

# What Every Consumer Should Know About Insurance

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# Presentation Outline

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2. What is insurance and how does it work?
3. Impact of insurance on everyday life
4. Insurance costs are built into the prices of products and services purchased
5. What are the different types of policies and/or coverages?
6. Explanation of homeowners, automobile, flood, personal articles, and umbrella policies
7. Considerations in purchasing certain policies
8. Explanation of life and health insurance policies
9. Considerations in purchasing life and health policies
10. Final thoughts and suggestions
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# Disclaimer

- This information contained in this presentation is not intended to provide a complete list of the insurance products, coverages, or endorsements an individual should have.
- It is intended to provide a general overview of issues relative to insurance in order to assist the consumer in a conversation with a professional licensed agent.
- Be sure to consult a licensed, professional insurance agent to discuss your insurance needs.

# What is insurance and how does it work?

- Insurance is a mechanism of transferring or shifting risk from one person to a group
- Individuals pay premiums to insurance companies and the companies pool the funds to pay claims
- Without insurance, individuals would be faced with absorbing the total amount of a loss
- Insurance is a contract between the insurer (insurance company) and the insured (you) to cover potential losses
- Insurance impacts every area of our life

# Impact of insurance on everyday life

- Mortgage companies mandate that we have homeowners insurance
- Other lenders require that we purchase insurance for potential loss to items held as collateral
- State law requires drivers to have auto liability insurance



# Impact of insurance on everyday life

- Employers are required to have workers compensation insurance on employees
- Some occupations require professional liability insurance
- Certain businesses have special types of insurance



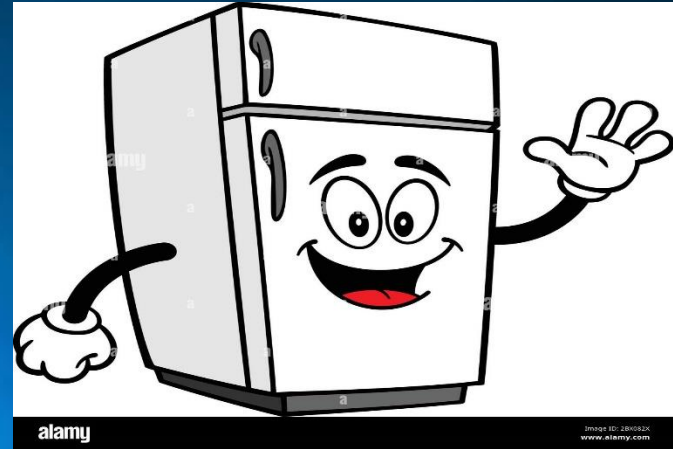
# Impact of insurance on everyday life

- Consumers purchase insurance to help reduce the costs of health care
- Consumers also purchase insurance to cover final expenses
- Some consumers use insurance as an investment tool



# Insurance costs are built into products we buy

- Manufacturers have insurance on items they build
- Companies that transport goods on behalf of manufacturers carry insurance



# Insurance costs are also built into services we purchase

- Buses, passenger trains, and airlines all carry insurance
- Other passenger carriers like limousines and taxis carry similar insurance



# What are the different types of policies and/or coverages?

- Auto
- Homeowners/property
- Wind and hail
- Flood insurance
- Life
- Health
- Personal articles
- Umbrella
- Terrorism
- Liability (various types)

# About the Homeowners Policy

- Covers the costs of repairing or rebuilding your home resulting from a covered peril
- Covers damage to your home's contents
- Pays for medical expenses, repairs, and applicable legal fees if you or members of your family or pets accidentally cause injury or damage to someone or their property
- Provides payment for loss of use
- May exclude coverage for wind and hail
- Excludes damage caused by flood



# Considerations when purchasing a homeowners policy

- Type of form: Basic, broad, special, or comprehensive
- Named vs open peril coverage
- Replacement vs actual cash value coverage
- Amount of coverage on contents
- Amount of the deductible you're willing to pay



# About the Automobile Policy

- Liability coverage is mandated by state law
- Provides liability coverage for damages and injury to others (medical & property)
- Coverage is available for loss caused by others who are uninsured or underinsured
- Coverage is available for damages and injury to you and your property (medical, comprehensive, collision)
- Coverage may be purchased to include towing and/or rental reimbursement



# Considerations when purchasing auto insurance

- Amount of liability coverage necessary (equal to or greater than state-mandated coverage)
- Other types of coverage: Uninsured/underinsured, comprehensive, collision
- Rental reimbursement and towing coverage
- Amount of deductible you're willing to pay
- Authorized drivers
- Shop around



# About flood insurance

- Congress created the National Flood Insurance Program (NFIP) to provide coverage for flood damages
- Administered by the Federal Emergency Management Agency (FEMA)
- Separate policy usually purchased in conjunction with property insurance
- Provides protection for property and contents damaged by rising water



# Personal Articles Insurance Policy

- Policy typically written along with another policy
- Covers personal items not covered or above the limits in another policy such as a homeowner's policy
- Provides specific coverage for items such as jewelry, fine art, weapons, musical instruments, and other collectibles
- Specific items will have to be appraised and scheduled



# Umbrella Coverage

- Also referred to as Excess Liability
- Provides liability protection above the limits of another underlying policy or policies



# About life insurance

- Provides a death benefit to survivors to replace loss income
- Provides assistance for debt and final expenses
- Death benefit based on amount of coverage purchased
- Policy can be term or cash value
- Premiums may be based on the age, gender, lifestyle, medical history, health, and occupation of the insured



# Term vs Permanent Insurance

## Term Policy

- Set death benefit
- Death benefit only payable during the term of the policy
- Covers the insured for a set period of time (years or reaching a certain age)
- Policy can be renewed but premium may increase
- Generally cheaper to purchase
- Does not build up cash values
- May be converted to permanent insurance during conversion period

## Permanent/Cash Value Policy

- Combines death benefit along with cash value
- Policy is for a specified period of time
- May be allowed to borrow against or make withdrawals of the cash values provided the premiums continue to be made
- Cash value may also be used to pay the premium
- Premiums are typically higher than term with the excess invested by the insurance company

# Factors to consider in purchasing life insurance

- How much is needed
- How much you can afford
- Which type of policy:  
Term vs cash value
- Whether to include riders  
on the policy (coverage  
for spouse and/or  
children)



# About health insurance

- Protects the insured from unaffordable medical treatment
- Two types of health insurance plans: Fee-for-service and health maintenance organizations (HMO)
- Premiums are based on numerous factors such as age, gender, lifestyle, geographic area, and cost of medical care of the insured



# Fee-for-service vs HMO

## Fee-for-service

- Also known as traditional insurance
- Insurer pays part of the fees for medical service
- Insured pays a portion of the fees
- Insured can choose any doctor or medical facility

## HMO

- Prepaid health plans
- Arranges for care through a network of providers
- Insured choices of providers may be limited
- Health care providers receive a pre-negotiated rate for services
- Insured pays a co-pay

# Factors to consider when purchasing health insurance

- Does the plan cover a chronic illness?
- What are the plan exclusions?
- Can you choose your own health care providers
- Are your current physicians in the network?
- How much are the co-pays and deductibles?



# Final thoughts

- Always read your policies
- Be sure to know what's covered, what's excluded, and the deductible amount
- Ask questions of your agent
- Periodically review your policies with your agent to determine if the coverages are still adequate
- Make adjustments to policies as needed (increase or decrease coverage)



# Contact Information

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