Chapter 6.
Insurance and Risk Management

Life is full of risks. Some are larger than others. Risk is the uncertainty that a situation or event will turn out the way we expect. You may expect to drive to work every day and not be involved in a crash. There is risk, however, that you might be involved in a crash. Some of the risks we face in life have financial consequences. This chapter will examine the primary way people manage risks with financial consequences – through insurance.

Risk Management
Engaging in risk management means being able to identify and evaluate situations where you may experience a loss and make a plan for how to deal with the loss. Your goal should be to minimize your risk. There are five steps you should follow when developing a risk management plan. They are:

- Gather information about the risks you are exposed to that would result in a loss. What events and activities do you participate in that expose you to the risk of injury, death, theft, etc.? These are called “perils” by the insurance industry.
- Estimate how frequently a loss might occur and the severity of the loss. A loss from a car crash might not be expected to occur frequently, but it could result in a substantial financial loss from medical expenses, property damage, or liability losses. The following chart illustrates the relationship between frequency and severity of loss.

<table>
<thead>
<tr>
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<th>High severity</th>
<th>Low severity</th>
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<tbody>
<tr>
<td>Low frequency</td>
<td>Since the loss is potentially large, you should purchase insurance. Because the frequency is low, the premiums should be affordable.</td>
<td>Since the frequency and severity of loss is low, you should consider retaining the risk without insurance coverage.</td>
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<tr>
<td>High frequency</td>
<td>Since the loss is potentially large, you should purchase insurance. But with the frequency also being high, the insurance will likely be expensive. You should consider loss control to keep premiums manageable.</td>
<td>Retain this risk without insurance coverage since the losses are low, but budget for the frequent losses through an emergency fund.</td>
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- Decide how you will handle the risk. By using insurance, you transfer all or part of the financial risk to an insurance company. Other mechanisms include avoiding risk, retaining risk, reducing risk, and controlling loss. If you choose not to own a car, you avoid much of the risk of driving a car. Some risks should be retained by you (not insured against) because the losses aren’t large, or they occur infrequently. Using a smoke detector and having locks on your windows and doors are ways of controlling loss. A smoke detector won’t prevent a fire, but it can help control the loss that would occur in a fire. In
addition to insurance being a way to transfer risk, it is also a way to reduce financial risk. Carrying deductibles on insurance policies reduces your loss to a level you have decided is acceptable or affordable.

- Develop and implement a risk management plan. For most people, this will mean purchasing a variety of insurance plans. It will involve determining the types of coverage needed, the amount of coverage needed, the level of deductibles, etc. Prioritize your insurance needs by: 1) insurance that is necessary if losses could be large and financially devastating to the family, such as life, disability, and liability insurance; 2) insurance that is important because losses could result in your having to take on debt to pay for the losses; and 3) insurance that is optional because losses could be covered with emergency funds or current income.

- Re-examine your plan and adjust on a regular basis. At least once a year, you will want to review your plan and make sure circumstances and events have not occurred that require you to make changes to your plan. For example, marriage or the birth of a child may result in additional insurance needs.

### Steps to Wi$ing Up – Step 6-1. Assessing Your Risk

List at least three sources of risk in your life, what loss might result from that risk, and how you plan to manage the risk.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Loss</th>
<th>Management Plan</th>
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<tr>
<td>Example: car</td>
<td>medical expense from injury</td>
<td>automobile insurance</td>
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1. ___________________________________________________________________________________________
2. ___________________________________________________________________________________________
3. ___________________________________________________________________________________________

### What Is Insurance, and How Does It Work?

As discussed previously, insurance is a way to reduce or transfer risk. You are transferring risk of a potentially large financial loss from you (the individual) to the insurance company. The insurance company sells coverage to a large group of people. The insurance company pools money (insurance premiums) from this large group of people to cover the losses that group members suffer. The premium is a fee smaller than the loss any one member of the group would suffer and includes funds to pay losses that are likely to occur (calculated by using probabilities), administer the plan, and make a profit for the company. The insurance policy you receive from the company is a contract between you and the insurance company. The policy outlines what is covered, the limits of your coverage, your rights and responsibilities, and the procedure you need to follow to file a claim.

### Types of Insurance

**Health Insurance.** Many people consider health insurance to be one of the most important types of insurance to have. Health insurance offers protection from financial losses that could result from injury, illness, or disability. Without health insurance, you and your family could experience large financial losses. Not all employers provide health insurance to their employees. And many small business owners have been unable to find coverage that is affordable for smaller employee groups.

The March 2009 *National Compensation Survey* reported that 71 percent of workers in private industry had access to employer-provided medical care benefits, compared with 88 percent among State and local government workers. Only 25 percent of the lowest wage earners in private industry had such access. By contrast, nearly all workers at the highest wage levels had access to medical care benefits. Workers in service occupations had less access to medical care benefits (46 percent) than private industry management, professional, and related workers (86 percent). It is estimated that approximately 74 percent of all civilian workers have access to medical care benefit plans, and 76 percent participate in the plan. However, access and participation vary widely by size of employer. In employment settings with less than 50 workers, only 56 percent have access, although 72 percent of these participate in medical care benefit plans. In employment settings with 500 workers or more, 89 percent have access, and 80 percent of these...
workers participate in medical care benefit plans.

There is growing evidence that the high cost of medical bills and bankruptcy are linked. Himmelstein, et. al.\(^3\) found that 62.1 percent of all bankruptcies in 2007 had a medical cause. Unaffordable medical bills, income shortfalls, mortgaging homes to pay medical bills, and loss of income due to illness were among the medically related causes participants gave to explain bankruptcies. For 92 percent of the medically bankrupt, high medical bills directly contributed to their bankruptcy. Less than one quarter of debtors were uninsured when they filed for bankruptcy, and medically bankrupt families more often experienced a lapse in coverage during the two years before filing. Families with continuous coverage found themselves under-insured and responsible for out-of-pocket costs, while others lost their private coverage when they became too sick to work. Since 2001, the number of bankruptcies attributed to medical problems has increased by 50 percent.

In March 2010, the Affordable Care Act was signed into law covering comprehensive health insurance reforms that will hold insurance companies more accountable and will lower health-care costs, guarantee more health-care choices, and enhance the quality of health care for all Americans. Although the Act will not be implemented all at once, portions of the law have already taken effect. Other changes will be implemented through 2014 and beyond.

Among the changes the law will bring about are:

- sets up a new, competitive private health insurance market through State Exchanges, giving millions of Americans and small businesses access to affordable coverage and the same choices of insurance that members of Congress will have.
- holds insurance companies accountable by keeping premiums down and preventing many types of insurance industry abuses and denials of care, and ending discrimination against Americans with pre-existing conditions.

Visit [www.healthcare.gov](http://www.healthcare.gov) for additional information about the law.

Like Ruth (see the Real Life, Real Money sidebar), many young people think they can get by with no health insurance because they have always been healthy. Unfortunately, illness and injury can happen at any time.

Health insurance can be purchased on a group or individual basis. Many people have access to health insurance through their employer as an employee benefit as part of a group plan. Others can purchase individual policies from a health insurance company. Group policies have several advantages over individual policies. Group policies may have lower cost; employers may contribute to the cost, and those with existing health problems may find it easier to obtain coverage.

When selecting health coverage, you may need to decide between a traditional health insurance plan and a managed care plan. Traditional health insurance plans may cover hospital, surgical, dental, and other medical expenses associated with illness and injury. You usually get to decide what doctors to see and where you receive care. Managed care plans exert more control over the conditions under which you obtain care, such as pre-approval of hospital admissions and specifying which doctors and hospitals you can use.

The two most common types of managed care plans are health maintenance organizations (HMOs) and preferred provider organizations (PPOs). An HMO is an organization of health-care professionals that provides health-care services to members on a prepaid basis. There is a monthly fee charged for health care in addition to some deductibles and co-payments. Some HMOs have their own clinic and hospital facilities; other HMOs contract with doctors and hospitals to provide care to members. Members have a primary care physician who coordinates their

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**Real Life, Real Money: Ruth Gambles and Loses**

Ruth is 24 and working for an employer who does not offer health insurance. Because she has always been healthy, she decided not to purchase an individual policy. Six months after beginning her job, Ruth went to her family doctor for a checkup. Tests revealed that Ruth had leukemia. Because she has no health insurance, her medical bills left her with large medical debts that will take years to pay off.
care. Visits to specialists or for other care require a referral from a primary care physician. A PPO is made up of a group of medical care providers (doctors, hospitals, etc.) who contract with a health insurance company to provide services at an agreed upon discount.

Regardless of whether you receive your health care through a traditional health insurance plan or a managed care plan, as an employee benefit or by buying individual coverage, you need to understand your benefits. Begin by noting the definition of terms in your plan.

- Is a distinction made between treatment of an illness and treatment of an injury?
- Check for the definition of pre-existing health conditions. This information will outline how quickly you will receive coverage for an illness or injury you already had before your coverage begins.
- Make sure you understand what is included as covered expenses. Some plans will cover preventive care while other plans will not.
- Don’t assume your coverage begins when you begin employment or when you receive your policy. Sometimes new members must wait a set period of time before coverage begins.

Make sure you know the policy limits, deductibles, co-payment and coinsurance requirements, and coordination of benefits. Policy limits are the maximum amounts that your plan will pay for a covered loss. Sometimes the policy limit is stated as an “item” limit that specifies the maximum amount that will be paid for a particular type of care. Sometimes the policy limit is an “episode” limit that specifies the maximum payment for all covered expenses from a single episode of illness or injury. Many policies limit the maximum payment that will be made within a specified time period, for instance within a year. And some policies state an overall maximum of benefits over the life of the policy.

If you are required to pay a deductible, this is the amount you must pay out of your pocket before the insurance begins to pay. Deductibles can apply to specific types of expense items, such as hospitalization and prescriptions, to each episode of illness or injury, or to all expenses over the course of a year. In family policies, there may be a deductible per person covered by the policy, with a maximum deductible for the whole family.

A co-payment is a specific dollar amount you must pay each time you have a specific covered expense. The most common co-payments include a flat fee for each doctor visit or for each prescription. Co-payments for doctors who are specialists are often higher than for general or family practitioners.

If you are likely to require prescription drugs, understand how the drug plan associated with your health insurance works. Drug plans are often tiered – that is, they offer prescription drugs at different price levels depending upon whether the drug is a generic, on the drug plan’s formulary list, or is a brand-name drug.

Co-insurance requires you to pay a certain percentage of any claims. The most common co-insurance clause is 80/20, with the health plan covering 80 percent of the covered expense and you paying the remaining 20 percent. Some policies include a cap on the amount of co-insurance you are required to pay. Once you have reached the cap, the plan pays 100 percent of additional covered expenses.

Other sources of health insurance include COBRA and SCHIP.

- A law enacted in 1986 – the Consolidated Omnibus Budget Reconciliation Act (COBRA) – helps workers and their families keep their group health coverage during times of voluntary or involuntary job loss, reduction in the hours worked, transition between jobs, and in certain other cases. Information about the law can be found on the website of the Employee Benefits Security Administration of the U.S. Department of Labor at www.dol.gov/esa/newsroom/fscobra.html.

- The State Children’s Health Insurance Program (SCHIP) encourages states to provide health coverage for uninsured children in families whose incomes are too high to qualify for Medicaid but too low to afford private insurance. Since 1997, when SCHIP was enacted, states have had the authority to set their SCHIP income eligibility levels, subject to available funding. In recent years, as the cost of private insurance has increased, states have raised eligibility levels to offer health-care coverage to more families, with families paying a share of the cost based on their income. Information about SCHIP can be found on the website of the U.S. Department of Health and Human Services at www.cms.gov/home/chip.asp.

Life Insurance. The primary purpose of life insurance is to make sure that anyone who is financially dependent on you will not lose that support if you die. Dependents can include a spouse, children, parents, and siblings.

When you purchase life insurance, you are entering into a contract with the insurance company. In exchange for paying the insurance company a premium, they agree to pay your beneficiaries (people you designate) a certain amount of money (the death benefit) when you die. The amount of insurance you purchase is called the face value of the policy. When you die, the death benefit equals the face value minus any loans you may have taken against the policy (for cash value policies).

When deciding whether or not you need life insurance, ask yourself this question: “Is there anyone
dependent on me for their financial support?” If you can answer no, then you probably don’t need life insurance. People in this category are childless, single adults who provide no financial support to anyone else. If you have children or a parent relies on you for help in making ends meet, or you have a developmentally disabled sibling whom you support, then you probably do need life insurance. Life insurance is the most common and affordable way to provide financial resources for your dependents in the event you were to die. Some singles with no financial responsibility for others may still choose to purchase life insurance to fund specific expenses and financial bequests, such as funeral expenses or money for heirs, special beneficiaries, or charitable organizations upon their death.

Life insurance proceeds can be used by your beneficiaries to replace your income, pay your funeral expenses, pay off any debts you had, and provide for educational needs of your spouse and children. The amount of life insurance you need depends on a number of factors, including how much you have in savings, the value of your assets, and the amount and the type of other benefits your survivors might be eligible for (like Social Security). A number of financial websites include calculators you can use to determine your life insurance needs. These include [www.insure.com](http://www.insure.com) and [www.money-zine.com/Category/Insurance-Calculators/](http://www.money-zine.com/Category/Insurance-Calculators/).

There are two common types of life insurance, **term** and **cash value** (also called **whole life**). Term insurance provides insurance protection for a set period of time. Term policies are written for one, five, 10, or 20 years. If you die before the time period ends, your beneficiaries receive the death benefit. If you do not die in this time period, you will need to purchase a new policy to continue insurance protection. It is recommended that you only purchase guaranteed renewable policies so that you will be able to buy a new policy without having to prove insurability (usually by passing a physical exam). Because term insurance is temporary (in effect only for the stated time period) and is only insurance protection (does not include a savings feature), it provides the most insurance protection for the least annual premium. This makes it ideal if you need a large amount of insurance but have a limited budget, like young families with children. Term life insurance premiums will increase with age because your likelihood of dying increases with age. So each time you renew a term policy, your premium will increase somewhat.

The other kind of insurance is cash value insurance, also called whole life or permanent insurance. While there are different types of cash value insurance, the most common is whole life. Most whole life policies are designed to cover you for your entire life or until you reach age 100. If you live to 100, the insurance would end, and the insurance company would send you a check for the face value of the policy. If you die before 100, the insurance company will pay your beneficiaries the death benefit.

Premiums on whole life policies stay the same throughout the length of the policy. They provide insurance coverage and also build up a cash value. Anytime you decide to end your insurance, you will receive the cash surrender value of the policy. The cash surrender value is different from the face value of the insurance. The face value is the amount you are insured for and the amount that your beneficiaries will receive upon your death, provided your life insurance policy is still in effect.

Keeping premiums level over time may sound appealing to you. At younger ages, however, premiums for whole life policies are much higher than a term policy for the same amount of insurance. Young families often find themselves purchasing a whole life policy for the amount of insurance they need. But the premium may be so high that they often have trouble fitting it into their budgets. They then either drop the insurance, leaving them with no insurance, or they reduce the face value to what they can afford, which leaves them underinsured.

**Automobile Insurance.** Automobile insurance is actually a fairly complicated form of protection, requiring decisions in the following areas:

- **Collision Protection.** This covers damage to your automobile from a collision or a roll over, regardless of who is at fault.
- **Comprehensive Coverage.** This is coverage for damage/loss to your vehicle caused by something other than a collision or roll over. It could include fire, theft, vandalism, windshield cracking, or hail damage.
- **Liability Coverage.** All automobile insurance includes liability coverage, so your decision relates to the level of that coverage. Liability insurance pays for someone else’s financial loss when you are held responsible. It covers both bodily injury and property damage.
- **Medical Payments Coverage.** This covers all injured occupants of your car, regardless of fault. It also covers members of your
family if they are pedestrians struck by a car.

- **Uninsured Motorist Coverage.** This form of coverage pays for treatment of injuries and/or property damage caused by a motorist who does not have insurance coverage or a hit-and-run driver.

- **Underinsured Motorist Coverage.** This coverage allows you to collect from your insurance company for damages caused by someone who does not have adequate insurance. It is not a requirement, but it can protect you from large out-of-pocket expenses.

Most states require that automobile owners carry a minimum level of liability insurance or show proof of financial responsibility. Edmunds provides a summary of required liability limits by state [here](https://www.edmunds.com/advice/insurance/articles/43773/article.html), but you should consult your own state for the most current information. To determine the level of insurance required in your state, check your state's website for the Office of Department of Insurance. Common minimum liability limits are 20/40/10. Each of these numbers represents coverage in thousands, (i.e., the 20 stands for $20,000). The first number in the series is the maximum amount that will be paid per person for bodily injury in an accident. The second amount is the maximum amount that will be paid for all injuries per accident, regardless of how many people are hurt. The third number represents the maximum amount that will be paid to cover property damage per accident. If you think about it, these minimums are extremely inadequate. Consider the cost of vehicles and the cost of medical care. These days, insurance agents recommend a minimum level of liability coverage of 100/300/50.

Several factors influence the cost of your automobile insurance, including:

- **Age.** Young, inexperienced drivers have more accidents than any other group. This is reflected in the higher premiums this group pays. Once you reach age 25, or 30 for some insurers, your premiums should fall, assuming you haven't been involved in accidents or received any driving citations.

- **Gender.** The number of accidents and losses caused by female drivers 25 years old and younger tend to be lower than for males in the same age group.

- **Marital status.** Statistics indicate that married male drivers practice greater care than those who are unmarried.

- **Cost of repairs.** Some cars are more costly to repair than others. Ask your insurance agent what your premium will be on a particular car before you buy it.

- **Type of car.** If you own a car that is susceptible to theft, your premiums will be higher. Value, size, weight, age of your vehicle, and even the cost of replacement parts all impact your premium.

- **Use of car.** Because you are more likely to have an accident the more miles you drive in a year, the more miles you drive, the higher your premium will be.

- **Location.** If you live in a metropolitan area, you are likely to pay higher premiums than someone living in a smaller community.

- **Other.** Some of the other factors that will impact your premium include your driving record, whether or not you smoke, whether your car has anti-theft devices, the number of cars you are insuring, and perhaps your credit score.

Here are some ways you can cut your automobile insurance costs:

- Ask if you qualify for any discounts.

- Notify the insurance company immediately if you sell a car or if an insured driver leaves your household.

- Carry the largest deductibles you can afford. The larger your deductibles, the lower your premiums. If you are carrying a $250 deductible, consider increasing it to $500 or $1000.

- Find out the cost of insurance on a car before you buy.

- Pay premiums in full each year instead of in installments.

**Homeowner’s/Renter’s Insurance.**

Because your home and personal belongings represent one of the largest expenditures a family will make, it is important for you to protect them against loss from such events as fire and theft. Mortgage lenders will require you to carry adequate homeowner’s insurance as a condition of approving your mortgage. If you are a renter, you do not have a mortgage lender requiring you to have insurance, but you should seriously consider purchasing a renter’s policy to protect your personal possessions and to provide liability protection. Many renters are under the mistaken impression that their landlord’s insurance will cover any loss they experience. This is not the case. If you want your possessions insured, you must purchase a renter’s policy.

Homeowner’s and renter’s insurance are a combination of property and liability insurance. Homeowners’ policies cover against loss or damage to the house and other structures on the property, and your personal possessions. Renter’s insurance provides protection for your rentals.
When you purchase homeowner's or renter's insurance, you may want to look seriously at getting guaranteed replacement cost coverage; in a homeowner's policy, this type of coverage will pay to repair or rebuild your home as it was with like materials, even if the cost exceeds the face value of the policy.

possessions. Both policies provide liability coverage that protects you from having to pay for another person's injury or damaged property when you can be held responsible.

The amount of homeowner's coverage you carry should be equal to or close to the cost of replacing your home if it were totally destroyed. At the very least, you need to have coverage that equals at least 80 percent of the current replacement cost of your home. If your coverage falls below the 80 percent level and you have a partial loss, the insurance company will pay only a percentage of your claim, even though the face value of your policy is more than adequate to cover your total loss.

When you purchase homeowner’s or renter’s insurance, you may want to look seriously at getting guaranteed replacement cost coverage; in a homeowner’s policy, this type of coverage will pay to repair or rebuild your home as it was with like materials, even if the cost exceeds the face value of the policy. In both homeowners’ and renters’ policies, guaranteed replacement cost coverage will pay to replace lost or damaged possessions, no matter how long you may have owned them or what condition they were in at the time of the loss. There are some possessions that are not included in replacement cost coverage. These include art, antiques, and collectibles. These items, as well as expensive jewelry and specialized equipment, require a special rider to be adequately covered. If you own any of these items, you should discuss it with your insurance agent to make sure you have adequate coverage. If you do not purchase replacement cost coverage, coverage on your possessions will be based on their current cash value.

The amount of coverage your policy provides for your possessions is a set percentage of the value of your home (50-75 percent depending on the company) for those with homeowner’s insurance. When you purchase renter’s insurance, you purchase the amount of insurance based on the value of your possessions. In both cases, it is important to conduct a personal property inventory to make sure you have adequate coverage. It is also helpful to conduct the inventory to have a record of your possessions in the event of a loss.

Your homeowner’s or renter’s policy will also provide liability coverage to protect you when you, your family members, or even your pets are responsible for injury to people or damage to others’ property. Liability coverage also includes medical payments coverage, which pays the medical expenses for anyone who is accidentally injured on your property or injured by you, your family members, or your pet.

Disability Insurance. Disability insurance provides a weekly or monthly income benefit if you are disabled due to a covered injury or sickness. This type of insurance can provide an income to partially replace the wages lost when you are unable to work for an extended time. People never expect to become disabled, but it is wise to consider buying disability insurance. Consider how you would pay your bills if you become disabled.

Many people believe that they will automatically qualify for Social Security disability benefits, but this is not the case. To qualify, you must have worked in jobs covered by Social Security and have a medical condition that meets Social Security’s definition of disability. Monthly cash benefits are paid to people unable to work for a year or more because of a disability, but a number of special rules also apply. For more information about Social Security disability benefits, see http://www.ssa.gov/dibplan/dqualify.htm.

Some states provide for disability insurance coverage. In California, Disability Insurance (DI) provides partial wage replacement to eligible workers who are unable to work because of a disability.4 The Hawaii Temporary Disability Insurance (TDI) law, enacted in 1969, requires employers to provide partial “wage replacement” insurance coverage to their eligible employees for non-work-related sickness or injury (including pregnancy).5 Under the New Jersey Temporary Disability Benefits Law, cash benefits are payable when an individual cannot work because of sickness or injury NOT caused by their job.6 New York State disability benefits insurance provides temporary cash benefits paid to an eligible wage earner when he/she is disabled by an OFF-THE-JOB illness or injury, and for disabilities arising from pregnancies.7 Temporary Disability Insurance provides benefit payments to insured Rhode Island workers for weeks of unemployment caused by disability.
The Rhode Island TDI program, enacted in 1942, was the first of its kind in the United States. It protects workers against wage loss resulting from a non-work-related illness or injury. The Commonwealth of Puerto Rico also has a TDI program.

Disability insurance policies have waiting periods before benefits become payable. The waiting period starts after you have become disabled for a covered disability. The longer the waiting period, the lower the premium will be. The periods of time for which benefits are payable can also vary considerably. Benefit periods may depend on whether the disability was caused by an accident or illness.

The amount of monthly benefit provided by a disability income policy may be stated as a percentage of income or as a set dollar amount. The amount of benefit for which you can qualify is usually based on a percentage of your gross earnings, normally around 60 percent.

A disability income policy generally requires that you be totally disabled before benefits are paid. The definitions of total disability vary from policy to policy. There are two different definitions used in disability policies. One definition is that you are unable to perform your own occupation. The other definition is much more comprehensive, requiring that you are unable to perform any occupation (for which you are suited by education or experience). This distinction can be important for jobs that require very specialized physical skills, such as surgeons.

**Long-Term Care (LTC) Insurance.** The purpose of this insurance is to provide for your “long-term care” if you become unable to take care of yourself because of the loss of functional capacity or cognitive impairment. The word “cognitive” pertains to the mental processes of perception, memory, judgment, and reasoning. Current costs (2009) for such care can exceed $70,000 per year. LTC insurance provides the means to pay for such care in nursing home and assisted living facilities, through home health care, and adult day care. Policies vary in their coverage and benefit level. The monthly premium increases with age, so buying a policy at a younger age can be a good idea.

Some employers offer group policies for LTC insurance, but it can also be purchased as an individual policy from many insurance companies. It is important to be aware of this type of insurance, even if you plan to wait a few years before buying it for yourself. Some employer plans will allow your parents or other family members to obtain coverage. As you or your parents grow older, this may be something important to look into. LTC insurance is in the news more now than in the past, especially after plans for federal workers and retirees were announced. Visit the website, [http://www.opm.gov/INSURE/LTC/](http://www.opm.gov/INSURE/LTC/), to learn more about this insurance if you are a federal employee. For more information about financing long-term care, visit the University of Minnesota website, [http://www.financinglongtermcare.umn.edu/index.html](http://www.financinglongtermcare.umn.edu/index.html).
Steps to Wi$hing Up - Step 6-2. Evaluating My Insurance Coverage

Locate your insurance policies, and determine the amount of coverage you are currently carrying. Evaluate whether or not you have adequate coverage based on your needs. Identify areas where you may need additional coverage.

Visit the following websites to assist you in your evaluation: www.insure.com; www.naic.org; http://lifehappens.org; www.ahip.org; http://www.extension.org/pages/Financial_Security:_Insurance; and your state insurance department’s website.

Insurance as an Employee Benefit
Most employers offer a wide range of insurance as a benefit of employment. Your employer may pay all or part of the premium for this coverage. Even if your employer does not pay any of the premiums, because the coverage will be part of a group policy, the premium is likely less expensive than if you were to buy an individual policy. You should seriously evaluate the range of insurance offered by your employer. The most common forms of insurance offered as an employee benefit include life insurance, health insurance, and disability insurance.

Steps to Wi$hing Up – Step 6-3. Evaluating My Employee Insurance

Determine what types of insurance your employer offers its employees.
Which of these options are you participating in?
Are there options you are not taking advantage of that may meet your needs?
Seek additional information and assistance from the Human Resource Department or your employer’s website.

1. I want to improve my understanding of insurance.
   □ Yes
   □ No

2. My goals for improving in this area are:
   □ Determining my insurance needs
   □ Maximizing my employee benefits
   □ Other _________________________________________________________________________________
   _______________________________________________________________________________________
   _______________________________________________________________________________________

3. I plan to achieve these goals by (indicate date):
   □ Attending educational classes beginning __________________________________________________
   □ Utilizing the Wi$eUp Handbook and completing the exercises and worksheets beginning ______
   □ Accessing the recommended websites starting _____________________________________________
   □ Other _________________________________________________________________________________
   _______________________________________________________________________________________
   _______________________________________________________________________________________

4. I plan to put these goals into action by (indicate date):
   □ Identifying the risks in my life by _________________________________________________________
   □ Learning about the types of insurance available by _________________________________
   □ Familiarizing myself with and understanding my employee benefits by __________________
   □ Making the best use of my employee benefits starting _____________________________
   □ Addressing any other insurance needs I have by __________________________________________
   □ Other _________________________________________________________________________________
   _______________________________________________________________________________________
   _______________________________________________________________________________________
The Expert Q&A Archive at http://wiseupwomen.org has answers from Wi$eUp’s nationwide network of financial experts who have responded to questions from Wi$eUp participants on many different financial topics. A few of the Q and A’s that relate to this chapter of Wi$eUp include:

- Choosing insurance plans: Deductibles vs. payments
- What are high deductible health insurance savings plans?
- Who should I contact if I have a problem with my insurance carrier?
- What does long-term care insurance cost for me? (Ages 40-50)

The Wi$eUp Teleconference Archive at http://wiseupwomen.org features MP3 files and transcripts from Wi$eUp’s bimonthly national teleconferences featuring nationally noted speakers on a variety of financial topics. Some of the teleconferences related to this chapter of Wi$eUp include:

- Health Insurance: A Key Component in Financial Planning
- Insurance
- Economic Turbulence and Planning for 2009
- Insurance: Protecting Yourself against Financial Loss

Citations for Chapter 6, Insurance and Risk Management


References Cited

