

Marriage and Money

▼ Issue Nine

**Insurance:
Life, Auto,
Health, Property**

Types of Insurance

**Helpful Numbers
and Addresses**

**Tips on How
to Save Money
on Insurance**

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Extension Service

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What would you do if you or your spouse became sick or injured on the job?

How would your property be replaced if it was damaged or stolen?

How would you take care of your family financially if one spouse died?

Most individuals obtain insurance to protect themselves, their family, and the things of value that they own.

Insurance is a contract an individual receives from an insurance company to gain reimbursement for personal or financial loss in return for the payment of premiums. Test your knowledge of insurance terms. Match the following words with their definitions.

See page 3 for answers.

beneficiary	grace period	face value
cash value	insured	premium
perils	lapse	deductible

1. the person whose life is covered by the insurance. _____
2. the amount paid for the insurance. _____
3. the person who receives payment when insured dies. _____
4. the amount of money to be paid when the insured dies. _____
5. dangers your property may be protected against. _____
6. the amount of time to pay your insurance if you are late with a payment. _____
7. the amount the insured must pay before the insurance company will begin to pay. _____
8. the expiration of an insurance policy. _____

Remember, not having the right insurance at the right time is "risky business."

Types of Insurance

There are five main types (categories) of insurance:

1. automobile
2. property
3. life
4. health
5. disability

Premiums

The amount you pay over a period of time for the cost of insurance coverage is called a premium.

Deductible

Most insurance policies, except life insurance, generally include a deductible amount. The deductible is the amount that you must pay before the insurance company begins to pay for the loss.

It makes sense to choose a deductible that is large enough to reduce premiums but small enough to prevent financial hardship when a loss occurs.

Making a Claim

To make a claim on a policy, contact your insurance agent.

Choosing An Insurance Agent

1. Ask others for recommendations.
2. Check with the State Insurance Commissioner.
3. Work together and determine if their insurance offerings are what you need.

Automobile Insurance

Most states require that all car owners have automobile insurance. Auto insurance includes different coverage for different losses. The main coverages are liability (bodily injury and property damage), medical payments, collision, comprehensive, and uninsured motorists.

Factors used by insurance companies when determining rates are age, sex, marital status, cost of repairs, type of car, use of car, and location.

Property Insurance

Protecting your property is an important aspect of risk management. This could be real property, such as your house and other structures such as fences or tool sheds within 100 feet of your house. Or, it could be, personal property, such as furniture, clothing, and appliances.

You protect your real and personal property with homeowners or renters insurance.

Perils are the dangers your property may be protected against in your homeowner's policy. Examples are: (1) fire and lightning, (2) windstorm and hail, (3) explosion, (4) riots, (5) damage by aircraft, (6) damage by vehicles (not your own), (7) damage from smoke, (8) vandalism and malicious mischief, (9) theft,

(10) window breakage, (11) falling objects, (12) weight of ice, snow, sleet, (13) collapse of part or all of building, (14) damage from steam heating or water heating appliances, (15) leakage or overflow of water or steam, (16) freezing of plumbing, heating, air-conditioning systems, home appliances, and (17) short circuit damage to electrical appliances.

A basic policy usually protects you against personal liability and property that is destroyed.

A broad policy covers everything the basic policy does plus seven other perils.

A comprehensive policy protects you against the perils covered in the broad policy plus all perils not specifically excluded.

Renters insurance is similar to homeowners insurance. However, it covers personal property (furniture, clothing, appliances you own) when you rent an apartment or a house. The landlord's insurance coverage does not reimburse renters for loss of their personal property.

Some policies may not cover the total value of all your personal possessions. Limits are often placed on cash, jewelry, electronic equipment, china and silver, furs, and guns. Ask your insurance agent about a "floater" policy to provide additional coverage.

Life Insurance

There are several main types of life insurance choices. One is term insurance. Term insurance does not have a cash value or investment component and is written for a certain period of time, usually five or ten years. Other main types are whole life, universal, variable, and variable/universal. These all have an investment component.

The primary reason for buying life insurance for yourself is to protect others. Life insurance provides a way to protect families and others from losses associated with death. A life insurance policy specifies an amount of money to be paid to beneficiaries when the insured dies.

Credit Life Insurance

This type of insurance pays the unpaid balance of a loan in the event of a borrower's death. Rates for this type of insurance are high and most financial experts feel it is unnecessary if the borrower has adequate life insurance coverage.

Health Insurance

Health insurance is a main type of insurance. It can be discussed as two groups: medical and disability.

Medical

Many individuals have all or part of their medical insurance provided by their employer. However, some people need to seek out their own group or individual medical insurance. If you are not covered, you will save money by getting your insurance through a group policy. Banks and other groups may offer group insurance.

Basic medical insurance takes care of the initial hospital surgery and supply costs. It usually covers from the first dollar of expense incurred. But there are limits on how much the policy will pay. And there are limits on how long it will pay.

There are also restrictions on coverage. An example is a pre-existing condition, such as diabetes or cancer. Often these illnesses are not covered. They may be covered only after a specified period of time if there is no recurrence of the disease.

A major difference among the various medical insurance policies is how much they pay per day for a hospital room.

You were most likely covered by your parents' medical insurance until you were married. Now you will need to get your own coverage. This is a very important employee benefit to look for when you are considering different job opportunities.

Disability

One of your greatest assets is your earning power. It is important to protect your earning power and income. You do this with disability income insurance.

Disability income insurance pays an income to you if you cannot work because of an injury or illness. The amount of coverage usually is limited to one-half to two-thirds of your gross income. This limited amount of coverage is designed to encourage you to return to work as soon as possible.

Helpful Numbers and Addresses

National Insurance Consumer Helpline

Insurance Information Institute
110 William St.
New York, NY 10038
1-800-331-9146
Worldwide Web Address:
www.iii.org/

A resource for consumers with automobile, homeowners, life and health insurance questions. The helpline is open Monday through Friday from 9 a.m. to 9 p.m.

National Association of Insurance Commissioners

120 W. 12th St. Suite 1100
Kansas City, MO 64105
Worldwide Web Address:
www.naic.org

Provides single copies of free shopper's guides on various types of insurance policies, such as health, cancer, auto, and long-term care.

North Dakota Insurance Commission

State Capitol Building
600 E Boulevard
Bismarck, ND 58505
(701) 328-2440

Answers to questions on front page:

1. insured
2. premium
3. beneficiary
4. face value
5. perils
6. grace period
7. deductible
8. lapse

Tips on How to Save Money on Insurance

	Auto	Health	Life	Home or Renters	Disability
• Shop at least three places; compare rates and policies; ask about discounts and special rates.	✓	✓	✓	✓	✓
• Read sources of information such as <i>Consumer Reports</i> .	✓	✓	✓	✓	✓
• Purchase more than one type of insurance from the same company; insure all cars with the same company.	✓	✓	✓	✓	✓
• Don't smoke; take care of your health.	✓	✓	✓	✓	✓
• Select a higher deductible.	✓	✓	✓	✓	✓
• Carefully consider before adding riders or floaters.	✓	✓	✓	✓	✓
• Maintain a good driving record.	✓	✓	✓	✓	✓
• Discount allowed for smoke detectors and burglar alarms.	✓	✓	✓	✓	✓
• Periodically review policies and coverage.	✓	✓	✓	✓	✓

NEXT MONTH: The Cost of Having Children

Adapted with permission from University of Arkansas Division of Agriculture Cooperative Extension Service.

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