Auto Insurance – Group File

Do you obey the rules of the road? Do you always wear a seat belt? Great! You're a good driver. But even great drivers need car insurance.

Accidents happen. Sometimes it's your fault. Sometimes the other person is to blame. Sometimes nobody is at fault. Whatever the situation, auto insurance can help pay for medical bills and car repair. In fact, many states require drivers to have some form of car insurance, and they specify minimum requirements.

What is auto insurance?

An auto insurance policy is a legal agreement between you and your insurance company. You pay a premium to the insurance company regularly, and in return the company is obligated to help pay for covered damage to your car, others' property or injury to yourself or others as a result of an auto accident.

What does auto insurance cover?

Basic types of auto insurance coverage include:

- Liability – There are two types:
    - Bodily Injury Liability – If someone else dies or is injured in a car accident, your insurance company pays for things like legal fees (if you're sued), medical bills and lost wages for the other person(s) if you are at fault.
    - Property Damage Liability – Whether you smack into another car or plow down your neighbor's mailbox, your insurance company helps pay for the damage to someone else's property if you are at fault.
- Uninsured Motorists (UM) – This covers you for your bodily injury caused by a hitand-run driver or an at-fault driver who has no auto liability insurance, up to the UM limits in your policy.
- Underinsured Motorists (UIM) – Sometimes drivers try to save money by cutting back on the amount of insurance they have. It may seem like a good idea – until they have an accident. This covers what the other driver's insurance doesn't, if the other driver is at fault, up to the UIM limits you select.
- Medical Payments – This covers medical bills and funeral expenses for you, your family and passengers whether you caused the accident or not. It also covers you if you're injured in someone else's car, or if you're hit by a vehicle while riding a bike or walking down the street.
- Collision – This type of coverage pays for damage to your car if it collides with another object. The damage could result from an accident, running into a light pole or hitting a deer crossing the road, for instance. To figure out how much your insurance company will pay to fix your car, a claims adjuster may look at the damage, or you may have to get estimates from body shops. If your car is "totaled," you get what your car is worth if you had sold it right before the accident.
- Comprehensive – This covers the physical damage to your car from most other causes, such as fire, theft, vandalism, hail, etc. This coverage may be required by your lender if you have a loan on your vehicle.

How much does auto insurance cost?

Good question. Because drivers under 25 are more likely to get into an accident, insurance companies charge them more. If you get a traffic ticket for speeding or running a red light, your insurance costs may go up as a result.

The type of vehicle you drive also influences auto insurance rates. Cars which are more dangerous to drive – like convertibles – or cost more to repair if they're damaged – like sports cars – cost more to insure.

Where you live makes a difference, too. If you live in a big city, the chances your car will be hit, stolen or vandalized are higher – and your insurance costs will be as well.

What can I do to keep my auto insurance costs down?

First and foremost, avoid moving violations and accidents. Here are a few more suggestions for how you may be able to reduce the cost of your auto insurance:

- Get good grades. Some insurance companies give discounts to students with a b average or better.
- Increase your deductibles. When you agree to pay a higher amount you agree to pay out of pocket in case of a claim, you'll pay a lower amount for this portion of your insurance premium.
- Choose your wheels carefully. Statistics show sports cars and convertibles are riskier to insure than sport utility vehicles, for example.
- Consider the age and condition of your vehicle. Physical Damage coverage may not be worth it if you have an older vehicle that has lost most of its value.
- Consider letting your parents insure you on their policy. Being listed as a driver on your parents' insurance policy with a vehicle titled in their names will result in cheaper rates than if you paid for insurance on your own. However, your parents' insurance premiums will likely go up, and a lot!

What do coverage limits on my policy mean?

The amount and type of insurance you choose have a lot to do with cost. But when it comes to liability insurance, the insurance company will only pay so much per person, per accident. Other basic coverages have limits, too.

Your auto policy may show limits like 50/100/25. This means the insurance company will pay up to:

- $50,000 of Bodily Injury liability coverage if one person is injured or killed in an accident;
- $100,000 total for all Bodily Injury liabilities in an accident (if more than one person is injured or killed); and
- $25,000 of Property Damage liability coverage.

Ask yourself: What if you lost control of your car, slammed into a house and caused $30,000 worth of damage? If your property damage limit was $25,000, the other $5,000 would have to come out of your pocket. The difference in cost for higher limits is surprisingly small, and it is usually worth the money.

How do deductibles work?

A deductible is the amount you agree to pay for repairs in case of an accident. They usually range from $0 to $500. Collision and Comprehensive coverage each have a deductible. If you have a higher deductible, your premium will be lower for that portion of your insurance.

Ask yourself: What if a tree fell on your car and dented your hood, causing $500 in damage. If you have a $0 deductible for Comprehensive coverage, you pay nothing and the insurance company pays to fix your car. If you have a $250 deductible, you pay $250 and the insurance company pays $250 toward the damages. If you have a $500 deductible, you pay for the repair and the insurance company pays nothing. That's how deductibles work!

Terms to know

Agent – A person who sells insurance; your direct contact with an insurance company.

At-fault – Describes the person who did something to cause an accident.

Deductible – The amount of money you agree to pay when there is a loss.

Insured – The person receiving insurance coverage under the insurance policy.

Insurer – Another term for the insurance company or anyone who provides insurance.

Moving violations – If you break the law by speeding, running a stop sign, driving under the influence, etc., you'll get a ticket. Parking tickets are not moving violations.

Policy – A written document that serves as evidence of an insurance contract which contains the pertinent facts about the policy owner, the insurance coverage, the insured and the insurer.

Premium – The amount you pay in exchange for insurance coverage

Home Insurance – Group File

Whether you own or rent the roof over your head, that roof and everything beneath it has a value. Have you considered how hard it would be to replace everything if a tornado leveled your home? What if someone broke into your house and took your TV, stereo and other valuable items? What if your home caught on fire? Without home insurance, it may be impossible to ever replace your home and your possessions.

What is home insurance?

Whether you're a homeowner, condo owner or renter, home insurance (or tenant insurance) can pay for the cost of your house (if you own it) and your belongings if you lose them to a peril mention in the policy. It will also pay for temporary expenses if your home is damaged and you can't live in it.

The costs of repairing your home or building a new home, as well as replacing your belongings, can be paid one of two ways:

- **Actual cash value** pays the depreciated value of your damaged property. So, the older the item is, the less money you may receive for it.
- **Replacement cost** pays the amount it costs to replace your damaged property with something of a similar type and quality at current prices.

What are perils?

Perils are things or events that can damage or destroy a home or its contents. A home insurance policy lists the perils it covers, such as:

- fire;
- lightning;
- wind;
- hail;
- theft;
- explosion;
- smoke;
- glass breakage;
- vandalism;
- riots; and
- falling aircraft.

Home insurance policies do not cover flood damage. In most cases, however, you can purchase a separate flood insurance policy through an insurance company that participates in the federal government's National Flood Insurance Program.

What about my garage and other buildings? Are they covered by home insurance?

Basic home insurance also protects other property. Private structures on your property which are not attached to your residence are covered. This includes fences, driveways, sidewalks and your garage.

Is my yard also covered?

If your trees and plant are damaged by fire, lightning, vandalism or theft, your insurance will pay for the loss. But there is a limit for each item damaged.

Ask yourself: What if your house catches fire, and the firefighting equipment damages your lawn and trees? Your home is covered, of course, but so is the landscape because it's all part of your property.

What else does home insurance cover?

Personal belongings

Your personal property is protected by home insurance, too. It's wise to keep a household inventory of everything of value in your home or on your property for this purpose. Include a complete list of your household possessions, and include model and serial numbers, original costs and receipts, whenever possible. Taking photos or videos of your home and valuable possessions is also a good idea. Keep these records somewhere secure, like a safe deposit box.

Certain high-value items and collectibles should be insured for their value. Items like expensive jewelry, silverware or high-end computer systems can have extra coverage limits added through riders or a scheduled personal property endorsement for an extra premium cost.

Scheduling personal property also allows you to:

- insure it for its value;
- cover it for all risks rather than just the named perils in the policy;
- and avoid paying the policy deductible, as it doesn't apply for scheduled property.

The cost depends on the type of property and the amount of coverage you purchase for each item.

You're liable to need liability protection

Liability is an intimidating word meaning legally responsible. Most home insurance policies provide a certain amount of liability coverage, which pays for injury or death of others caused by you on or off your property. Your insurer will pay costs for which you are responsible, up to the limits specified in your policy. Liability coverage will also pay for your legal defense if you are sued for something that is covered under the policy.

Your home insurance's liability coverage can also protect you from having to pay medical costs for anyone injured at your residence, regardless of fault. Medical payment coverage pays for injury to another person who is accidentally injured on your property or injured by you or a family member or pet covered under the policy. It doesn't apply to your own injuries or family members living with you.

Think of the difference between liability coverage and medical payments protection this way: Liability coverage protects you if the injured person wants to take you to court and sue for damages. Medical payments protection covers that person's immediate doctor and hospital bills, even if the injured person doesn't take you to court.

Many insurance companies also offer the opportunity to purchase additional liability coverage to increase the amount of protection above and beyond what a home insurance policy provides.

Ask yourself: How would you protect yourself if the pizza delivery guy sued you after tripping on a rake you accidentally left on the sidewalk? Think about it – he could take you to court and make your pay for being negligent. Worse yet, if the fall caused a permanent disability, he may sue you for thousands of dollars. With liability coverage, the insurance company will pay for your defense in the court case and whatever amount you're found liable for, up to the policy's limits.

But suppose he broke his ankle, but didn't take you to court? Your medical payments protection would cover his immediate doctor and hospital bills, regardless of whose fault it is.

What other kinds of additional coverage can I purchase?

It depends on what kind of endorsements your insurance company offers. Endorsements can either add to or exclude from a basic home insurance policy. Usually, endorsements you can purchase offer additional protection from a specific peril named in the endorsement. For example, you may be able to purchase an endorsement to protect your home and belongings from earthquakes or one that covers you against water that backs up from sewers or drains.

Renting is for me!

You may prefer to rent your house or apartment, especially if you're going away to college. A standard renter's insurance policy covers both your liability and your possessions. It covers your belongings if they are damaged or stolen and may pay for temporary living expenses if your rental is damaged and you can't live in it.

A standard renter's policy covers your personal property on an actual cash value basis. You can usually add replacement cost coverage for an additional premium.

Terms to know

Agent – A person who sells insurance; your direct contact with an insurance company.

Claim – A request for payment under the terms of the insurance policy.

Deductible – The amount of money you agree to pay when there is a loss.

Insured – The person receiving insurance coverage under the insurance policy.

Insurer – Another term for the insurance company or anyone who provides insurance.

Negligent – Carelessness or failing to do what a reasonable person would do to avoid an accident or loss.

Policy – A written document that serves as evidence of an insurance contract which contains the pertinent facts about the policy owner, the insurance coverage, the insured and the insurer.

Premium – The amount you pay in exchange for insurance coverage.

Controlling home insurance costs makes sense

Insurance is an important factor in the overall expenses of a home, condominium or even an apartment. Here are several steps you can take to help control home insurance costs:

Explore discounts – Some companies offer discounts on both home and auto if both policies are with the same provider. Others also offer discounts for having an alarm system in place.

Shop around – Not all insurance companies are alike. You'll find quotes can vary, sometimes significantly, from one insurer to another.

Use escrow – Pay into the escrow account established by your mortgage company for insurance as well as property tax. When property insurance is due, the mortgage company pays the premium out of the escrow account.

Raise your deductible – You'll pay more out of pocket if you have a claim, but your premium will go down.

Life Insurance – Group File

Does life insurance insure your life? Not exactly. But you're insuring a very important part of your life – your income and the financial stability it provides your family.

Think about the present. If both of your parents work and one of them dies, who would support you? Would you be able to live in the same home? Who will pay the bills?

Now think about the future. If at some point in the future you and your spouse took out a car loan or a home mortgage together, what would happen if you died? Who would pay for your funeral?

In any situation where you're responsible for someone or something, life insurance helps make sure there is enough money to pay your bills and meet your family's needs after you are gone.

What is life insurance? How does it work?

Life insurance helps protect your family against the loss of your income when you die. The insurance policy's death benefit is used to provide income to your surviving family. It can also be used to pay off your financial obligations, as well as funeral expenses and burial costs.

When you buy life insurance, you pay your insurance company money (your premium), and they in return agree to pay a death benefit to whoever you choose when you die (your beneficiary). A beneficiary is usually a spouse, a child or a parent. Your beneficiary can use the money for any purpose, but the main reason for buying life insurance is to make sure your family is taken care of, any money you owe is paid, and all of your bills are settled.

Ask yourself: Did you know even a simple funeral can cost more than $10,000? How would you be able to pay for a loved one's funeral without life insurance?

Aren't I too young to worry about life insurance?

You're probably years and years away from dying. But, the simple fact is anyone at any age can die. Car accidents, natural disasters, fires and many diseases aren't picky when it comes to the age of their victims. Your parents may already have a life insurance policy on you as well as themselves.

How much life insurance is enough?

There's no easy answer. The first step to finding out is usually by talking to an insurance agent and discussing your situation. He or she can help you look at things objectively and help you determine how much money your survivors would owe on your home, cars, credit cards, etc.

You should also factor in the cost of funeral expenses and, if needed, money to provide an income for your family and your children's education.

After reviewing your needs, your agent will propose a life insurance policy and amount of coverage. Then, you pay a certain amount of money for the policy (a premium) monthly, quarterly or annually, and the policy pays a specific amount (the death benefit) when you die.

How much does life insurance cost?

How much you might pay for life insurance compared to someone else depends on several factors. But as a general rule, life insurance costs less for a younger person and more for an older person. And the longer you wait to buy life insurance, the more expensive it gets, if only because the probability of dying generally increases each year.

Of course, age isn't the only key factor insurance companies consider. Insurance companies use statistics from years of research on a large number of people to help determine the cost of your insurance. They use these statistics to develop mortality tables, which list the probability of a person's death based on certain characteristics, including age, sex and tobacco use.

Other factors, called risk factors, aren't in the mortality table but can be used to determine how risky it will be to insure your life since they probably will affect how long you live. Examples of risk factors include current health, job, hazardous activities or hobbies, alcohol and drug usage, medical history and weight. And if the insurance company considers you a high risk, they might charge you more for coverage, or they might not insure you at all.

Ask yourself: You're a 350-pound skydiver with a history of cancer. Are you a higher or lower risk than a 180-pound teacher with no medical problems?

What types of life insurance are there?

Life insurance policies typically fall into two general types of coverage: term life insurance and permanent life insurance.

Permanent life insurance provides coverage throughout the insured's lifetime as long as premiums are paid as required. One permanent life insurance policy can cover your entire life. The premium can be fixed or flexible.

A permanent life insurance policy also has a cash value which builds over time. You get this money if you cancel the policy. You may also be able to take a loan against the policy's cash value, and the loan plus any unpaid interest would be subtracted from the policy's benefit if you die.

Types of permanent life insurance policies include whole life (the most common), universal life, variable life and variable universal life.

Term life insurance provides coverage only for a specified period of time. It provides a death benefit if you die during the policy term. The policy term is the specified period of coverage provided by the policy – it can be as short as an airplane trip or as long as 40 years. Most policy terms are for a number of years – one, five, 10, 20 or until a certain age is reached. If the term expires before you die, your beneficiary receives nothing.

A term life insurance policy generally has no cash value, and therefore you receive no money back if you outlive the term or cancel the policy. Many people purchase term insurance to cover a specific period when their income is particularly critical to those they'd leave behind. For example, people buy term insurance to cover payments on a house or their children's education costs. A term insurance policy may contain a right to convert the policy to a permanent insurance policy, typically before a specified age or time period.

Insurance policies may also include supplemental coverages, or riders, that tailor a policy to an individual. These may include disability coverage which helps protect against loss of income due to sickness or injury, or accidental death benefits which pay an additional benefit to your beneficiary if you die as the result of an accident.

Terms to know

Accidental death benefit – If a person dies as the result of an accident, the insurance company will pay an additional death benefit to the beneficiary.

Agent – A person who sells insurance; your direct contact with an insurance company.

Beneficiary – The person or people designated to receive the death benefit from a life insurance policy when the insured dies.

Cash value – In a permanent life insurance policy, the amount of money the policy owner will receive if the policy is cancelled and surrendered to the insurance company, unless there is an outstanding loan.

Claim – A request for payment under the terms of the insurance policy.

Death benefit – The amount of money paid when a person insured under a life insurance policy dies.

Insured – The person receiving insurance coverage under the insurance policy.

Insurer – Another term for the insurance company.

Policy – A written document that serves as evidence of an insurance contract which contains the pertinent facts about the policy owner, the insurance coverage, the insured and the insurer.

Premium – The amount you pay in exchange for insurance coverage.

Disability Insurance – Group File

Can you name the most common disabilities for which claims are filed?

According to CDA's 2011 Long-Term Disability Claims Review1 , the following were the leading causes of new disability claims in 2010:

- Musculoskeletal/connective tissue disorders caused 27.5% of new claims
- Cancer was the second leading cause of new disability claims at 14.6%
- Injuries and poisoning caused 10.3% of new claims
- Cardiovascular/circulatory disorders caused 9.1% of new claims
- Mental disorders caused 9.1% of new claims

Also, approximately 90% of disabilities are caused by illnesses rather than accidents.

Who is likely to become disabled?

The answer is anyone: An office worker or construction worker, race car driver or mom who works in a card store.

- Just over one in four of today's 20-year-olds will become disabled before they retire.
- Fifty percent of working Americans couldn't make it a month before financial difficulties set in, and more than one in four would have problems immediately.
- Illness causes 9 out of 10 disabilities, all workers need disability insurance regardless of job.

What does disability insurance do?

Disability insurance replaces part of your salary. Remember, this is not health insurance. It does not pay medical or doctor bills directly. It provides you with a percentage (generally between 40% and two-thirds) of your gross income while you are unable to work.

Who pays for disability insurance?

Some companies, especially larger ones, provide workers with a disability insurance benefit at no extra cost to the employee. This is called group coverage and the two types are: short-term disability (STD) and long-term disability (LTD).

When a group benefit is provided, employees often can add to their coverage if they wish to.

Key Terms

Benefit level and period - Disability policies usually pay up to 40% to two-thirds of your pre-disability earnings at the time of purchase for a specified period of time. That period may run from one to five years, until age 65, or in some cases, for life.

Definition of disability - Some policies pay if you're unable to perform the duties of your own occupation; others pay only if you can't work at any occupation for which you're reasonably qualified. In addition, some policies pay only for disabilities arising from an accident.

Disability - The inability, due to illness or accident, to perform all or some portion of one's occupation, resulting in a loss of income. Disability periods are often classified as short-term (lasting up to six months) or long-term (six months or longer).

Disability insurance - Insurance that pays the policyholder a percentage of his/her income for a set period of time, if the person is unable to work due to a disabling injury or illness. Generally, benefits for disability insurance are provided for the disabled person in the form of monthly payments.

Elimination period - The waiting period, known as an elimination period, before benefits kick in. It's typically 30 days, 90 days or six months after a disability occurs. You can select the waiting period when you buy your policy. Opting for a longer waiting period will save money.

Extent of disability - Some policies pay only if you are totally disabled. Others cover partial disability for a limited time, but only when it follows a period of total disability for the same cause.

Guaranteed renewable - One of two major types of disability policies. It means your policy can't be cancelled as long as the premiums are paid. Premiums can be raised for an entire class of policyholders but not for reasons related to your individual circumstances.

Inflation protection - A cost-of-living adjustment to a policy that increases by a specified percentage after each year of disability. Though an expensive add-on, this option can be vital to maintaining your standard of living if you're out of work for a long period of time.

Long-term disability insurance (LTD) - Typically provides income payments that continue for many months, years, up to age 65, or until the insured person is able to return to work.

Non-cancelable - The other major type of disability policy. These policies can never be cancelled as long as premiums are paid, and premiums are guaranteed not to increase.

Short term disability insurance (STD) - Provides a benefit for a short-term disability or the first part of a long-term disability. These policies typically provide benefits for 13, 26, or 52 weeks.

Health Insurance – Group File

Health insurance is an essential form of protection. Americans spend about $2.5 trillion on health care (about $8,000 per person), yet the average person probably would have a difficult time explaining exactly how his or her health plan works. Many adults could not define deductibles, co-pays, or coinsurance if asked.

Health Insurance helps pay for approved medical expenses as the bills come due.

Overview of Types of Plans

The most important thing to keep in mind is that there are more health insurance options available today than ever before, which is good news for consumers.

HMO (Health Maintenance Organization)

- Typically there is no deductible, but there is a co-payment for certain services such as a doctor's office visit.
- HMOs contain costs by negotiating discounts from doctors, hospitals, labs, and other providers, and you are usually limited to seeking care from within your plan's network of providers. You choose a primary-care physician affiliated with the HMO to coordinate your care. Generally, you must receive a referral from your primary-care physician before visiting a specialist in your provider network.
- HMOs are generally the most affordable type of health insurance plan because of the limitations they place on where you can seek care.

PPO (Preferred Provider Organization)

- A PPO negotiates discounts with doctors, hospitals, and other providers, who then become part of the PPO network, but you can see providers outside the network and still receive partial coverage.
- A physician in the network typically requires a co-payment.
- A physician outside the network requires a coinsurance (you pay part of the bill, usually 10% to 30%).
- PPO deductibles vary with the premium. Generally, the higher the deductible, the lower the premiums.

HSA (Health Savings Accounts)

- HSAs are savings accounts that allow you to save money to pay for current and future medical expenses on a tax-free basis.
- In order to be eligible for an HSA, you must be covered by a qualifying high-deductible health plan and not have any other health insurance. High-deductible health plans typically have lower premiums than HMO or PPO plans, but they come with the potential for higher out-of-pocket costs. To offset that risk, you (or your employer) can contribute to a tax-advantaged HSA account.
- HSAs are a good option for individuals who want to protect themselves from catastrophic health care costs.
- HSAs can pay for expenses that your regular health plan ordinarily doesn't cover, such as eyeglasses and hearing aids.

- While the money is in the account, it can be invested, and the investment gains are tax-free as long as they are used for qualified medical expenses.

Key Terms

Coinsurance - The amount you are required to pay for medical care in certain types of health plans after you have met your deductible. The coinsurance rate is usually expressed as a percentage. For example, if the insurance company pays 80 percent of the claim, you'll be required to make a 20 percent coinsurance payment.

Copayment - A way of sharing medical costs. You pay a flat fee every time you receive a medical service (for example, $20 for every visit to the doctor). The insurance company pays the rest.

Deductible - The amount of money you must pay each year to cover your medical care expenses before your insurance policy starts paying.

Exclusions - Specific conditions or circumstances for which the policy will not provide benefits.

Health Maintenance Organization (HMO) - A health insurance plan that allows you to pay a monthly or quarterly premium in exchange for healthcare services. HMOs require you to work with a primary care physician who will direct your care and refer you to specialists as needed. They also require you to see doctors, hospitals, and labs within their network of providers.

Health Savings Account (HSA) - A health savings account is a type of medical savings account that allows you to save money to pay for current and future medical expenses on a tax-free basis. In order to be eligible for a health savings account, you must be covered by a high deductible health plan, not have any other health insurance, and not be claimed as a dependent on another's tax return.

Indemnity Plans - These plans allow you to use any doctor, hospital or specialist you choose and submit a claim to your insurance company for reimbursement of covered medical expenses. Indemnity plans pay a sizable percentage (usually around 80%) of what they consider the "usual and customary" charges and you have to cover the rest.

Managed care - The way a healthcare system manages its costs and the use of its resources. All HMOs and PPOs, and even some fee-forservice plans, apply managed care techniques.

Maximum out-of-pocket - The maximum amount of money you will be required to pay each year for deductibles, coinsurance and copayments. It is a stated dollar amount set by the insurance company, in addition to regular premiums.

Point of Service (POS) - Plan A health insurance plan that combines elements of an HMO and PPO. You can use a primary care physician or self-direct your care at the "point of service." The cost for services depends on the route you take to get them.

Preexisting condition - A health problem that existed before the date your insurance coverage became effective.

Preferred Provider Organization (PPO) - A health insurance plan that allows you to see any doctor at any time. In addition to a monthly or quarterly premium, a PPO typically requires you to make a copayment for each service you receive. Copayment for in-network doctors and services are typically lower than copayments for out-of-network doctors and services.

Student Printable Premium - The amount paid by you or your employer, in addition to copayments, coinsurance and deductibles, in exchange for insurance coverage.

Preventive care - Services designed to keep patients healthy, including check-ups, well baby care and adult care, immunizations, Pap smears and mammograms.

Primary care physician - A primary care physician monitors your health, diagnoses and treats minor health problems, and refers you to specialists if another level of care is needed. This is often a family physician or internist.