INSURANCE

PREPARING FOR CATASTROPHES

What is insurance and why is it important (why is it worth paying for)?

a. Financial protection "just in case" something happens. At the ***VERY LEAST***, you should purchase insurance to be able to survive catastrophes: things that result in ***FINANCIAL RUIN***. This includes things like devastating medical diagnoses ("You have cancer…"), major property damage (fire/tornado destroys your home), law suits resulting from accidents you cause (which can reach $millions!), and even your death (to make sure your spouse and/or children are provided for.

2. **How does insurance work?**
   a. Spreads the risk across a large number of people.
   b. Individuals pay a regular payment ("premium") to the insurance company.
   c. As needed, insurance company pays for accidents/events.
   d. Insurance companies as businesses – only works if money coming in exceeds money paid out.
   e. Riskier individuals may need to pay more because of higher chance of needing benefits.
      i. Actuary – someone who calculates one's risk based on number of factors (age, health, etc.).
   f. "Deductible" – an amount that someone pays before the insurance begins paying.

3. **Types of Insurance.**
   a. **Automobile Insurance**
      i. Liability – to cover the cost of damage that you cause.
      ii. Collision – cover the cost of repairing/replacing your own property if damaged.
      iii. Comprehensive – also covers cost of non-accident related damage (hail, etc.).
      iv. Personal injury protection – covers medical expenses incurred in an accident.
      v. Uninsured/underinsured motorist protection – in case another party doesn't have insurance, or enough insurance to cover all damages.
   b. **Life Insurance**
      i. Most basic covers the cost of funeral and other final expenses.
      ii. Also covers outstanding debts.
      iii. "Whole" policies.
         1. Last for the life of the insured.
         2. Build cash value that can be borrowed and repaid interest-free – useful for future financial goals like a down-payment on a house or retirement.
      iv. "Term" policies
         1. Only last for a fixed amount of time (i.e. 10 years) – cheaper premiums than whole.
   c. **Health Insurance**
      i. Most people cannot afford to pay all their medical bills out of pocket – care is expensive.
      ii. Most basic used to cover just "catastrophic" events like a broken bone – no longer available.
      iii. Obamacare requires that all new plans cover many more things like routine doctor visits, and "preventative" procedures like vaccines, mammograms, and most controversially – contraceptives. Companies can no longer charge men and women different amounts.
      iv. Usually obtained through your employer, who pays a large part of the premiums. Can also purchase through the Obamacare exchanges, though the plans can be very expensive, with extremely high deductibles and limited choice in care providers.

d. **Long-Term Disability**
    i. Needed in the event of a chronic illness that requires long-term hospitalization and/or treatment (i.e. nursing home care), to cover living and medical expenses.
e. **Homeowner/Renter Insurance**
    i. Protects your home/property from things like weather/theft – will cover cost of repair/replacement.
f. **Liability insurance** (field-specific, i.e. medical malpractice)
    i. Certain individuals are much more susceptible to lawsuits, like doctors. This covers the cost of legal settlements and lawsuit damages.

4. **What could happen if you don't purchase insurance?**
    a. Bad things. Money gone. Bankruptcy. Big chunks of money taken out of your paycheck ("garnishments") for the rest of your life. Etc.