Procedure/Lecture Outline

1) Ask students what the one guarantee in life is
2) Guide students through the Power Point presentation (link)
    a. You buy health insurance in case you get sick
    b. You buy automobile insurance in case you have an accident
    c. You buy homeowners insurance in case your property gets damaged
    d. You don't buy life insurance to plan for your death
    e. Life Insurance is to protect the people who depend on you and would suffer a financial loss when you die
    f. A beneficiary is the person or legal entity, such as a charity, designated to receive the death benefit
    g. The death benefit is the sum paid to the beneficiary by the insurance company
    h. Usually people buy life insurance to protect their children, a surviving spouse, a disabled relative, or elderly parents
    i. It ensures that the dependent family members will be able to afford and maintain their lifestyle or receive the care they had before the death
    j. Reasons to Buy Life Insurance
        i. To provide immediate cash to pay for a funeral, any other costs arising from the death, or pressing debts
        ii. To provide funds that are income tax-free
        iii. To pay off a mortgage or other loans
        iv. To provide housekeeping and child care services so that the surviving spouse can enter the workforce
        v. To provide the surviving spouse sufficient funds to stay at home or reduce work hours
        vi. To provide dependents with an emergency fund
    k. How life insurance works
        i. A legally binding contract between an insurance company (insurer) and an individual (insured)
        ii. In exchange for payment of premiums, the insurer agrees to pay a specified death benefit
        iii. The premiums collected from all policy holders are placed in an insurance pool
        iv. The Insurance Company can invest the money in the pool but must have enough on hand to pay out a large number of claims
    l. How insurers reduce risk
        i. Insurance companies want to enroll low-risk people
        ii. If a person dies shortly after they are insured the company has not had enough time to collect enough premiums to cover the loss
    m. Underwriting Life Insurance
        i. Underwriting is the process of assessing applicants to determine whether they are good risks
        ii. An underwriter's job is to minimize the risk the company takes
        iii. Factors in underwriting:
            1. Present health
            2. Medical history
            3. Family medical history
            4. Lifestyle
            5. Occupation

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n. Mortality Tables
    i. Sophisticated statistical averages of how long a person of a certain age, gender, ethnic background and so on can be expected to live
    ii. Tables also consider your health, medical history, occupation
o. Premium Class
p. Insureds are placed into classes based on results from underwriting
    i. The better the class the lower the premiums
q. How much life insurance should a person have?
    i. Factors:
    ii. Number of dependents
    iii. Ages and needs of dependents
    iv. Balance on mortgage or monthly rent payments
    v. Balance of loans
    vi. Health insurance
    vii. Tuition
    viii. Basic necessities
r. Where do you buy life insurance?
    i. Some employers offer it as a benefit
    ii. Insurance companies sell insurance through experienced agents
    iii. You can buy life insurance through the internet