

# Insurance

## Do you...

Know if you're protected?

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

Are you insured against unexpected life events?

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 financial plan is being appropriately protected against potential losses.

Steps that may reduce your overall financial risk

### UNDERSTAND THE TYPES OF INSURANCE

- Health insurance to protect your health; may be required at your school—All U.S. citizens are now required to carry health insurance. Visit [www.healthcare.gov](http://www.healthcare.gov) to learn more.
- Automobile insurance if you own a vehicle; it's usually required by law.
- Renter's or homeowner'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. One 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.

Consult an insurance professional for more information.

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Type of insurance examples	Purpose	Possible types of coverage
Auto	Provides financial assistance 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 healthcare costs	<ul style="list-style-type: none"> <li>• Health</li> <li>• Major medical</li> <li>• Dental and vision</li> </ul>
Homeowner's / Renter's	Protects against some 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</li> <li>• Loss or theft</li> <li>• Liability</li> </ul>
Life	Provides some financial assistance for your beneficiary in the event of death	<ul style="list-style-type: none"> <li>• Term</li> <li>• Whole</li> <li>• Universal</li> </ul>

This is only an example of some types of insurance options and is not a complete list. Consult an insurance professional to fully consider your options.

#### 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 Financial Awareness Basics (FAB) Series is designed to help you make informed decisions about your financial future.