

# Insurance

## Short-term Asset Ownership

### Resources

360 Financial Literacy  
[www.360financialliteracy.org](http://www.360financialliteracy.org)

Health Insurance  
Resource Guide  
[www.healthinsurance.org](http://www.healthinsurance.org)

Insurance Information  
Institute  
[www.iii.org](http://www.iii.org)

Maryland Insurance  
Administration  
[www.mdinsurance.state.md.us](http://www.mdinsurance.state.md.us)

Physicians News Digest  
[www.physiciansnews.com](http://www.physiciansnews.com)

### The Necessity of Insurance

Imagine you are on your way to work and someone slams on their breaks in front of you, you try to stop but your bumper plows into their trunk. Say you are out of town and return home to find that someone broke in and stole your electronics system. Or maybe a friend came over, slipped on your wet floor and broke their arm. Accidents, theft, and incidents happen so in order to protect yourself and your assets, insurance is necessary. A few primary types of consumer insurance include: auto, renters, homeowners, health, and life insurance.



### Auto Insurance

Several clients rely on a private vehicle to get to and from work and other activities. Auto insurance provides three main types of coverage: property, liability, and medical. Property coverage protects clients' vehicles in the event of damage or theft, and liability insurance covers personal injury or property damage if their car crashes into another vehicle. Medical coverage pays the cost of treating injuries and rehabilitation, and sometimes lost-wages or funerals.

**When choosing among various insurers clients should compare price quotes, make sure companies are licensed, and choose an agent they feel comfortable with.**

There are various forms of auto insurance available depending on the coverage needed. Inform clients that they cannot legally drive without having at least minimal auto insurance coverage. Maryland requires all drivers to have person-injury-protection (PIP) to cover medical expenses, and liability insurance to cover the other driver, passengers, and vehicle in case of an accident where they are at fault.

Considerations for choosing auto insurance:

- Get at least 3 price quotes from various companies
- Check with the state insurance department to make sure the company is licensed
- Consider a reputable company that is financially sound
- Select an agency with good customer service
- Make sure you feel comfortable with the agent

### Renters Insurance

Many tenants assume that their landlord is responsible for renters insurance, but the landlord's insurance only covers the building and not its contents. This means that without renters insurance, personal valuables stolen or damaged are not covered.

## Short-term Asset Ownership

Renters insurance is relatively inexpensive, and can keep personal items safe from perils such as: fire, explosion, smoke, theft, vandalism, or broken glass to name a few. It also covers clients' liability in the event that an accident occurs in their rental. The anticipated cost is about \$100-\$300 annually for about \$30,000 worth of coverage. The cost of coverage varies depending on where a client lives, the type of building, and the deductible chosen.

There are two types of renters insurance: actual cash value coverage and replacement coverage. Actual cash value coverage provides reimbursement for items based on the value of the item at the time it was damaged or stolen (i.e. replace used items at used value). Replacement coverage provides reimbursement for the total cost to replace items (i.e. brand new).



**Insurance provides a security blanket for clients and their families, protecting them and their valuables.**

## Homeowners Insurance

Similar to renters insurance, homeowners insurance provides coverage if a client's home or possessions are damaged or destroyed. It also covers medical expenses if someone is injured on a client's property. Homeowners insurance protects valuables within the home as well as on the property, so outdoor sporting equipment is covered too.

Ideally, clients will want enough coverage to protect their home and possessions in the event that the home is totally destroyed. The price of homeowners insurance varies depending on where clients live, the size and type of their home, and the amount of coverage they want.

If clients choose homeowners insurance with replacement coverage, damaged or stolen possessions or property are replaced up to a maximum amount without penalty for lost value. If they choose actual cash value coverage damaged or stolen possessions or property are replaced, up to a maximum amount, based on current worth (depreciation included).

**You never know when homeowners insurance may come in handy; if someone is injured on your property homeowners insurance will cover medical expenses.**

## Health Insurance

For doctor's appointments, dental check-ups, illness, injury, and in case of an emergency, health insurance is essential. Many workers get group health insurance coverage through their employer, but not all employers offer health care plans. Alternative forms of health insurance are available, such as the Maryland Health Insurance Plan (MHIP), and private insurance is available for a substantial cost. Medicare and Medicaid are also available for elderly, low-income, or disabled persons. More information on health insurance can be found on the Medical Care toolkit.

## Life Insurance

Unfortunately time of death is quite unpredictable, and the financial burden of burial and funeral costs can trouble loved ones. Life insurance can cover these costs as well as federal death taxes and estate taxes; it can also help to replace some lost income to support dependent children, parents, or spouses.

There are two primary types of life insurance: term and whole. Term life insurance pays only if death occurs during the time of the policy. Whole life insurance pays a death benefit whenever you die and at any age. With either policy clients must name the beneficiaries, such as children or family members, a trustee of a trust they established, a charity, or their estate to receive funds in the event of their death.



**Illness and injury can be unpredictable, various forms of health insurance are available for clients.**