

Unit 11:
Managing Risk

Personal Financial Literacy

Objectives

- Investigate sources of insurance and how to get the best coverage and rates.
- Identify types of insurance.
- Match the types of automobile insurance to their definitions.
- State consequences of not having automobile insurance.

Objectives - Continued

- Select from a list factors that influence the cost of automobile insurance premiums.
- Discuss the importance of renter's insurance.

Insurance Sources

- Government (Affordable Care Act, Medicaid, Children's Health Insurance Program, Veterans Administration, TRICARE for Military)
- Employer
- Professional organizations
- Insurance companies

Insurance Sources - Continued

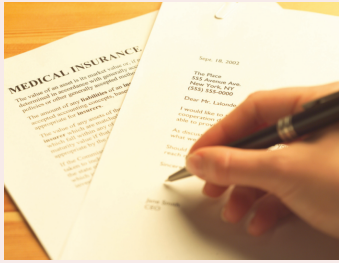
- Insurance Company/Office
- Online

Some people prefer going through an agent to purchase or file a claim.



Health Insurance

- Major medical requires co-payment , plus percentage of medical bills or payments until annual deductible is met.
- Deductible : amount you must pay before the insurance company pays anything
- Co-payment: amount you pay for each service, regardless of whether you've met your deductible)



Managed Care Plans

- PPOs (Preferred provider organizations – offer lower co-pays and provides some flexibility in providers)
- HMOs (Health maintenance organizations - offer lower co-pays and covers costs of preventive care but has limited health care providers)

Lifetime Cap

- Policies may have a lifetime cap, such as \$750,000 or \$1 million.
- When insured reaches cap, coverage stops.

Do You Need Life Insurance?

- Important if you help support others, e.g. children or parents
- Pays money to your beneficiary when you die
- If you don't financially support anyone, you may not need life insurance



Term Life

- Purchase for a set amount of time
- Pays value to beneficiary when you die
- Ends at expiration unless you renew
- Some term life can be converted to whole life
- Tends to be less expensive than whole life; costs increase with age

Whole Life

- Life-long insurance policies; build cash value
- Premiums invested to provide savings
- When used for retirement, cash value may be tax-exempt
 - Universal life insurance: can make changes to policy

Disability Insurance



- Young people - more likely to become disabled from accident or illness than die.
- Disability often results in loss of income
- Usually available through employer

Disability Insurance - Continued

- Typically provides 67 to 80 percent of pre-disability income
- Some policies only cover work-related disability



Homeowners Insurance

- Liability coverage if a person is injured; would also pay legal fees
- Insures home and contents
- May require special insurance for flood, earthquake or other risks

Types of Auto Insurance

- Liability: Covers damage to others, (property or injuries); required in most states
- Medical: Pays for health care bills if you, immediate family, or passengers in your vehicle are injured, regardless of who is at fault. Includes riding a bicycle or walking.

Types of Auto Insurance - Continued

- **Collision**: Covers car repairs from accident with car or object
- **Comprehensive**: Covers vandalism, theft, natural disasters
- **Uninsured Motorist**: Covers other people driving your car or accidents caused by other people who don't have insurance
- **GAP**: Covers gap between what you owe and what vehicle is worth

Your Insurance Responsibilities

- Contact insurance company ASAP with accident details.
- Provide copies of accident reports and insurance information from other drivers.
- Notify carrier when you change vehicles.
- Know exactly what is covered.



Cancelling Your Policy

- Many insurers can cancel your insurance if you:
 - lose your driver's license
 - forget to pay your premium
 - lie on application or claim form

Insurance is Important

One out of every four drivers is involved in an accident each year.

- If you're in an auto accident, you're financially and legally responsible
- You can be sued; no limits for how much
- If you've financed your car, lender may require additional coverage

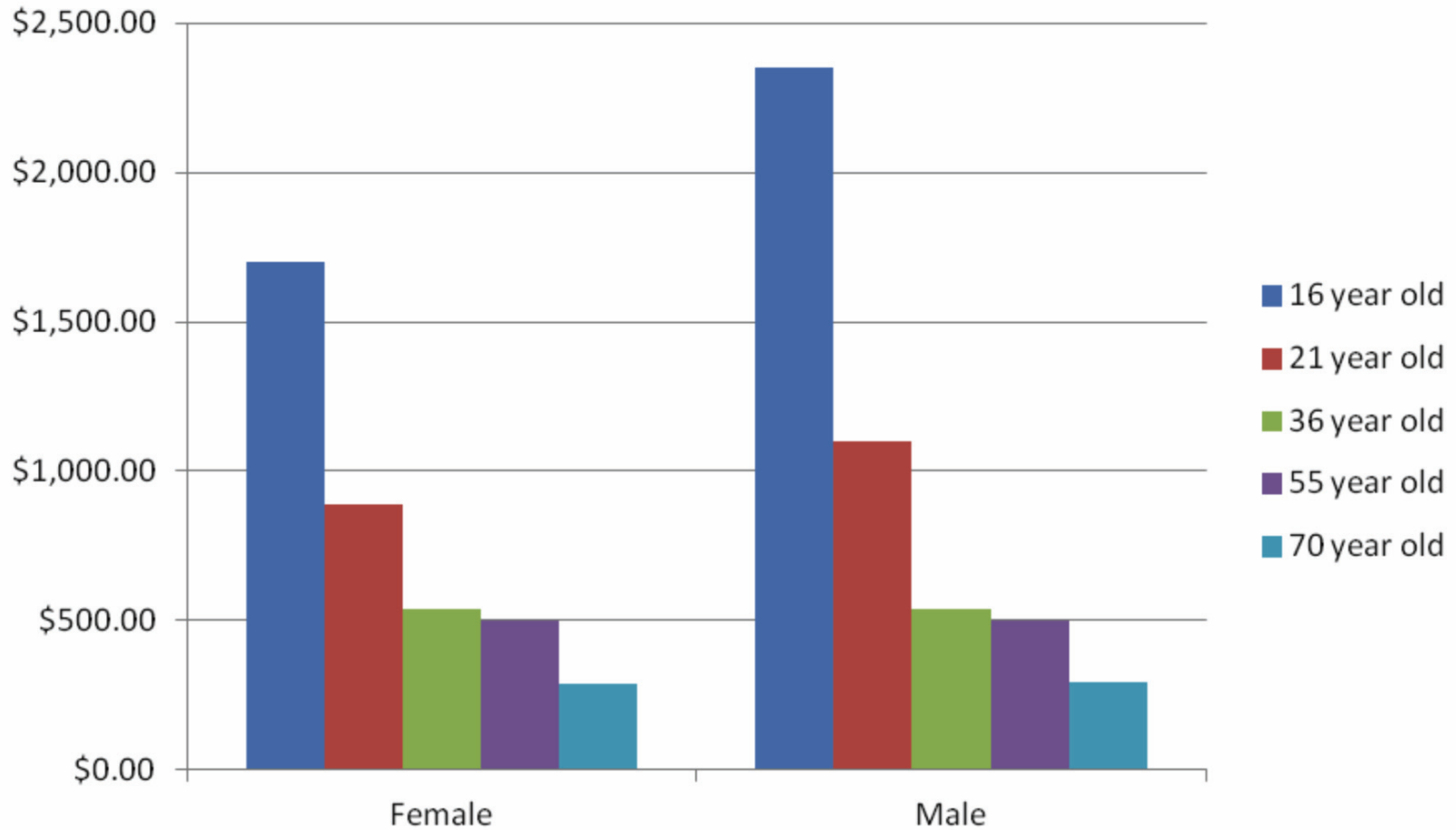
Reduce Your Risk



- Drive defensively
- Follow traffic rules
- Avoid high traffic areas

- But even the very best drivers risk an auto accident...

Auto Insurance Rates



Factors Affecting Premiums

- Age
- Gender
- Marital status
- Mileage
- Type of car
- Zip code
- Credit history
- Deductible



Lower Your Premium

- Shop around
- Multiple-policy discounts
- Good student discounts
- Higher deductible
- Right amount of coverage



Renter's Insurance

- Covers you for fire or break-ins.
- Protect you if someone is injured in your home.
- Neither possessions nor liability in your rented home is landlord's responsibility.



Unit Review

1. Discuss what risk is, and why it's important to protect yourself from it financially.
2. What is a widely accepted way of reducing financial risk?
3. List sources of insurance.
4. Name the most common types of insurance.
5. What is the difference between a co-pay and deductible?

Unit Review - Continued

6. If you can only afford life insurance or disability insurance, what should you consider before making your decision?
7. How can life insurance help with your savings and investment goals?
8. What type of policy is useful for protecting yourself against another person's injuries or damage to another's property? In what type of insurance are these policies found?
9. Discuss the six types of auto insurance.

Unit Review - Continued

10. Discuss what GAP insurance is and why someone might want it.
11. Why is auto insurance part of a smart financial plan?
12. Explain how a deductible affects the amount of a premium.
13. What other factors influence the amount of a premium?
14. What are some of the ways to decrease the amount of a premium?

Unit Review - Continued

15. Explain the considerations a person should look at when determining what types of insurance to purchase.
16. Distinguish between homeowner's insurance and renter's insurance.

*career*tech

Curriculum and Instructional Materials Center

1500 West 7th Ave.

Stillwater, OK 74074

www.okcimc.com

1-800-654-4502