

# Skills for Living

Frances Baynor Parnell



by  
Yvonne Gentzler, Ph.D  
Liz Romero, Ph.D.



Goodheart-Willcox Co., Inc.  
Tinley Park, Illinois

# Topic 18-3

## Meeting Insurance Needs

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- 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

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## **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

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- ❖ policy
- ❖ policyholder
- ❖ premium
- ❖ beneficiary
- ❖ cash value
- ❖ loan value
- ❖ deductible
- ❖ co-insurance
- ❖ copayment
- ❖ health maintenance organization (HMO)
- ❖ preferred provider organization (PPO)

# Insurance Basics

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- *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

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- 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

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- 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

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- 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...

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- 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

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- ***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)

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- 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)

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- 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

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



# Types of Auto Coverage

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- ***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

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- ***Uninsured motorist*** coverage pays for bodily injuries for which an uninsured motorist or hit-and-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...

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- 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

# Summary for Topic 18-3

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- 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

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- 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