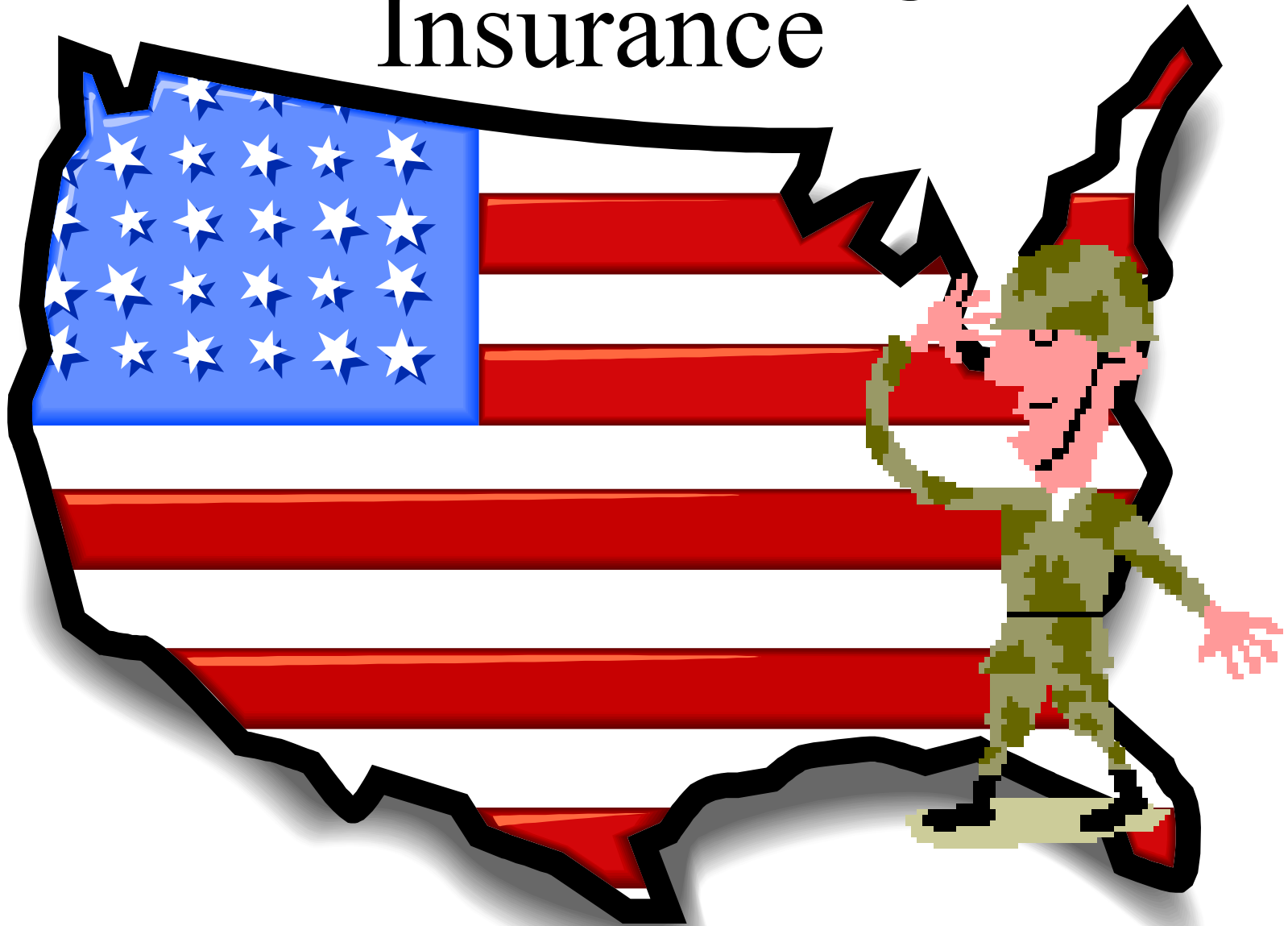
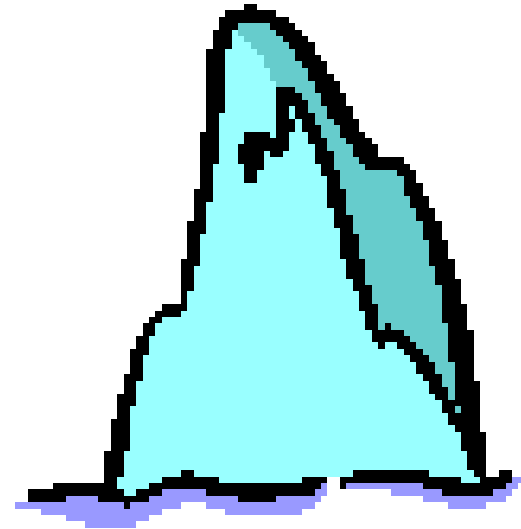


Understanding Insurance



The Purpose of Insurance

INSURANCE HELPS
YOU AVOID
FINANCIAL DISASTER



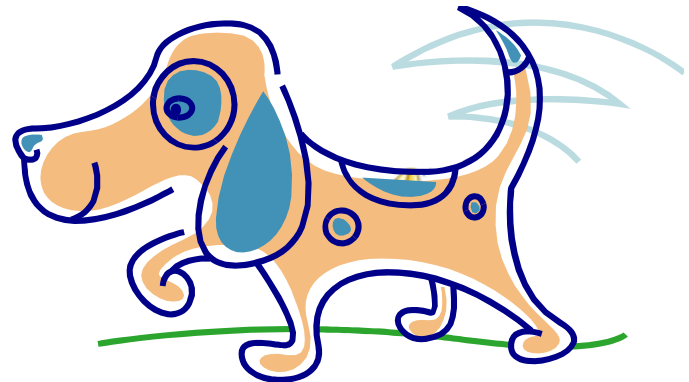
How Much Are You Willing To Risk?

- ❖ Loss of Home
- ❖ Loss of Income
- ❖ Loss of Auto
- ❖ Loss of Possessions
- ❖ Loss of Income Provider



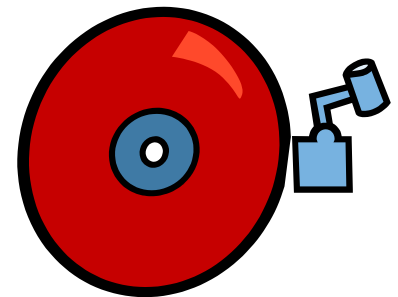
INSURANCE YOU MAY NOT NEED

- ❖ **CREDIT CARD INSURANCE**
- ❖ **CREDIT LIFE INSURANCE**
- ❖ **CREDIT DISABILITY/CREDIT UNEMPLOYMENT**
- ❖ **PET INSURANCE**



Insurance Alerts

- ❖ Using misleading names such as Military, Armed Forces, USA, Army, Command and Federal can be misleading, implying Government Endorsement
- ❖ Solicitation Permit required on Post
- ❖ Military leadership cannot endorse or make a perception of endorsement
- ❖ Advice to change tax exemptions





Red Flags



- **Beware of insurance agents trying to sell you insurance products as an investment.**
- **Non-military personnel posing as financial counselors or advisors on veterans' benefits.**
- **Non-military or ex-military personnel acting as investment advisors in a group or classroom.**
- **Pressure to rush through the application process, to complete an allotment form or to authorize withdrawal of funds from your bank account.**
- **Delays in receiving a copy of the contract**

What Can Insurance Do For Me?

- VEHICLE LIABILITY
- REPLACING POSSESSIONS
- CARE OF SURVIVORS



How Auto Insurance Works

FACTORS USED TO DETERMINE PREMIUM

AGE = 21 YEARS

SEX = MALE

DRIVING RECORD = 2 MOVING VIOLATIONS IN 36 MOS.

CAR = HIGH PERFORMANCE/HIGH REPAIR COST

CREDIT HISTORY

STATISTICAL HISTORY = VERY HIGH RISK

PREMIUM = VERY HIGH

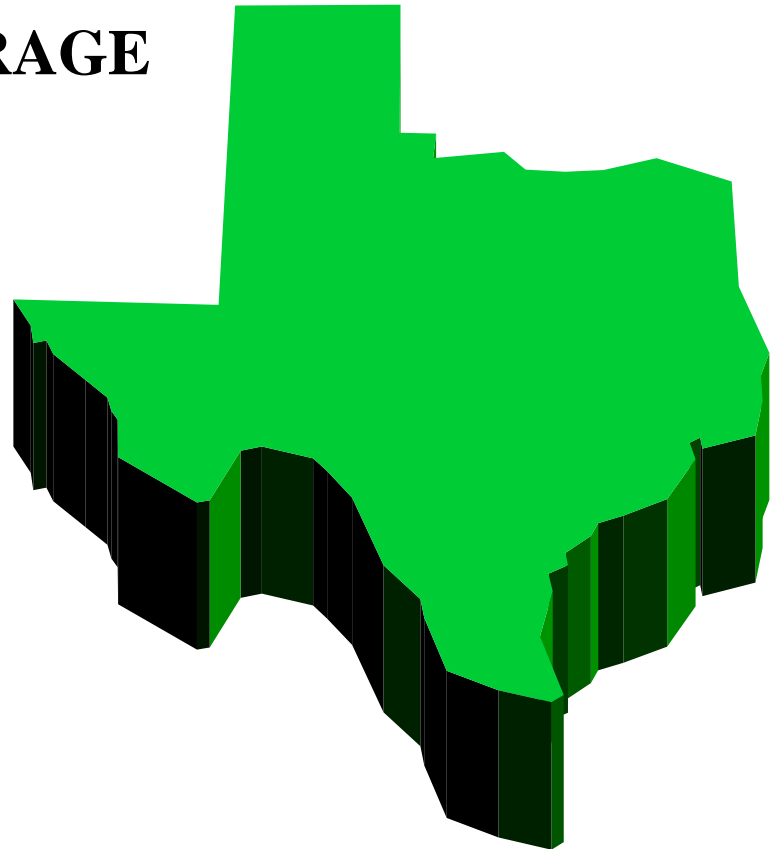
(@\$4,500 ANNUALLY)



Liability Minimums for the State of Texas

MINIMUM LIABILITY COVERAGE

- **BODILY INJURY -
30,000 PERSON /
60,000 ACCIDENT**
- **PROPERTY DAMAGE -
25,000**



Full Coverage



- ***Comprehensive***

Replacing or repairing vehicle if stolen or damaged other than collision

- ***Collision***

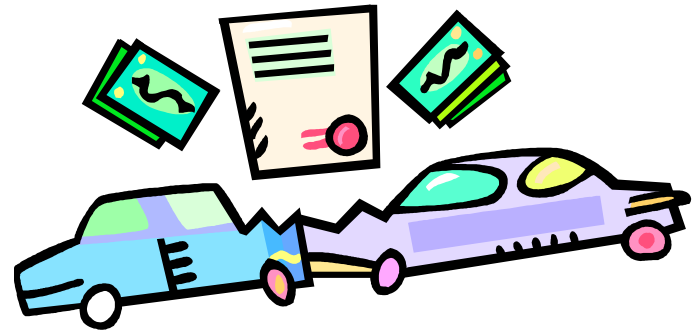
Cost of repairing or replacing vehicle if you have an accident

- ***Liability***

Pays for other peoples expenses caused by covered drivers

OTHER TYPES OF AUTO INSURANCE

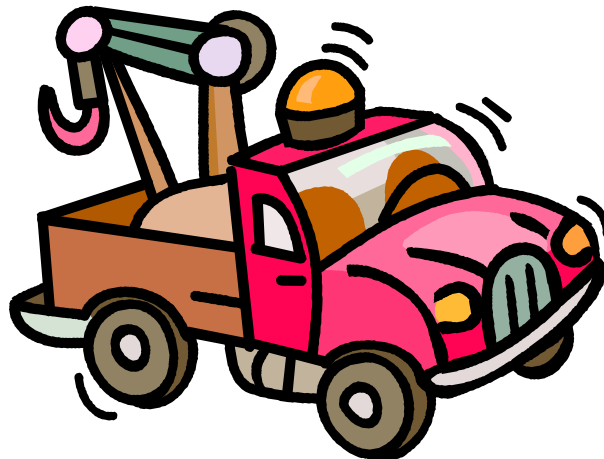
- ❖ **MEDICAL INSURANCE**
- ❖ **PERSONAL INJURY PROTECTION**
- ❖ **UNINSURED/UNDERINSURED MOTORIST
COVERAGE**
- ❖ **GAP INSURANCE**



INSURANCE CLAIMS AND DEDUCTIBLES

CLAIM: REQUEST FOR PAYMENT AFTER LOSS

**DEDUCTIBLE: A PREDETERMINED AMOUNT
OF MONEY DEDUCTED FROM YOUR CLAIM**



COLLECTING ON A CLAIM

- CONTACT AGENT
- DOCUMENT LOSSES
- REVIEW CLAIM FORMS WITH LEGAL SERVICES
- DON'T BE PRESSURED INTO SIGNING AN INSURANCE RELEASE



[To file a complaint](#)

IF YOU'RE DEPLOYED

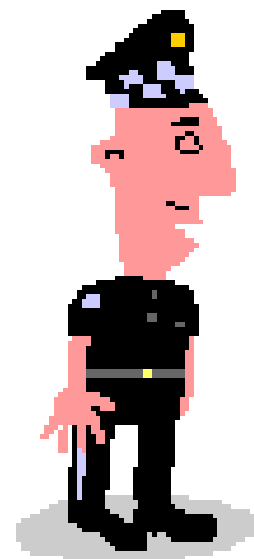
- ❖ **ASK YOUR AGENT FOR A PREMIUM REDUCTION WHILE THE VEHICLE IS OFF THE ROAD. ***
- ❖ **MAKE SURE YOU REINSTATE THE COVERAGE BEFORE YOU TAKE THE CAR OUT OF STORAGE!!**

***IF THERE IS A LIEN HOLDER
THEY MUST GIVE PERMISSION
TO REDUCE OR ELIMINATE COVERAGE**



REDUCING YOUR COSTS

- **INCREASE DEDUCTIBLE**
- **ASK FOR DISCOUNTS**
- **CAR'S VALUE=\$1000 OR LESS?
CONSIDER DROPPING COLLISION
COVERAGE**
- **REVIEW YOUR CREDIT REPORT**
- **STAY OUT OF TROUBLE**



RENTERS INSURANCE

Your landlord's insurance
does not cover your
belongings!!

Renters
Need renters insurance.



COVERED LOSSES

- FIRE
- LIGHTNING
- THEFT
- VANDALISM/CAR
- WINDSTORM OR HAIL



OTHER TYPES OF COVERAGE

- FLOODS
- DAMAGE FROM A BURST WATERPIPE
- RIOTS OR CIVIL COMMOTION
- AIRCRAFTS OR VEHICLES
- FALLING OBJECTS



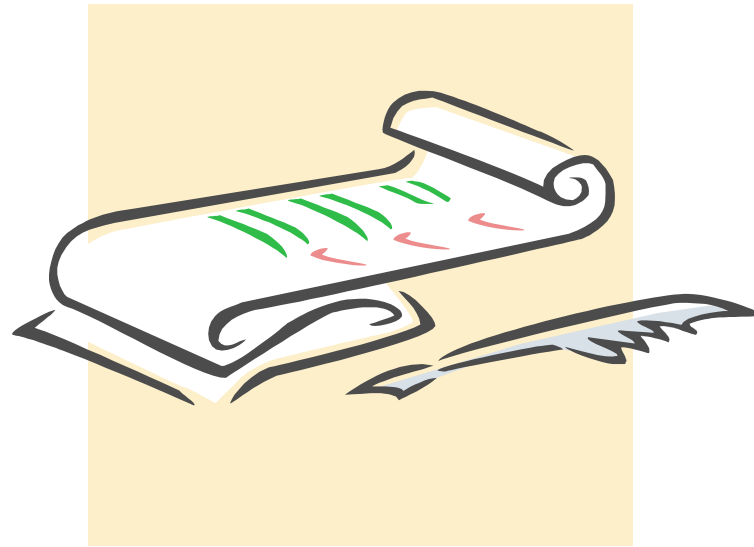
CASH VALUE/REPLACEMENT

- VALUE OF PROPERTY LESS DEPRECIATION
- PAYS THE AMOUNT IT WOULD COST TO REPLACE YOUR DAMAGED OR LOST PROPERTY
- DEDUCTIBLES APPLY



SPECIAL OR SCHEDULED COVERAGE

- JEWELRY
- WATCHES
- COMPUTERS
- CAMERAS



[Renters Insurance](#)

INVENTORY

- ITEMIZED LIST OF ALL PROPERTY
- RECEIPTS (IF POSSIBLE)
- PURCHASE DATES
- PHOTOS OR VIDEO



INVENTORY SHOULD BE STORED IN
FIREBOX OR OUTSIDE THE PROPERTY

HOMEOWNERS INSURANCE

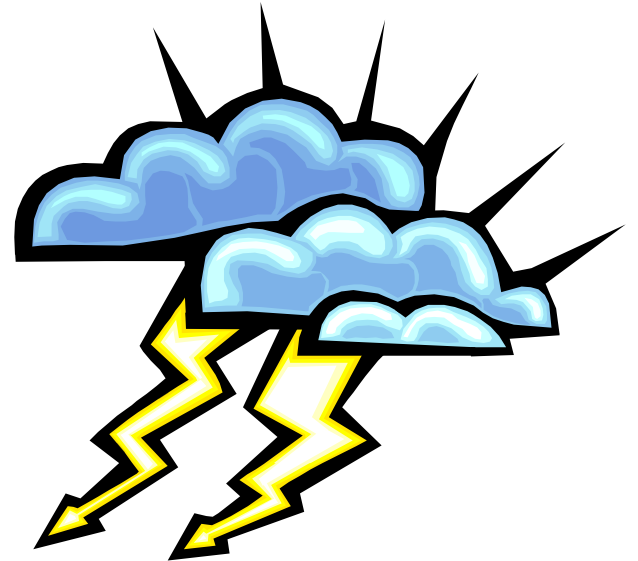
HOMEOWNER MUST MAINTAIN A FULL REPLACEMENT COST INSURANCE POLICY ON PROPERTY THROUGHOUT THE TERM OF THE MORTGAGE.



- Dwelling & structures
- Personal property
- Liability
- Expenses if displaced

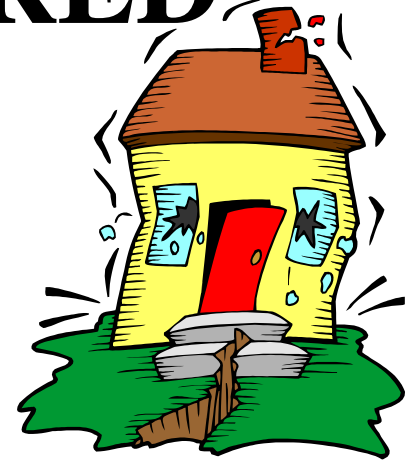
COVERED LOSSES

- FIRE AND LIGHTNING
- AIRCRAFT AND VEHICLES
- VANDALISM
- THEFT
- EXPLOSION
- RIOTS AND CIVIL COMMOTION
- SMOKE
- WINDSTORM, HURRICANE AND HAIL
- SUDDEN AND ACCIDENTAL WATER DAMAGE

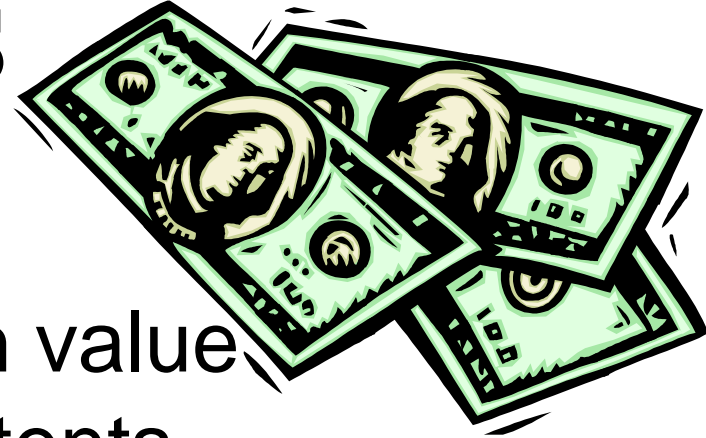


LOSSES NOT COVERED

- Flooding
- Earthquakes
- Termites, other insects and rodents
- Freezing pipes in an uninhabited dwelling
- Wind and hail damage to shrubs and trees
- Losses when house vacant for >60 days
- Wear and tear or regular maintenance
- Water damage from continued and repeated seepage



TEXAS HOMEOWNERS POLICIES



- HO-A

Extremely limited actual cash value coverage of home and contents

- HO-B

Provides replacement cost coverage for most types of damage

TEXAS POLICIES



- HO-C

Provides the most extensive coverage

- Approved Alternative Policies

Offer varying levels of coverage

OFFICE OF PUBLIC INSURANCE COUNSEL

SHOPPING FOR HOMEOWNERS INSURANCE



- Choose the highest deductible you can afford
- Compare several companies for price quotes
- Consider company's financial rating and complaint index
- 1-800-252-3439

[Price Comparisons](#)

DISCOUNTS

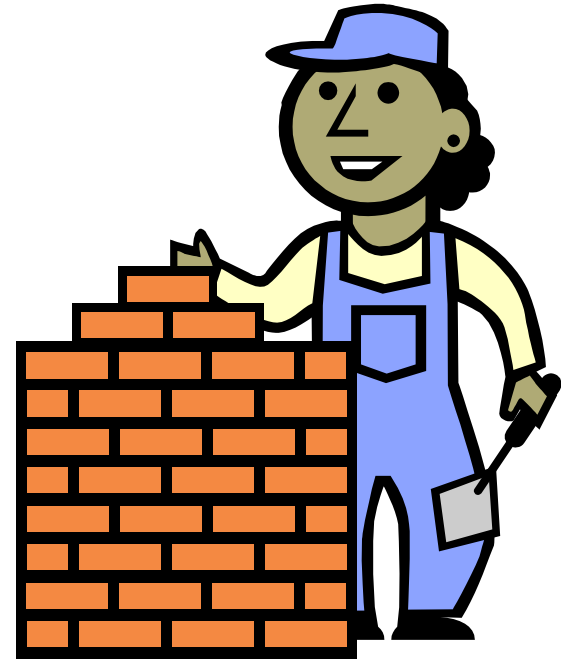
- Alarm systems
- Automatic sprinkler systems
- Fire Extinguishers
- New Home
- Non combustibile roof
- Other policies with the same company
- Construction materials



FACTORS THAT AFFECT PREMIUMS

- Age and condition of the home
- Homes replacement cost
- Construction Material
- Location
- Claims history

CLUE



TRICARE HEALTH INSURANCE

	TRICARE Prime	TRICARE Extra	TRICARE Standard
Annual Deductible	None	\$150/individual or \$300/family for E-5 & above; \$50/\$100 for E-4 & below	\$150/individual or \$300/family for E-5 & above; \$50/100 E-4 below
Annual Enrollment Fee	None	None	None
Civilian Outpatient Visit	No cost	15% of negotiated fee	20% of allowed charges for covered service
Civilian Inpatient Admission	No cost	Greater of \$25 or \$16.85/day	Greater of \$25 or \$16.85/day
Civilian Inpatient Behavioral Health	No cost	Greater of \$20 per day or \$25 per admission	Greater of \$20 per day or \$25 per admission
Civilian Inpatient Skilled Nursing Facility Care	\$0 per diem charge per admission No separate cost share for separately billed professional charges	\$11/day (\$25 minimum) Charge per admission	\$16.85/day (\$25 minimum) Charge per admission

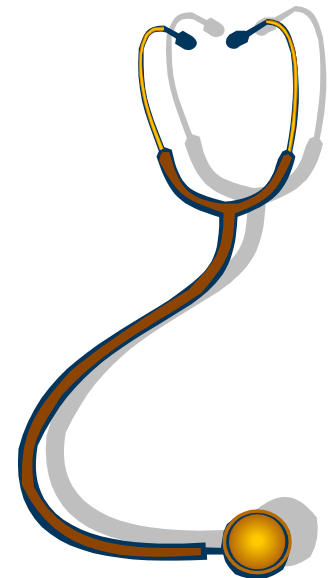
HEALTH INSURANCE

TRICARE

- Active duty and their dependents are covered under TRICARE prime

DEERS

- Defense eligibility enrollment reporting system
- Family members must be enrolled



Life Insurance

YOU NEED LIFE INSURANCE IF....

- YOU HAVE YOUNG CHILDREN
- YOUR SPOUSE MAY NEED TIME/EDUCATION TO BE SELF-SUPPORTING
- YOU PROVIDE SUPPORT FOR PARENTS OR A DISABLED FAMILY MEMBER
- YOU HAVE SIGNIFICANT DEBTS



[Calculator](#)



SERVICEMEMBERS' GROUP LIFE INSURANCE

What is SGLI?

SGLI is a program of low cost group life insurance for servicemembers on active duty, ready reservists, members of the Commissioned Corps of the National Oceanic and Atmospheric Administration and the Public Health Service, cadets and midshipmen of the four service academies, and members of the Reserve Officer Training Corps.

[SGLI NEEDS CALCULATOR](#)

Servicemembers' Group Life Insurance (SGLI)

<i>Coverage Amount</i>	Monthly Premium Rate
<i>50,000</i>	4.25
<i>100,000</i>	7.50
<i>150,000</i>	10.75
<i>200,000</i>	14.00
<i>250,000</i>	17.25
<i>300,000</i>	20.50
<i>350,000</i>	23.75
<i>400,000</i>	27.00



Current Spousal Premium Rates - Effective July 1, 2010

Amount of Insurance	Age of Spouse					
	Under 35	35-39	40-44	45-49		
\$100,000	\$5.00	\$6.50	\$8.50	\$13.00		
\$90,000	\$4.50	\$5.85	\$7.65	\$11.70		
\$80,000	\$4.00	\$5.20	\$6.80	\$10.40		
\$70,000	\$3.50	\$4.55	\$5.95	\$9.10		
\$60,000	\$3.00	\$3.90	\$5.10	\$7.80		
\$50,000	\$2.50	\$3.25	\$4.25	\$6.50		
\$40,000	\$2.00	\$2.60	\$3.40	\$5.20		
\$30,000	\$1.50	\$1.95	\$2.55	\$3.90		
\$20,000	\$1.00	\$1.30	\$1.70	\$2.60		
\$10,000	\$0.50	\$0.65	\$0.85	\$1.30		

COVERAGE



TYPE	AMOUNT
DEATH GRATUITY	\$100,000
SGLI	UP TO \$400,000
DIC	\$1067/MO (SPOUSE), \$265/MO (CHILD)
S.S.	BENEFITS VARY
Mortuary Benefits	\$7700

TSGLI (Traumatic Injury Protection) UP TO: \$100,000

Dual Military can insure each other for \$100,000

Children up to age 21 are insured for \$10,000 at no cost

CASUALTY ASSISTANCE: (915)568-9524

VETERANS GROUP LIFE INSURANCE (VGLI)

- SGLI can be converted to VGLI
- If converted within 120 days Service Members do not have to provide evidence of good health
- A servicemember's VGLI coverage amount cannot exceed the amount of SGLI they had in force at the time of separation from service.

[VGLI Premium Rates](#)

Service-Disabled Veterans Insurance (S-DVI)

- You were released from active duty under other than dishonorable conditions on or after April 25, 1951
- You were rated for a service-connected disability (*even if only 0%*)
- You are in good health except for any service-connected conditions
- You apply within 2 years from the date VA grants your new service-connected disability

TERM INSURANCE

PREMIUM	Lower initially. Increases with each renewal.
PROTECTS FOR	A specified period.
POLICY BENEFITS	Death benefits only.
ADVANTAGE TO BUYER	Low outlay. Initially buyer can purchase a larger amount of coverage for a lower premium. Buyer could consider developing outside investment program.
DISADVANTAGES TO BUYER	Premium increases with age. No cash value.
OPTIONS	May be renewable or convertible to a whole life policy.

WHOLE LIFE

PREMIUM	Higher initially than term. Normally doesn't increase.
PROTECTS FOR	Entire life if you keep the policy.
POLICY BENEFITS	Death benefits and eventually a cash and loan value.
ADVANTAGE TO BUYER	Helps buyer with financial discipline. Generally fixed premium amount. Cash value accumulation. Buyer can take loan against policy.
DISADVANTAGES TO BUYER	Costly if you surrender early. Usually no cash value for at least three to five years. May not meet short-term needs.
OPTIONS	May pay dividends. May provide a reduced paid-up policy. Partial cash surrenders permitted.

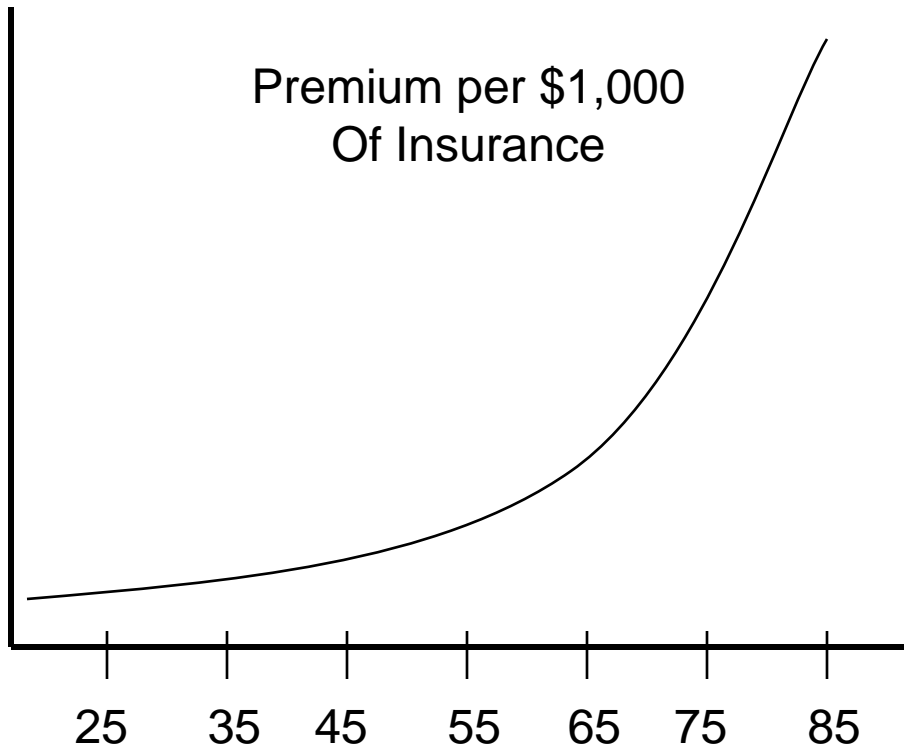
UNIVERSAL LIFE

PREMIUM		Flexible premiums.
PROTECTS FOR		A flexible time period.
POLICY BENEFITS		Flexible death benefits and eventually cash and loan value.
ADVANTAGE TO BUYER		More flexibility. Takes advantage of current interest rates. Offers the possibility of improved mortality rates (increased life expectancy because of advancements in medicine, which may lower policy costs).
DISADVANTAGE TO BUYER		Same as whole life and buyer assumes greater risks due to program flexibility. Low interest rates can affect cash value and premiums.
OPTIONS		May pay dividends. Minimum death benefit. Partial cash surrenders permitted.

COMPARISON OF LIFE INSURANCE

Policy Type	Face Amount	Premiums	Cash Value
Annually Renewable Term	Fixed	Increasing	None
Level Premium Term	Fixed	Increase in set intervals	None
Whole Life Participating	Fixed, May increase with dividends	Fixed	Guaranteed, may increase with dividends
Whole Life Nonparticipating	Fixed	Fixed	Guaranteed
Universal Option One	Fixed	Flexible, owner can adjust, company may vary within policy limits	May vary based on premium and performance
Universal Option Two	Increasing	Flexible, owner can adjust, company may vary within policy limits	May vary based on account performance
First to Die	Fixed	Fixed	Fixed, may increase if participating
Second to Die	Fixed	Fixed may change at 1 st Death	May increase significantly at first death

PREMIUMS AND RISKS OF LOSS



SHOPPING SMART

TERM INSURANCE

(Points to Remember)

- Purest form of Insurance
- Easiest to comparison shop
- Must be monitored for price
- Cheapest actual cost
- Convertible
- Can be added as a rider to other policies

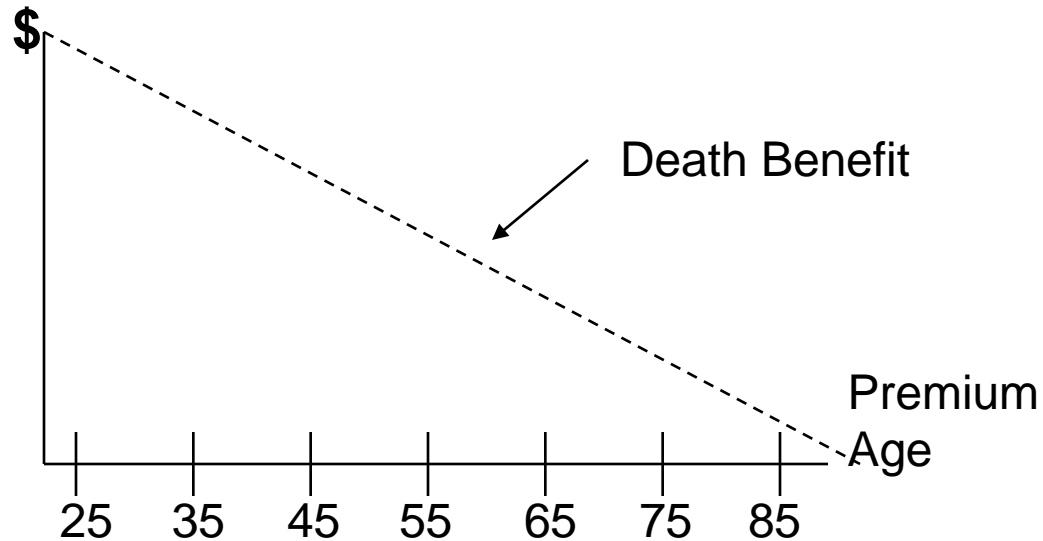


ANNUAL RENEWABLE TERM

- Protection for 1 year at a time
- Premiums increase with insured's age
- Maximum premium specified is higher than scheduled premium
- Policy remains in force with annual premiums
- Guaranteed convertibility to whole life

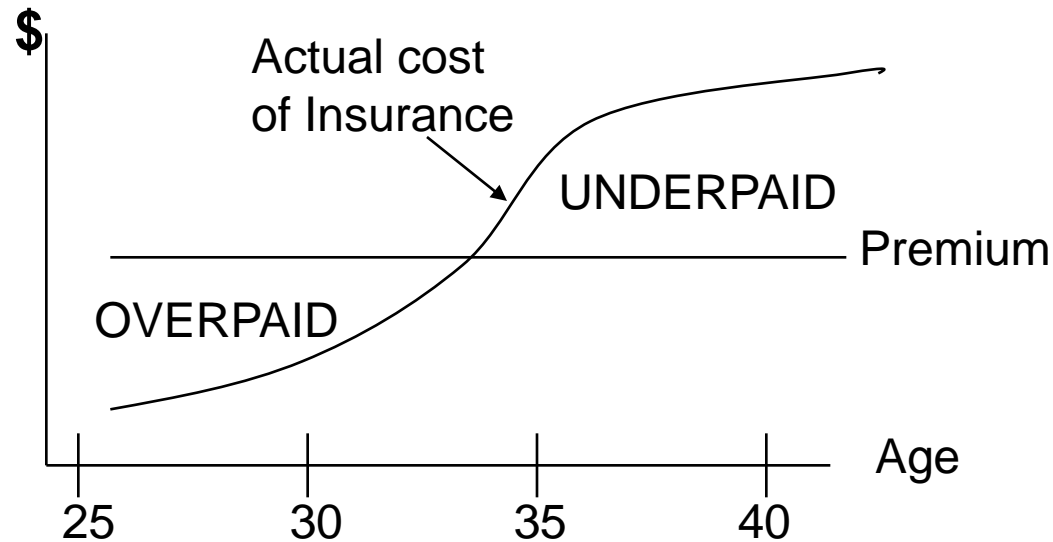


DECREASING TERM



- Example: Life insurance policies written as mortgage or loan guarantees

LEVEL TERM POLICY



- Premiums over a given period are averaged
- Coverage can be renewed at increased rate

PER UNIT PRICING

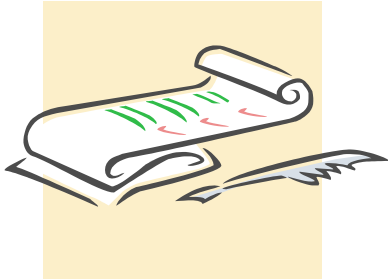
CURRENT REASONABLE PRICES FOR TERM LIFE
INSURANCE

(PRICE IS ANNUAL PREMIUM PER \$1,000 OF COVERAGE*)

AGE	NONSMOKER		SMOKER	
	MALE	FEMALE	MALE	FEMALE
18-30	\$1.25	\$1.10	\$2.50	\$2.10
35	\$1.30	\$1.09	\$2.70	\$2.20
40	\$1.43	\$1.30	\$5.00	\$3.83

YOU SHOULD ALSO ADD ABOUT \$100
TO THE TOTAL FOR ADMINISTRATIVE FEES.

Where To Buy Insurance



BASIC GUIDELINES

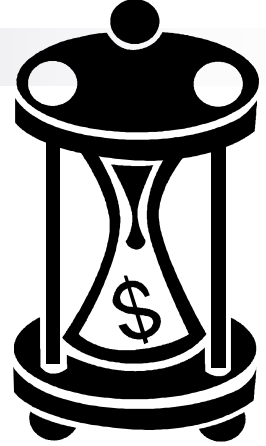
- **SHOP AND COMPARE COST PER \$1,000 OF COVERAGE PER YEAR**
- **ASK ABOUT COMMISSIONS AND FEES**
- **AVOID COMMISSIONS AND A “BACK-END LOAD”**
- **CHECK THE FINANCIAL STABILITY OF ANY INSURANCE COMPANY**

Cash Value Insurance

- provides a death benefit and a way to accumulate funds over time
- primary purpose is to provide permanent life insurance protection, not a retirement/savings
- will eventually pay premiums
- cash it in and the policy is cancelled.
- may borrow against the cash value but must be repaid with interest



Whole Life Insurance



- Provides the most guarantees (Death benefit, premiums, interest rates on cash values)
- Offers the least flexibility
- Most expensive initially
- Interest paid on cash value is tax deferred
- Easiest to use over time
- Cash value not part of death benefit

UNIVERSAL LIFE INSURANCE

- Flexible premiums, death benefit, cash and loan value
- Value depends on the performance of stocks, bonds or other investments
- Takes advantage of current interest rates and improved mortality rates
- Cash value and face value paid as death benefit
- Flexible premium and variable universal life



POLICY RIDERS



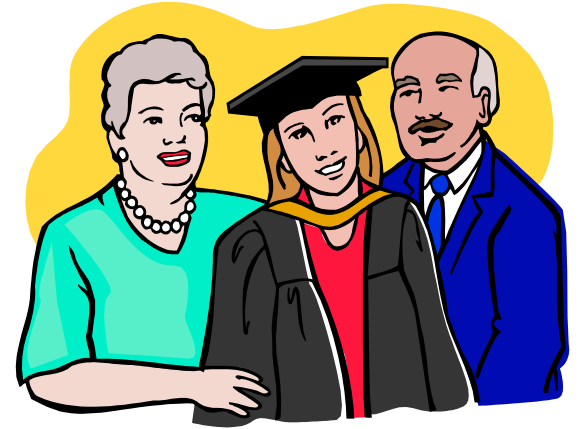
- Spousal rider provides an amount of additional term insurance coverage
- Children's rider provides additional term insurance for the insured's children.
- Age limitations 14 days to age 21-25
- Riders terminate upon death of insured



RIDERS CONTINUED

- Accidental Death and Dismemberment
- Disability Waiver of Premium
- Guaranteed Insurability
- Increasing Benefit
- Long Term Care
- Accelerated Benefit Option
- Additional Term Insurance

ANNUITIES



- Type of investment that can provide a steady income over a long period of time
- Typically used to build retirement income
- Savings for child's education
- Create a trust fund
- Provide for surviving spouse or heirs

ANNUITY BASICS

- Earnings grow tax deferred
- Typically take 7 – 10 years to become profitable 🔔
- Contracts vary greatly and can be quite complex
- Charges and fees (Load) can be a substantial amount and needs to be factored into any projections of an annuity's earnings





5 BASIC QUESTIONS FOR UNDERSTANDING ANNUITIES

- How does the annuity earn interest?
- How are the premiums paid?
- When does the annuity start paying you?
- How does the annuity pay you?
- What administrator fees and charges does the annuity have?


HOW DOES THE ANNUITY EARN INTEREST

■ Fixed

- More Conservative non stock market
- Interest rate set annually but have a guaranteed minimum
- Guaranteed rate may be lower than a regular savings account

■ Variable

- Greater returns but greater risk
- More active involvement by the holder
- More dependent on stock market



HOW DO YOU PAY THE PREMIUMS

**Premium payments are made
depending on type of annuity**

- Single premium
- Installment premium
- Scheduled premium
- Flexible premium



WHEN DOES ANNUITY START TO PAY YOU

- Immediate

- Begin payment within 13 months or as soon as one day

- Deferred

- Typically seven to ten years but can be as much twenty years or longer



HOW DOES THE ANNUITY PAY YOU

- May pay in lump sum of accumulated value
- May pay in a series of payment
- Purchaser usually determines the amounts and duration of payments based on the structure of the annuity



ADMINISTRATIVE FEES AND CHARGES

- Surrender charges 5 – 15% or more of the amount withdrawn
- Load and management fees varies

QUESTIONS?

