PROJECT PRO$PER
PRESENTS
Protecting Your Assets
Insurance

Participant Guide
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Based on Wells Fargo's Hands on Banking ®

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I. Protecting Your Assets

A. What is insurance?
Insurance is a contract between an individual and an insurance company. The contract states that the insurance company will pay for or reimburse some portion of an individual’s loss of assets or healthcare. In short, insurance protects you from major expenses that you otherwise couldn’t afford. For example, insurance could help you repair a car that was damaged in an accident, pay hospital bills, or repair your home after a fire. Most times, the individual must meet certain conditions agreed upon in the insurance contract.

B. Do I have to Buy Insurance?
There are some types of insurances that are mandatory, you have to have it. While other types of insurances are optional. There are five (5) assets in life that you should insure. Assets are properties or valuable things that one owns.

Assets you should insure:
1. Car
2. Health
3. Income Replacement (disability, life, etc...)
4. Home (house, condo, renters)
5. Other valuable personal property: Pets, jewelry, motorcycles, inventions.

C. You can insure just about anything.
Guess what these celebrities insured and for how much.

America Ferrera

Troy Polamalu

Tina Turner

David Beckham

Updated June 2017
D. Understanding Insurance
The most challenging part about insurance, can be understanding insurance terminology. Below are common insurance vocabulary words found in all types of insurances.

<table>
<thead>
<tr>
<th>Terms</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLAIM</td>
<td>Your formal request to your insurance company asking them to pay for or reimburse you for the costs of damages, loss, or healthcare.</td>
</tr>
<tr>
<td>DEDUCTIBLE</td>
<td>The amount of money <strong>you</strong> have to pay first, before the insurer will pay for a covered benefit. Most insurances require you to choose a deductible.</td>
</tr>
<tr>
<td>EXCLUSION</td>
<td>These are items the insurance company will not cover in your plan.</td>
</tr>
<tr>
<td>INSURANCE POLICY</td>
<td>The document that details exactly what is and is not covered in the insurance plan you purchased.</td>
</tr>
<tr>
<td>INSURANCE BENEFITS</td>
<td>These are items covered in your insurance policy. For example, a car insurance benefit could be Comprehensive/Collision. In health insurance your benefits could include vision or dental.</td>
</tr>
<tr>
<td>PREMIUM</td>
<td>amount you pay for insurance. Premiums can be paid monthly, quarterly, or annually.</td>
</tr>
</tbody>
</table>

E. Insurance Terminology Activity-

1. During a rain storm, Juanita’s roof began leaking. Before calling a roofer, Juanita should first find her home owner’s _____________________ and then call her insurance company.

2. Stephen dropped his cell phone and the screen cracked. He needs to get it fixed, but his insurance policy requires him to pay a $100 ________________ before they pay the remaining costs.

3. Chris recently purchased car insurance and chose a plan with a very high deductible. He chose the higher deductible so that his monthly ________________ would be low and better for his monthly budget.

| A. Deductible | B. Premium | C. Insurance Policy | D. Claim | E. Exclusion |
II. Types of Insurance

A. Car Insurance:

1. The Basics

Every car on the road **MUST** have insurance to operate a vehicle legally in the state of Florida.

   a. No-Fault Auto Insurance Laws

   No-fault means that "Personal Injury Protection" insurance (PIP) is required. This protects the driver (you), regardless of who caused the accident, up to the dollar limits of your policy.

b. Personal Insurance Protection:

   Covers your children, household family members, and certain licensed drivers who drive your vehicle with your permission will also be covered.

   - According the Florida DMV (Department of Motor Vehicles): The minimum requirement for car insurance is $10,000 personal injury protection (PIP) and $10,000 property damage liability (PDL). Florida law requires you to have PIP/PDL insurance continuously throughout the licensing and registration period of your vehicle.

   *PIP also protects:

   - Your child if he or she suffers an injury while riding on a school bus.
   - You while in someone else's vehicle, as a pedestrian, or bicyclist if you suffer an injury in a crash involving a motor vehicle.
   - Passengers riding in your vehicle who **DO NOT** carry PIP policies of their own.

   * It is important to note that:

   - If you have been in a crash or convicted of certain offenses, the Florida DMV can request that you purchase additional auto insurance coverage such as bodily injury liability coverage (BIL).

   c. Comprehensive and Collision Insurance (Comp and Collision):

      1. These are two different types of coverage that are often purchased together. If you finance or lease a vehicle, your lender will more than likely require you to purchase both with a minimum deductible of $500 each.
2. When you own a vehicle, meaning you no longer make payments, these coverages are optional. Depending on the car's value, you may want to keep the coverage.

**Comprehensive** - protects your car against damage not resulting from a collision, as well as from theft. It covers a wide array of events that can damage your car, the most common claim for comprehensive coverage is the repair or replacement of a cracked windshield due to road debris.

**Collision** - covers some or all of your car repair or replacement costs if you are in an accident with another vehicle or drive into an object such as a tree, building, or telephone pole. It also covers damage from accidents where no other car or object is involved, such as if you roll over or flip your car.

d. **Uninsured Motorist Coverage**

This coverage is optional; however, it protects the policy holder if an accident occurs with an at-fault driver who doesn't carry liability insurance. Even though you may have health insurance to cover your own medical costs if you are injured in an accident, but a passenger riding in your car may not have health insurance.

**2. How do I obtain Car Insurance?**

Obtaining car insurance is pretty easy. Several insurance companies offer car insurance and most of the time, you can research and compare costs online. When comparing coverage online, you will need to provide certain personal information including your name, date of birth, address. You will also need to provide your car or potential car's information.

- **DO NOT** enter your Social Security Number (SSN) to receive a quote. Once you have selected an insurance company, then you will be required to provide your SSN.
- A quote is not a guaranteed price. It is an estimate configured by the information you have provided.
- If you are not comfortable using the internet, you can always call the company directly and speak with a representative.

**3. I purchased car insurance...now what?**

Congratulations! Next, the insurance company will send your policy and proof of insurance (Card) in the mail or via email. Always keep a copy of your insurance card with you.

[Image of insurance card]

**Your Credit Score can impact your auto insurance premiums.**

*Updated June 2017*
B. Health Insurance:

1. Why should I obtain Health Insurance?

It’s the law!

- Americans are required by law to have health insurance. If you choose not to be covered then you will be charged a penalty when you file your taxes. The penalty for 2016 was $695 for adults and $347 for kids.
- Visit Healthcare.gov for information on available insurance plans, costs and eligibility for government help with medical costs.

Protect Your Assets!

- You may be able to handle the expense of minor health problems, but one serious illness has the potential to financially destroy you and your family.
- The number one reason people in the U.S. file for bankruptcy is medical bills.

Peace of Mind!

- You can seek medical care in times of emergencies and/or for routine medical needs knowing that insurance will cover some or all of the cost.
- Your expenses are capped with the healthcare marketplace insurance.

2. Common Healthcare Coverage Terminology

As we mentioned in the beginning, some terms like claims, deductibles, policy holders have the same meaning for all types of insurances. However, the following terminology can often be a point of confusion when discussing health insurance.

CO PAY- This is a small fixed amount of money that policy holders must pay to their healthcare provider for covered services. This payment is usually due at the time medical services are received.
**COINSURANCE**- Coinsurance refers to money that an individual is required to pay for services, after a deductible has been met. Coinsurance is often specified by a percentage. For example, if your coinsurance is 20% for an office visit and the cost of a visit is $100, then as long as you’ve met your deductible: You pay 20% of $100, or $20.

**EXPLANATION OF BENEFITS (EOB)**- This is a statement sent by a health insurance company to policy holders explaining what medical treatments and/or services were paid for on their behalf. It also explains the policy holder’s coverage.

**OUT OF POCKET COSTS**- Per healthcar.gov, “these are expenses for medical care that are not reimbursed by insurance. Out-of-pocket costs include deductibles, coinsurance, and copayments for covered services plus all costs for services that aren't covered.” Most insurance plans offer an Out of Pocket Maximum. This is the most you'll have to pay during a policy period (usually a year) for health care services. Once you've reached your out-of-pocket maximum, your plan begins to pay a larger percentage of the allowed amount for covered services.

To find out what that percentage is, you should check your explanation of benefits.

**PATIENT BILLING RESPONSIBILITY**- This is the amount a patient owes a provider after an insurance company pays for their portion of the medical expenses.
3. Types of Health Insurance Plans

HMO (Health Maintenance Organization)

- An HMO minimizes your out of pocket health care costs provided you use in-network physicians, health care professionals and facilities.
- You must choose a primary care physician before visiting any specialists within your network.
- This plan is less flexible, but is generally less costly.

PPO (Preferred Provider Organization)

- PPO plans give you flexibility. You don’t need a primary care physician, and you can go to any health care professional you want without a referral—inside or outside of your network.
- Staying inside your network means smaller co pays and full coverage. If you choose to go outside your network, you’ll have higher out-of-pocket costs, and not all services may be covered.

EPO (Exclusive Provider Organization)

- EPO plans combine the flexibility of PPO plans with the cost-savings of HMO plans. You won’t need to choose a primary care physician, and you don’t need referrals to see a specialist. You'll have a limited network of doctors and EPO plans don't cover care outside your network unless it's an emergency.
- It’s important to know who participates in your EPO plan's network. If you go to a doctor or hospital that doesn’t accept your plan, you'll be responsible for all charges.

4. What do you do if you don’t have health insurance?

If you do not have health insurance, you can still visit local clinics for an affordable price.
- In-store clinics, such as Walgreens Take Care Clinic or CVS Minute Clinic
- Department of Health
- Community Health Services
- Free Clinics
- Walk in Clinics
- Urgent Care Clinics- For emergencies
- Most of these clinics will require you to make an appointment. You can always call ahead to find out the cost of individual procedures.
5. Health Insurance Activity

Samantha and Simeon are co-workers. Both attended a baseball game and ate hotdogs and drank beer. The next day, both became very ill.

Samantha and Simeon drove to the emergency room and were admitted to the hospital for food poisoning.

Samantha has an HMO plan and Simeon has a PPO plan. The specifics of their plans are below.

<table>
<thead>
<tr>
<th>Plan Fees</th>
<th>Samantha's HMO</th>
<th>Simeon's PPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Premium</td>
<td>$150</td>
<td>$200</td>
</tr>
<tr>
<td>Annual Premium</td>
<td>$1800</td>
<td>$2400</td>
</tr>
<tr>
<td>Annual Deductible</td>
<td>$1000</td>
<td>$1500</td>
</tr>
<tr>
<td>Coinsurance</td>
<td>None</td>
<td>80/20- Insurance pays 80% of costs after deductible has been met; the insured (Simeon) pays 20%.</td>
</tr>
<tr>
<td>Co-payment for hospital stay</td>
<td>$300</td>
<td>80%/20%</td>
</tr>
<tr>
<td>Co-payment for emergency room</td>
<td>$100 (waived if admitted)</td>
<td>$100 (waived if admitted)</td>
</tr>
<tr>
<td>Co-payment for doctor visit</td>
<td>$40</td>
<td>$15 before deductible $5 after deductible is met</td>
</tr>
</tbody>
</table>

Using the information in the plan chart and the costs of medical care before insurance, students need to calculate each twin’s cost and fill in a blank version of the chart below.

<table>
<thead>
<tr>
<th>Food Poisoning Results</th>
<th>Costs</th>
<th>Samantha's Cost (HMO)</th>
<th>Simeon's Cost (PPO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Room</td>
<td>$500</td>
<td>$0 (admitted, so waived)</td>
<td>$0 (admitted, so waived)</td>
</tr>
<tr>
<td>1 day Hospital Stay</td>
<td>$2390</td>
<td>$300</td>
<td>$1778 = deductible &amp; 20% CI</td>
</tr>
<tr>
<td>Follow Up Doctor Visit</td>
<td>$160</td>
<td>$40</td>
<td>$15</td>
</tr>
<tr>
<td>Total Cost</td>
<td>$3050</td>
<td>$340</td>
<td>$1793</td>
</tr>
</tbody>
</table>

1. What would this medical care have cost without insurance?

2. How much did Simeon pay for medical care related to the illness?

3. How much did Samantha pay?

4. What does Samantha pay each year in premiums?

5. What does Simeon pay each year in premiums?

6. Will Simeon have to pay visit the doctor after today? If yes how much?
C. Income Replacement Insurance

1. The Basics

These types of insurance help to replace a percentage of your income in the event you or your spouse suffer illness, injury, or death.

In most cases, Income Replacement Insurance is optional, meaning it is not required of you to purchase. However, should you lose your income for the above reasons, would you be able to survive solely on your savings or whatever benefits your employer may provide?

We don't like to think about illness, injury or death, but they are real possibilities we face every day. You should know and understand your protection options.

2. Supplemental Insurance

Supplemental insurance plans are used to cover out of pocket costs not covered by your health insurance (i.e. deductible, co-insurance, transportation). The method of payment is different for each company, some will pay the service provider directly, while others will pay you a cash benefit over a period of time or in one lump sum (one large payment).

a. How do I buy supplemental insurance?

Many companies that offer life insurance or disability insurance also offer supplemental insurance plans. Most do not require that you have medical insurance, though it is strongly recommended. Suggest that you visit their websites and/or call and speak with a representative to learn more about their supplemental insurance product. Here is a list of providers to help you begin your personal research.

- AFLAC
- State Farm
- United Healthcare
- Medigap (older than 65 and receive Medicare)
3. Short and Long Term Disability

Some insurance providers offer Disability Insurance which covers a percentage (40%-60%) of your income in case you are unable to work due to injury or illness. Some states require that employers provide at least short term disability. Florida is **NOT** one of those states.

This type of insurance is not the same as the disability insurance program that is provided via the Social Security. The social security disability program has very strict eligibility requirements.

4. What's the difference between short and long term disability?

<table>
<thead>
<tr>
<th>Short Term Disability</th>
<th>Long Term Disability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Must be obtained through an employer.</td>
<td>May be obtain through an employer, but individuals can purchase on their own.</td>
</tr>
<tr>
<td>Covers a percentage of Income after employee's sick leave has been depleted (emptied).</td>
<td>Covers a percentage of income after sick leave and short term disability, if applicable, is depleted.</td>
</tr>
<tr>
<td>Many plans cover a percentage of income up to 120 days (4 months), however, some plans cover up to 52 weeks (1 year).</td>
<td>Can cover a percentage of income up to the time frame selected by the individual. Some policies range from a couple of years up to the rest of your life (age 67).</td>
</tr>
<tr>
<td>Less expensive because it provides coverage for less time.</td>
<td>More expensive because it provides coverage for a longer time.</td>
</tr>
</tbody>
</table>

**Commonalities**

- Payments can be considered taxable income.
- Payments are received directly by the insured (you).
- Policies require a waiting period before benefits begin.
- If purchased, you pay for it whether or not you ever use it.
- This is an optional insurance product

5. Disability Quiz

1. Maggie works as a computer technician and over the weekend she broke both her wrists. She is unable to work, and her doctor says recovery will take 6 weeks.
   
   Which insurance would help Maggie?  [ ] Short Term Disability  [ ] Long Term Disability

2. Alex's employer does not offer disability insurance. If Alex wants this type of coverage he will need to purchase a policy on his own.

   Which insurance can Alex purchase?  [ ] Short Term Disability  [ ] Long Term Disability
6. **Life Insurance**

The title "Life Insurance" can be misleading for some. Life insurance acts like a promise made by an insurance company to pay dependents, or listed beneficiaries, a sum of money (death benefits) upon the death of the policy holder. This insurance is one option financial protection in the event a spouse or family loses a primary income provider.

7. **How does my family or beneficiary receive money?**

When the policy holder dies, the life insurance provider will give the death benefits directly to the individuals listed by the policy holder. Those people are referred to as **beneficiaries**. Once beneficiaries receive the death benefits, they have can use the money as they see fit. However, common expenses after a death include:

- Funeral costs
- Replacing lost income for the family left behind
- Basic living expenses
- Property taxes, home repairs, and mortgage
- Higher education costs

8. **What are my options when purchasing life insurance?**

Commonly there are 2 types of life insurance, Term life and Whole life insurance.

<table>
<thead>
<tr>
<th><strong>Term Life Insurance</strong></th>
<th><strong>Whole Life Insurance</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Provides protection for terms of 5 - 30 years</td>
<td>Provides lifetime protection</td>
</tr>
<tr>
<td>Usually the easiest and most affordable</td>
<td>Usually requires health examination to qualify and has a higher premium costs.</td>
</tr>
<tr>
<td>Provides only death benefits (money) in the event of the insured's death.</td>
<td>Can be used as an investment in that part of your premium pays for the life insurance and another part goes into a savings.</td>
</tr>
</tbody>
</table>

Some employers and financial institutions offer life insurance benefits. If they do not, you can purchase this insurance on your own.

For these insurance products, you will have to pay a premium. One's premium can range in price and is typically based on factors like age, gender, medical history and the dollar amount of the life insurance desired.
D. Types of Home Insurance:

Whether you have purchased or rented a new home, you have the ability to protect your assets with two types of insurance coverage.

1. Renter's Insurance: When renting a house, apartment or a room in someone's home, you can buy renter's insurance. This type of insurance covers only your possessions in your dwelling should they be damaged, stolen, or vandalized. Renter's insurance also provides coverage in the event someone becomes injured while visiting your home.

   How much coverage should I purchase?

   Some landlords have specific requirements for personal property and liability coverage. When considering places to live, make sure to ask the landlord how much coverage they require. Remember, you are only covering your possessions, not the housing structure or apartment building.

   Where can I purchase renter's insurance?

   Within the past few years renter's insurance has become very popular both for tenants and landlords. Because of this, many insurance companies offer this type of insurance. You can research options online, call your current auto insurance company to learn if they offer a bundle package, or ask your potential landlord for suggestions.

   Why should I purchase renter's insurance?

   Many landlords require you to have renter's insurance. You may not be granted a lease without proof of this coverage.

2. Renter's Insurance Activity

   John moved into an apartment with his friends, Chris and Randy. John decided to carry renter's insurance on his possessions, however Chris & Randy decided to decline insurance.

   John gave the insurance company the following list of items to be covered by his insurance plan:

   - Clothes - $8,000
   - Television and Laptop - $2,000
   - Futon - $150
   - Dishes - $100
   - Desk and Chair = $75
   - Bed - $200

   One day, while John was at work, Chris had a grease fire in the kitchen, and everything in the house was destroyed.
John has the following renter insurance policy:

- $250 deductible
- $30,000 Personal Property Limit
- $2,500 Special Limit for Certain Property
- $100,000 Liability

1. How much does John have to pay to replace his items?
2. How much does the insurance company pay once proof of damage is provided?

<table>
<thead>
<tr>
<th>John Pays</th>
<th>Items</th>
<th>Insurance Company Pays</th>
</tr>
</thead>
<tbody>
<tr>
<td>$250</td>
<td>Deductible</td>
<td>$0</td>
</tr>
<tr>
<td>$0</td>
<td>Clothes</td>
<td>$8000</td>
</tr>
<tr>
<td>$0</td>
<td>Television and Laptop</td>
<td>$2000</td>
</tr>
<tr>
<td>$0</td>
<td>Futon</td>
<td>$150</td>
</tr>
<tr>
<td>$0</td>
<td>Dishes</td>
<td>$100</td>
</tr>
<tr>
<td>$0</td>
<td>Desk and Chair</td>
<td>$75</td>
</tr>
<tr>
<td>$0</td>
<td>Bed</td>
<td>$200</td>
</tr>
<tr>
<td>$250</td>
<td>Total</td>
<td>$10525</td>
</tr>
</tbody>
</table>

3. How much will Chris and Randy receive?

**Estimate the value of your possessions:** If you rent, and do not have renter insurance, create a list of your possessions and estimate the value of each. How much money will it cost you to replace these items?

- Clothes $__________ (PJs, socks, shoes, jeans, shirts, etc.)
- Bedroom furniture $__________ (Bed, dresser, nightstand, lamps, etc.)
- Electronic Equipment $__________ (TV, computers, stereo, MP3 Players, etc.)
- Decorative $__________ (pictures, lighting, rugs, etc.)
- Grand Total $__________

3. **Home owners insurance:**

1. When a person buys a home via financing they have obtained a mortgage. This means they make monthly payments to a bank or mortgage company until the cost of the house, plus interest, has been fully repaid. Until that happens, much like a vehicle, whoever holds your mortgage will require you to purchase homeowners insurance.

2. Homeowners insurance is a comprehensive insurance, in that it covers your entire home inside and out. If you purchased a condominium, then you would acquire condo insurance which covers the interior walls, fixtures, and personal property inside a condominium (condo).

   If you would like to learn more about homeowner's insurance, we suggest you take our "Home Buying" module. For more information contact Project Prosper.
Glossary

**Assets**

property owned by a person or company, regarded as having value and available to meet debts, commitments, or legacies. A person and quality of a person is also considered an asset.

**Death Benefits**

the amount paid to a beneficiary upon the death of an insured person.

**Estimate**

a written statement indicating the likely price that will be charged for specified work or repairs.

**Insurance Adjuster**

a person employed by insurer or insured to determine the loss under an insurance policy.

**Insurance Premiums**

the amount of money that an individual or business must pay for an insurance policy.

**Insurance Quote**

An estimate of premium for the insurance coverage you selected and information you entered. A quote is not an offer for insurance or an insurance contract.

**Lapse**

A period of time when someone is not covered by insurance. This could be by choice, or loss of employment benefits.

**Liability**

the state of being legally responsible for something

**Policy Holder** - a person who holds an insurance policy; usually, the client in whose name an insurance policy is written.

**Social Security Disability Insurance**

Social Security Disability Insurance pays benefits to you and certain members of your family if you are "insured," meaning that you worked long enough and paid Social Security taxes. Supplemental Security Income pays benefits based on financial need.
Protecting Your Assets
Post Course Survey

Please answer the following questions. When finished remove this paper and hand it to our instructor. Thank you for attending our class!

1. Which types of insurance do you have to obtain by law? Check all that apply.
   - [ ] Health Insurance
   - [ ] Life insurance
   - [ ] Car insurance
   - [ ] I don’t know

2. Who benefits from your term life insurance policy?
   - [ ] My family only
   - [ ] Myself
   - [ ] My chosen beneficiaries
   - [ ] I don’t Know

School Name______________________________________________________________