

# Insurance

## Do you...

Know if you're protected against an unexpected life event?

Feel confused by the various types and definitions of insurance?

## Risks to consider in not understanding insurance

Financial liability in the event of a collision

Risk of loss of personal property due to theft, fire or flooding

Loss of personal property due to theft, fire or accident

## What's insurance got to do with you?

Life happens. Events in our lives influence our financial well-being. At times, these events might be positive, such as a new job, an unexpected windfall, or increases to the value of an asset. On the other hand, occasional events can affect your overall financial picture in a negative way. If you lose a job, have a collision, or experience a health-related issue, your financial picture can be drastically affected.

An often-overlooked part of a solid financial plan is being appropriately protected against potential losses.

## Steps to reducing your overall financial risk

### UNDERSTAND THE TYPES OF INSURANCE

- Health insurance to protect your health; may be required at your school
- Automobile insurance if you own a vehicle; it's usually required by law
- Renter's insurance to protect belongings

- Life insurance is generally for students who have dependents; it provides for them in case you are unable to do so

### UNDERSTAND INSURANCE COSTS

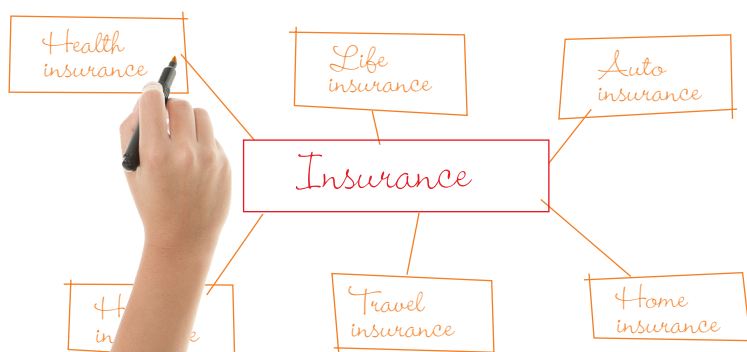
Understand basic costs of insurance and be able to compare coverage.

All policies have costs associated with them. A major way to reduce the costs of purchasing a policy is by carrying a higher deductible. When you make a claim on your insurance policy, your deductible is what you'll pay out of pocket before your insurance kicks in. Therefore, you would need to have that deductible readily available in case you need it. A typical deductible for your car insurance might be \$500. To lower the overall cost of the policy, however, a careful driver with money in the bank might opt for an increased deductible, perhaps \$1,000, to reduce the monthly premium (cost of insurance).

## Terms to know

- **Premium**—the cost to maintain the insurance (the bill you receive).
- **Deductible**—your share of the replacement costs.
- **Payment**—the insurance company's share of the replacement costs.

(Continues on back)



Outline the types of insurance you may need

## Risk management worksheet

What type of risk management will help you? Match the need with the type of insurance by connecting them with a line.

Need	Type of insurance
Trip of a lifetime	Health insurance
Summer job as a roofer	Renter's insurance
Purchase of expensive electronic device	Travel insurance
All of your band's equipment is in your garage	Dental insurance
You plan to play football in college this year	Extended warranty

Type of insurance	Purpose	Types of coverage
Auto	Provides financial protection from loss due to an accident or other damage to a car, truck, van or SUV	<ul style="list-style-type: none"> <li>• Collision</li> <li>• Liability</li> <li>• Comprehensive</li> </ul>
Disability	Provides a percentage of regular income while unable to work; may be provided by employer	<ul style="list-style-type: none"> <li>• Individual</li> <li>• High limit</li> </ul>
Health	Provides payment for certain medical costs	<ul style="list-style-type: none"> <li>• Health</li> <li>• Major medical</li> <li>• Dental &amp; vision</li> </ul>
Homeowner's	Protects against financial loss from damage to your home or its contents, as well as injury on the property	<ul style="list-style-type: none"> <li>• Physical damage: reimburses for fire or water damage (except flooding)</li> <li>• Loss or theft: reimburses for personal property that is damaged or stolen</li> <li>• Liability: protects against loss from lawsuit for injuries to guests</li> </ul>
Life	Provides continued income for spouse or children in the event of death	<ul style="list-style-type: none"> <li>• Many types of life insurance available including Term, Whole and Universal</li> </ul>
Renter's	Provides financial protection due to loss of personal possessions in a rental unit	<ul style="list-style-type: none"> <li>• Pays loss of possessions due to fire, theft or vandalism</li> </ul>

### ABOUT ECMC

Educational Credit Management Corporation (ECMC) is a nonprofit company providing services in support of higher education finance. We work to support college access and success, and we provide students with tools and resources for planning and paying for college. The ECMC Personal Finance Management Series is designed to help you make informed decisions about your financial future.