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Topic 18-3 Meeting Insurance Needs

- In this topic, you will learn about meeting insurance needs, as well as
 - ***** Insurance basics
 - ***** Life insurance
 - ***** Health insurance
 - * Automobile insurance
 - ***** Housing related-insurance

Meeting Insurance Needs

Objectives for Topic 18-3

After studying this topic, you will be able to

- describe different kinds of insurance protection
- evaluate the types of insurance that you will need

Topic 18-3 Terms

- policy
- policyholder
- * premium
- beneficiary
- *cash value
- ❖ loan value
- deductible

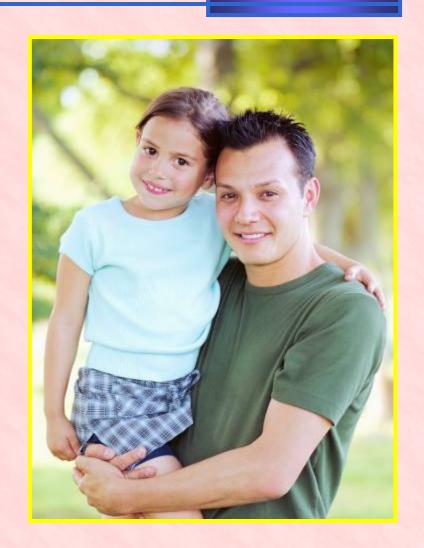
- co-insurance
- copayment
- health maintenance organization (HMO)
- preferred provider organization (PPO)

Insurance Basics

- **Policies** are insurance contracts
- A *policyholder* is a person who has an insurance policy
- A *premium* is a regular payment made to the insurance company for a policy

Life Insurance

- Life insurance is a protection against financial loss due to death
 - * A dependent is someone who relies on another person for financial support
 - * The *beneficiary* is the person who receives the death benefit



Term Insurance

- Covers the owner of the policy for a specific number of years
 - * A renewal privilege allows the policyholder to renew without having a physical examination
 - * A *convertible clause* allows the owner to exchange the term policy for a whole life policy without a physical examination

Whole Life Insurance

- Covers a policyholder for a lifetime
 - * The *cash value* is the amount the policyholder can collect if he or she decides to give up the policy
 - * The *loan value* is the amount the policyholder can borrow
 - * A *straight life policy* involves paying fixed premiums throughout your lifetime
 - * A *limited payment life policy* is purchased outright over a certain period of time

Universal Life Insurance

- Combines term insurance with an investment feature
- Cash value is invested to earn interest
 - The return will vary from year to year based on the insurer's investment success

Did You Know...

- Every life insurance company uses its own specific set of underwriting guidelines to measure your mortality risk
- This affects the rate you are charged for your life insurance coverage
- Companies have the right to change their guidelines at any given time

Health Insurance

- A *deductible* is an amount that a policyholder must pay before the insurance company will pay anything
- Co-insurance requires the policyholder to pay a certain percentage of medical costs
- Copayments are small, fixed fees for certain items or services



Types of Health Coverage

- Basic medical coverage pays standard hospital costs
- *Major medical coverage* pays most expenses resulting from major illness or serious injury
- *Disability insurance* provides payments for people who are unable to work because of illness or injury
- Worker's compensation provides benefits for employees who suffer illness or injuries due to their work environment

Health Maintenance Organizations (HMO)

- A health maintenance organization (HMO) is a group of medical professionals and facilities that provide health care services to members
 - Members pay a flat fee
 - Doctor must be associated with the HMO
 - * HMOs focus on preventive health care

Preferred Provider Organizations (PPO)

- A preferred provider organization (PPO) is a group of doctors and medical facilities that contract to provide services at reduced rates
 - Fixed fees and terms for health care services are designated
 - Members pay less for using a preferred provider
 - Member will pay more to see a doctor outside the PPO

Automobile Insurance

- Most states require drivers to have automobile insurance
- Without insurance, one accident could wipe out a family's savings



Types of Auto Coverage

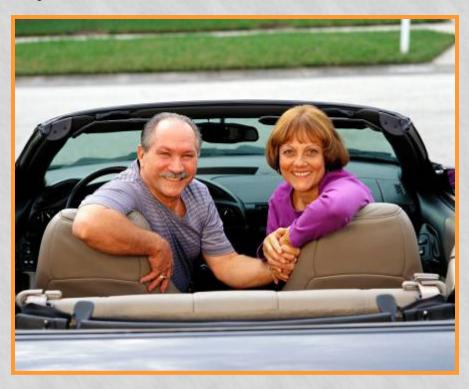
- **Bodily injury liability** covers you if you are legally liable for the death or injury of others
- Property damage liability pays for damages your car causes to others' property
- *Medical payments* coverage pays medical costs resulting from an accident regardless of who was at fault

Types of Auto Coverage

- *Uninsured motorist* coverage pays for bodily injuries for which an uninsured motorist or hitand-run driver is responsible
- Comprehensive policy damage coverage protects your car from damage by something other than another vehicle
- Collision insurance pays for damages to your car caused by collision with a vehicle or other object

Automobile Insurance Premiums

- Vary greatly and depend on a number of factors, including
 - distance driven in a year
 - age
 - model of car
 - year of car
 - driving record
 - location of home



Housing-Related Insurance

- Property protection—fire, lightning, vandalism, burglary
 - * Actual cash value is today's costs less depreciation for use of an item
 - * Replacement costs equal today's costs without considering depreciation
- Liability protection—
 injury of others on your
 property; accidental
 damage to property of
 others



Did You Know...

- After a disaster, it is a good idea to separate the damaged and undamaged things in your house right away
- You should not destroy any of the damaged items until your claims adjuster has had an opportunity to inspect them

Source: University of Illinois Extension Disaster Resources

Summary for Topic 18-3

- Insurance can protect you against huge losses
- You may need life insurance to provide for dependents in the event of your death
- Health insurance helps cover the high cost of medical treatments, medications, and hospitalization
- If you drive a car, you need to be protected by automobile insurance

Summary for Topic 18-3

- If you own or rent a home, insurance will cover your property and protect you against liability
- A reliable agent can help you determine your insurance needs and offer assistance if you need to file a claim