helps pay for medical care.
- Life insurance covers a specific term or the insured person's full life and may also be a savings investment.
- Property insurance protects your personal possessions and property against loss.
- An insurance claim is filed to request payment from an insurance company for a covered loss.



## Chapter 28: Think More About It

- ❖ *What can the drivers in your family do to keep the costs of auto insurance down?*
- ❖ *Considering the five types of insurance discussed in this chapter and your personal circumstances, when should you consider buying each?*
- ❖ *Is it possible to ever have "too much" insurance?*