

Insurance Key Terms

	Total Points Earned
27	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Directions:

- Write the definition of each vocabulary word in your own words.
- Create a sentence in the third column using both words from that row. The sentence should provide enough information to give the reader a clear idea of what each word means by either describing how the words relate to one another or explaining a real-life scenario.

Vocabulary Word	Vocabulary Word	Sentence Using Both Words
Insurance Definition:	Risk Definition:	
Premium Definition:	Deductible Definition:	
Employee Benefits Definition:	Disability Insurance Definition:	
Health Insurance Definition:	Co-Insurance Definition:	



<p>Property Insurance Definition:</p>	<p>Liability Insurance Definition:</p>	
<p>Automobile Insurance Definition:</p>	<p>Policy Definition:</p>	
<p>Homeowners Insurance Definition:</p>	<p>Renters Insurance Definition:</p>	
<p>Life Insurance Definition:</p>	<p>Beneficiary Definition:</p>	
<p>Long-term care Definition:</p>	<p>Household production Definition:</p>	



KWL Chart

	Total Points Earned
12	Total Points Possible (4 per column)
	Percentage

Name _____

Date _____

Class _____

Directions: Complete the “What do I know” and “What do I want to know” sections before instruction begins. Complete the “What did I learn” section during the video and at the conclusion of instruction.

What do I already know?	What do I want to know?	What did I learn?

Types of Insurance Note Taking Guide

	Total Points Earned
	Total Points Possible
	Percentage

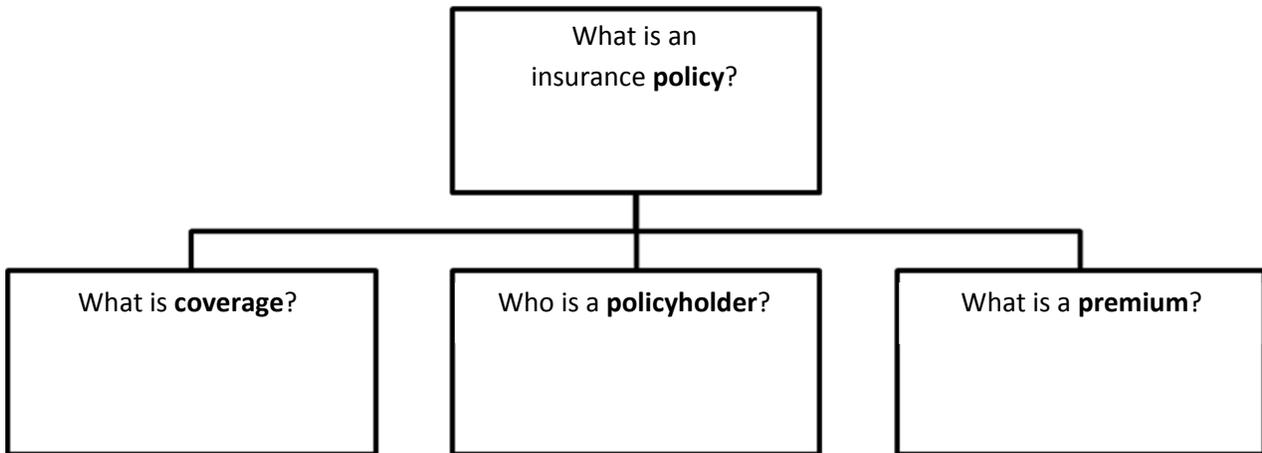
Name _____

Date _____

Class _____



THE INSURANCE PROCESS



Insurance shifts the risk of loss from _____ to _____.

Payments received from an insurance policy can _____ the premiums paid.

Insurance provides _____ and _____.

Once an insurance policy is in place, a **claim** can be made if an accident occurs.

What is a **claim**?

What is a **deductible**?

What is **co-insurance**?

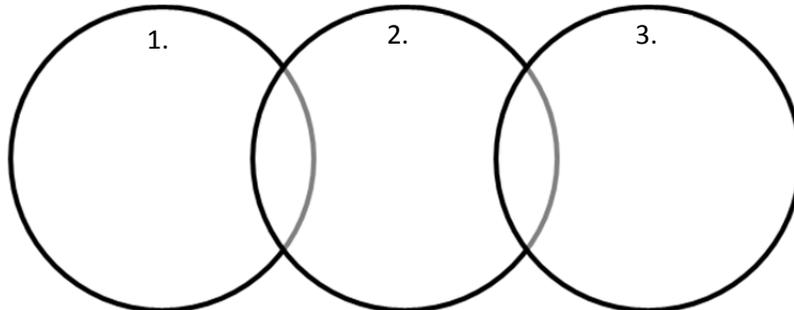
Carlos was involved in an automobile accident that caused \$3,788 in damage to her car.
His deductible is \$500 and the amount he pays in coinsurance is 0%.
How much does Carlos pay and how much does the insurance company pay?

Carlos pays:

Insurance company pays:

SOURCES OF INSURANCE

Insurance can be provided to an individual from any of these three sources:



What are **employee benefits**?



What is **in-kind income**?

Government programs are designed to do what?

TYPES OF INSURANCE

Type of Insurance	Definition	Provided by individual, employer and/or government?	Additional Information and Definitions
Health			
Disability			
Long-term care			
Property			
Liability			
Life			

Types of Insurance

	Total Points Earned
25	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Directions: Match the correct term with the correct definition by placing the letter on the appropriate blank. (1 point each)

- | | |
|---|--|
| <p>1. _____ A product that transfers risk from an individual to an insurance company or organization</p> <p>2. _____ The money paid to an insurance company to purchase a policy</p> <p>3. _____ The chance of loss from an event that cannot be entirely controlled</p> <p>4. _____ The amount paid out of pocket by the policyholder for the initial portion of a loss before insurance coverage begins</p> <p>5. _____ An insurance contract that states what risks are covered and how much money will be paid for losses</p> | <p>A. Premium</p> <p>B. Policy</p> <p>C. Insurance</p> <p>D. Risk</p> <p>E. Deductible</p> |
|---|--|

Directions: Please circle the correct type of insurance that would be used in each situation. (1 point each)

6. Sally is not feeling well so her mother takes her to the doctor. The doctor tells her she has strep throat, gives her medication, and sends her home to recover. What type of insurance would be used in this case?
- A. Property and liability
 - B. Health
 - C. Life
 - D. Disability
 - E. Unemployment
7. Joey's father is in a car accident and cannot work. What type of insurance replaces his father's earnings?
- A. Property and liability
 - B. Health
 - C. Life
 - D. Disability
 - E. Unemployment

8. David's mother is killed in an automobile accident. What type of insurance would provide his family financial support to cover the paid and unpaid work his mother performed?
- A. Property and liability
 - B. Health
 - C. Life
 - D. Disability
 - E. Workers' compensation

Directions: Answer the following questions by writing a short answer.

9. Explain the difference between long-term care and disability insurance, and give an example of when each type of insurance would be used. (3 points)
10. When is life insurance necessary? (1 point)
11. Explain the difference between homeowners insurance and renters insurance and identify when each would be used. (2 points)
12. Is insurance important? Support your answer with at least two reasons. (3 points)
13. What type of insurance would you consider the most important and why? (2 points)

Directions: Please indicate if the following statements are true or false by placing a T or F on each line. If the statement is false, rewrite the statement to make it true. (2 points each)

14. _____ Liability insurance covers accidental harm that may be caused to other people or property.
15. _____ A beneficiary is the individual who takes out the life insurance policy.
16. _____ The purpose of insurance is to make you financially better off than you were before the event occurred.

Damon Goes to the Hospital

One morning, Damon woke up with a very upset stomach. He complained to his mom that he didn't feel well, and they both decided that Damon should stay home from school. His parents left him home with some soup to heat up and a variety of juices to choose from when he was thirsty. His mom knew that he was sick, but she thought he was not too sick to stay home alone. After all, Damon was 16 and well able to take care of himself during the day. Damon went back to bed and tried to go back to sleep. He did so for about two hours and then he woke up with a start. He felt really awful. His stomach was really causing him trouble, but he decided to tough it out until his parents came home.

Finally, around three in the afternoon he decided he was more than just a little sick. He called his mom at work. "Mom, I am really sick. I can't keep any food down and my side by my hip bone is very tender. Do you think I might be having an appendix attack?" His mom was immediately concerned. "Hang on, Damon. I will finish up here quickly and be home. Call your dad and tell him we need to get you to the emergency room." Damon called his dad, who immediately came home.

By the time Damon and his parents reached the emergency room, Damon was one sick teenager. The emergency room doctor examined him carefully and announced that she was quite sure that Damon was suffering from appendicitis. The doctor immediately called a team of medical specialists and in the next 30 minutes, Damon went into surgery.

Damon woke up in a hospital bed. His parents and his little sister, Emma, were sitting quietly in the room, waiting for his first words. Damon said, "I'm thirsty and hungry," but his mom said he couldn't have any food yet. His mom told him that his appendix had been very close to bursting and that his case was more serious than most cases. He would have to stay in the hospital for at least three days so the doctors could be sure he wasn't developing infections or other complications. Unfortunately, within the first two days, Damon developed an infection. Thanks to medication and special care from his doctors, Damon did recover, but the hospital stay stretched into eight days.

Damon did recover but his hospital stay cost over \$55,543, due to the surgery and the treatments he received during his stay. Fortunately, Damon's family had health insurance through his mother's job. Monthly, Damon's mother has \$300 deducted from her paycheck and her employer pays the remaining \$700 in premiums to provide health insurance coverage for the entire family. The insurance paid \$50,000 of the bill for Damon's hospital stay, an amount that was more than his mother's pay in a year. Damon's family was still responsible for the other \$5,543 because of deductibles and co-insurance specified in the health insurance policy. The hospital agreed to let the family take a year to pay the bill in payments over the 12 months.

Without the insurance, the family would have had to work with the hospital to begin to pay off the debt over a very long time period. Or, the family might have had to declare bankruptcy to help pay off the large amount debt.

Damon saw his appendicitis attack as an illness that cost about as much as a college education at the local community college. He was very glad to have the medical care but now realizes that he needs to think about health insurance as an important part of adult living. Damon saw all the bills from the doctors, hospital, and pharmacy. The real cost of it all is something he won't forget.

Damon Goes to the Hospital Reflection

	Total Points Earned
12	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Directions: Read *Damon Goes to the Hospital* 1.10.1.E2 and answer the following questions.

1. How much in monthly premiums does Damon's mother pay per year for their family's health insurance? How much does her employer pay per year in premiums for the family's health insurance? (2 points)

2. Provide two reasons why employer provided health insurance is a valuable form of in-kind income for Damon's family. (2 points)

3. In the case of Damon's illness, did the payment received from the insurance company far exceed the premium Damon's family paid to the insurance company? Explain. (1 point)

4. Without paying interest for a late bill, if the \$5,543 has to be paid in 12 payments over the next year, how much will they need to pay in each payment? (1 point)

5. What would have happened to Damon if the family did not have health insurance and had not taken him to the hospital, because they couldn't afford the care? (1 point)

6. If Damon had not had the appendicitis attack and had never needed medical care, would it have been worth the premiums to have medical insurance? Why or why not? (1 point)

7. What did the large medical bill of \$55,543 cover? What are three examples of health care expenses after surgery for appendicitis? (3 points)

8. Why might insurance be a form of receiving income, in the sense that what might be received is unrelated to the amount paid for the premiums? (1 point)

Insurance Investigation

	Total Points Earned
36	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Directions: Each participant will draw one *Insurance Event Activity Cards* 1.10.1.H2. Their answers for the following questions will be based upon the scenario card that was drawn.

1. You will not be able to take the scenario card with you. Please record the scenario in the space below.

2. After class, talk with an adult. This can be a parent or guardian, another teacher, or family friend about the scenario card that you drew. Ask this individual to answer the following questions. Take notes about their responses on this sheet to help you write your essay. Make sure to have the adult sign the bottom of this sheet.
 - a. Who is the person you interviewed and what is their relationship with you?

 - b. What type of coverage would be needed if this situation really did occur?

 - c. What are some things that might happen if the individual did not have insurance coverage to protect against this situation?

 - d. What specific steps would be taken to file a claim?

 - e. What is one situation they have observed where insurance was needed?
 - i. What type of insurance would have been most helpful?

 - ii. What did or would happen if insurance was not available?

3. Write a one page essay using complete sentences to describe the situation card you drew, the conversation with an adult and what you learned about preparing for risk. The *Insurance Investigation Rubric* 1.10.1.B1 will be used to grade this assignment.
4. Turn in your essay, the *Insurance Investigation Rubric* 1.10.1.B1, and this worksheet.

Name of Adult: _____

Signature of Adult: _____

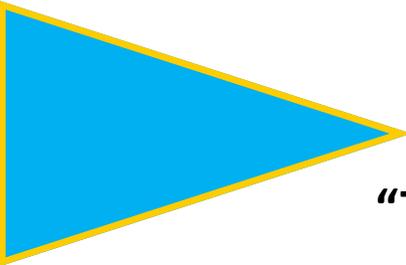
Phone number: _____

Insurance Investigation Rubric

Directions:

1. Write a one page typed, double-spaced, 12-font with 1-inch margins essay about the insurance scenario card selected.
2. Incorporate answers that were provided by the adult you interviewed.
3. You will be graded based upon the following rubric.

	Exemplary 3	Satisfactory 2	Unsatisfactory 1	Rating	Weight	Score
Organization	Information is very organized with well-constructed paragraphs and subheadings.	Information is either not well organized or paragraphs are not well constructed.	Information is not well organized and paragraphs are not well constructed.		3	
Amount of Information	All topics are addressed and all questions are answered with at least two sentences each.	Two or fewer questions were answered with two sentences each.	One or fewer questions were answered or questions did not have an adequate amount of sentences.		3	
Quality of Information	Information clearly relates to the main topic. It includes several supporting details and or examples.	Information clearly relates to the main topic however few examples and details were provided.	Information does not relate to the main topic, or no examples or details were provided		3	
Mechanics	No grammatical, spelling, or punctuation errors.	A few grammatical, spelling, or punctuation errors.	Many grammatical, spelling or punctuation errors.		3	
				Total Points Earned		
				Total Points Available		36
				Percentage		



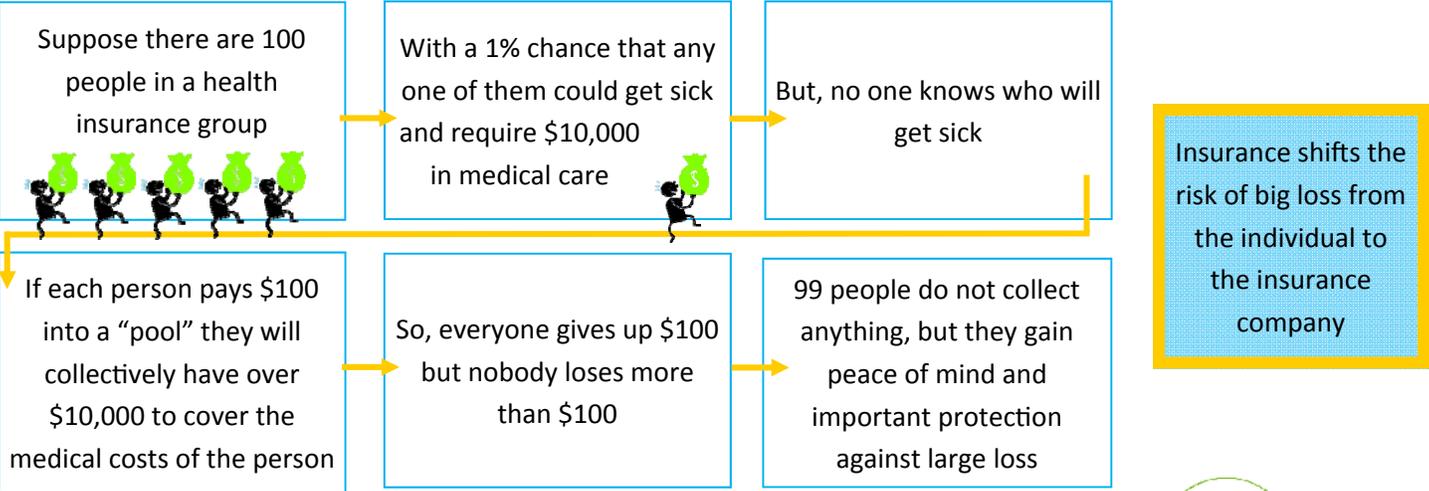
Types of Insurance

“Take Charge of Your Finances” Advanced Level

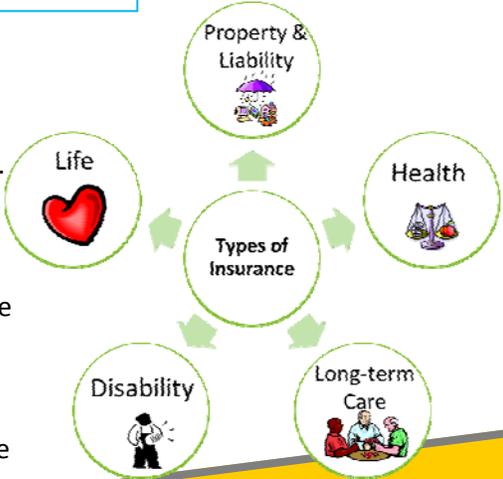
Receiving Money From Insurance

Even the most careful people experience events, like wrecking a car, that cause financial losses. Unexpected losses happen because life is full of risk. **Risk** is the chance of loss from an event that cannot be entirely controlled. Wearing a seatbelt when driving a car can reduce the risk of injury and loss, but accidents can't be eliminated entirely. Each of us face the risk of an accident or loss every day. No individual can achieve financial security without a plan in place to handle risk and unexpected losses.

One of the first sources used to manage unexpected losses is **emergency savings**. Having funds equal to at least six months of expenses in an emergency savings account will handle the smaller unpredicted expenses, such as fixing or replacing a broken refrigerator. But, to protect against the risk of larger losses, individuals can purchase **insurance**. Insurance is a financial product (called an insurance contract or policy) purchased from an insurance organization by many people facing a similar risk. The insurance **policy** is a contract which specifies what risks are covered and how much will be paid for the losses. The risks covered and amount of money paid for the loss is known as the **coverage** and varies drastically between policies. If the covered event happens, the insurance company will make a payment to the **policyholder** to pay for some or all of the resulting loss. Here is an illustration of how insurance works.

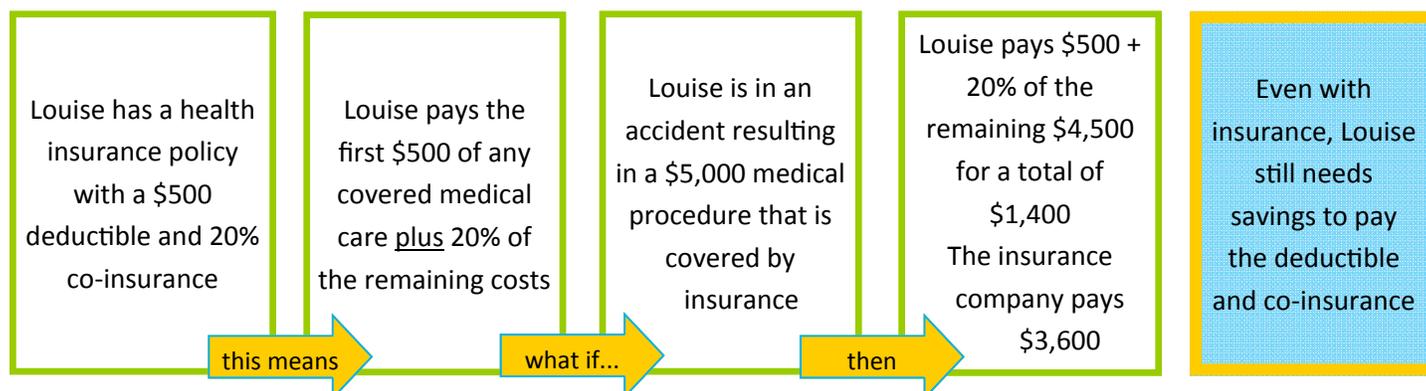


When selecting an insurance policy, consumers should shop thoroughly, asking many questions and comparing features, to determine which policy is the best for them. The payments received from an insurance policy can far exceed the **premiums** paid (money paid to the insurance organization to purchase the policy). Imagine the cost of replacing a home destroyed by fire or natural disaster and it is easy to see that having insurance protection can make the difference between financial well-being and financial disaster. By protecting against large and even catastrophic losses, insurance provides financial security and peace of mind. Some people think that if they do not get more out of their insurance policies in payments than they contributed, the insurance was not worth it. This is a misguided notion. The best outcome is to have the insurance in case something goes wrong, but to never collect on the policy because nothing went wrong. To be well protected, important types of insurance to have include:



The Insurance Process

When the policyholder has an accident, illness, or injury and needs the insurance money, the policyholder must submit a **claim** in order to get the insurance payment. Most insurance policies have a **deductible**, which is a dollar amount that is paid by the insured person. For example, an auto insurance policy might have a \$200 deductible, meaning that the insured pays the first \$200 of a covered loss. Another common characteristic of some insurance policies, especially health insurance, is that the dollar amount of the loss is shared between the insured and the insurance company. This contract feature is called **co-insurance** and requires the insured individual to pay a fixed percentage of the loss after the deductible has been paid. For example:



Insurance policies typically include deductibles and co-insurance for a good reason. These features of an insurance contract reduce the problem of “**moral hazard**.” Moral hazard occurs when the act of insuring an event increases the likelihood that the event will happen. Insurance companies cannot stay in business for long if insurance contracts actually encourage losses. A basic principle of insurance is that the dollars paid from an insurance policy should never make a person better off than before the loss happened. Because deductibles, copayments, and other features of a typical insurance contract place some of the loss back on the policyholder, they encourage careful behavior to avoid the loss.

What is a type of insurance you or your family has used?



What is an example of a moral hazard?



Sources of Insurance

In most cases, individuals acquire insurance from a combination of sources.

Purchased by the Individual

Insurance companies offer a wide range of insurance and other financial products for sale directly to individuals. Most individuals purchase property and liability insurance directly from insurance companies. Long-term care insurance and life insurance is also generally sold directly to individuals, although many employers also offer some life insurance coverage as part of their benefits package for employees.

Provided by Employers

Employers may provide health, disability, and (occasionally) life insurance through **employee benefits**. Usually with employment-based insurance, the employee makes a contribution to the premium as a payroll deduction. The employer will often make the policies available to all members of the family for the employee, but the employee will pay more for family coverage. Either way, the employer typically pays a large proportion of the premiums. Employment-based health insurance typically costs less for a given level of insurance coverage than would be the case if an individual tried to buy the same policy directly from an insurance company. Further, the employer’s contribution to paying the insurance premium is valuable to the employee because no income taxes are paid on the **in-kind income** (income received by the employee indirectly through the provision of a product or service rather than cash).

Provided by Government Programs

Government programs may also provide basic insurance as part of the social safety net to protect citizens from economic hardship. Some examples of major programs that cover the risks that individuals and families face include Social Security, Medicare, Medicaid, and other programs. Many programs, such as unemployment insurance, worker's compensation, and Social Security require a work history and employer participation before an individual can be eligible to apply for benefits. Government insurance programs also can address specific catastrophes, such as the aid provided for victims after Hurricane Katrina hit New Orleans in 2005.

Types of Insurance

Type of Insurance	Examples of Risks Covered (depending upon the policy purchased)	Provided by	Notes
Health <ul style="list-style-type: none"> Provides money to pay for health care for illness, injury, or, in some cases, preventive care. 	Doctor visits, hospital bills, therapies, prescription drugs, mental health treatment, other expenses associated with health issues. May include dental and vision care	Employer, individual, and/or government	If dollars are limited and an individual may only purchase one type of insurance, health insurance is extremely important to protect against high medical bills which could ruin credit and cause enormous stress.
Disability <ul style="list-style-type: none"> Provides payment to replace earnings during times when workers cannot work due to illness or injury. 	Provides income when a person cannot work due to illness or injury from any cause. Disability insurance coverage varies in the definition of disability and in the amount and timing of payments to the insured.	Employer, individual, and/or government	The more generous the disability payments, the more the insurance premiums.
Long-term care <ul style="list-style-type: none"> Provides payment for extended nursing care due to accidents, illness, or old age. 	Long-term nursing home care, assisted living costs, skilled nursing services, assistance in getting meals or in accomplished everyday tasks of living	Individual	Needed when a person is not sick enough to be in a hospital, but cannot live independently.
Property insurance has two parts: Property <ul style="list-style-type: none"> Provides payment <u>to the insured person</u> if his or her property is damaged or destroyed by an accident covered by the insurance policy. Liability <ul style="list-style-type: none"> Provides payment <u>to others</u> if a member of the insured household accidentally causes harm to other people or property. 	There are several types of property insurance including: Automobile insurance <ul style="list-style-type: none"> Provides payments for both liability and property insurance on a vehicle. Homeowners insurance <ul style="list-style-type: none"> Provides payment to cover liability losses as well as damage and loss of the home structure and its contents. Renters insurance <ul style="list-style-type: none"> Provides payment to renters to cover the damage and loss of property in a rental unit in addition to liability losses. 	Individual	Property insurance policies have many options available. Many cover the cost of replacing of belongings, structures or vehicle rather than the "garage sale" (depreciated) value. However, usually more coverage results in higher premiums. If a person drives an automobile, automobile liability insurance is required by law.
Life <ul style="list-style-type: none"> Provides payment to beneficiaries (someone who receives money if an insured person dies). 	Provides a single payment or a series of payments to beneficiaries who were named by the insured person.	Employer and/or individual	Important for individuals who have dependents (someone who relies on someone else for money income and care). A policy can cover the paid work done by an individual and the unpaid household production , such as child care or meal preparation, that is done by the insured person. Both paid work and unpaid work are valuable to households.