

# Cover your assets

Insurance can help **protect what you've worked so hard to achieve.**

## Protection for every life stage

Have you ever wondered, "What if something bad were to happen to me?"

Accidents, emergencies and other negative events in our lives often arrive unexpectedly. Insurance is an important piece of your financial safety net that along with your emergency fund can help you feel better prepared for any curveballs life might send your way.

When you purchase an insurance policy, you pay a premium to the insurer. In return, the insurance company provides protection—to the extent of how much coverage you purchase—to help cover expenses in certain situations.

Insurance can provide valuable security that you hope you'll never need to use. But if you ever do, you'll be glad you have it.

## Why have insurance?

There are many reasons why you might need insurance and several important advantages it can bring, including:

- Protection for your family so that a large or catastrophic expense doesn't derail your financial stability.
- Confidence that if a major repair is needed you'll have help in coming up with the funds to fix it.
- Better security for your family so that they will be protected if something happens to you.
- Potential tax advantages, depending on the type and structure of a policy.
- Fulfillment of obligations in situations when insurance is legally required.

## Common types of insurance

You can insure almost anything, but here are the most common types of insurance policies for individuals and families:



### Auto

Auto insurance is generally legally required to drive a vehicle and may cover damage to your car or others after an accident.



### Property

Property insurance can offer protection if you suffer a home burglary or damage from natural disasters, such as fire or earthquakes.



### Health

Medical insurance can cover large expenses, such as hospital stays, but also offset the cost of routine care, such as doctor's visits and prescriptions.



### Life

If you pass away, life insurance can help provide for your loved ones. Types can include whole, universal, variable and term policies.



### Disability income

If you become temporarily or permanently disabled and are unable to work, disability income insurance can help you replace lost income.



### Long-term care

A long-term care policy can help with costs of illnesses and aging that aren't generally covered by health insurance, including help with routine daily activities, such as dressing, eating and bathing.

## Terms to know

It's important to understand what coverage a policy provides, particularly when shopping for new insurance. Here are a few key terms you should understand:

**Claim**—an application you make to your insurance company if you are due reimbursement under your policy.

**Copayment**—an amount, typically modest, that you are expected to pay toward a doctor's visit or prescription, after which the insurer generally covers remaining costs.

**Deductible**—an initial portion that you must pay out of pocket before your insurance provides any reimbursement.

**Policy limit**—the maximum amount an insurer will pay toward a covered loss. Plans with higher limits are often more expensive.

**Premium**—the amount you periodically pay to the insurance company in exchange for coverage.

**Underwriting**—an insurance company's process of assessing risk. Insurers generally charge higher premiums for higher-risk policies, such as for flood insurance in a flood-prone area.

## Key takeaways

- Insurance should be an important part of your financial safety net.
- When you buy an insurance policy, you pay a premium to the insurer in exchange for a promise that it will help cover expenses or losses in certain situations. What the insurer pays depends on how much coverage you buy.
- Insurance can provide protection for your loved ones, confidence in your financial stability and potential tax advantages.
- You may need several types of insurance, including auto, property, health and life, depending on your situation.
- Be sure to understand the terms of your insurance policies, including any deductibles, policy limits and premiums.

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