



Talking About Insurance

Dear Student,

You've been learning about how different types of insurance work and how managing risk through insurance is a part of financial planning. Now discuss these topics at home with your family. Ask your parents to share some of their experiences dealing with financial matters, and come up with a response together to the insurance scenarios outlined below.

Scenario 1

Avery recently finished college and just landed a job with a web start-up company. The company doesn't offer health insurance, but Avery has shopped around and found a policy that covers all hospital costs and 80% of other health care costs for \$450 per month. Avery is in good health and would rather use the money to lease a very nice car. Avery's parents advise that this is a risky decision. What would you recommend to Avery?

Scenario 2

While looking through the mail, Dakota notices an advertisement for accidental injury health insurance. For only \$100 per month, all emergency room costs are covered. Dakota already has health insurance that covers all types of illnesses and injuries, but figures a little more coverage couldn't hurt. What would you advise Dakota to do?

Scenario 1: Although Avery perceives the premium to be high (\$450 per month, or \$5,400 per year), it is low compared with the costs arising from a major illness.
Scenario 2: Although insurance is an important part of anyone's financial plan, not all insurance is a good buy. If Dakota is already covered for emergency room visits, then an additional \$100 for the new policy does not add any benefit.