

# CHAPTER 13

Figure 13.1

## ***Examples of Risks and Risk Management Strategies***

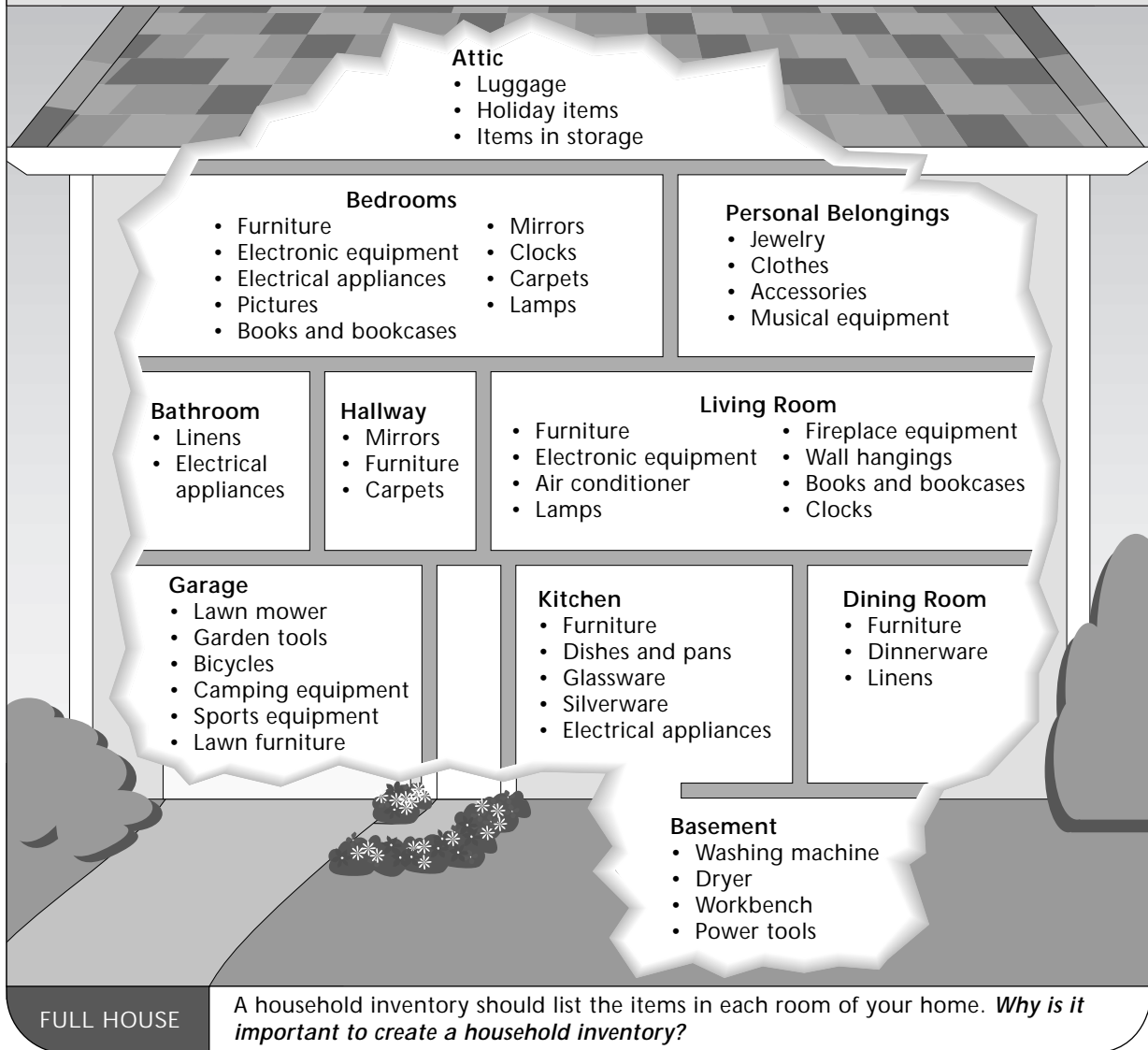
Personal Events	Risks Financial Impact	Strategies for Reducing Financial Impact
Disability	<ul style="list-style-type: none"> <li>• Loss of income</li> <li>• Increased expenses</li> </ul>	<ul style="list-style-type: none"> <li>• Savings and investments</li> <li>• Disability insurance</li> </ul>
Death	<ul style="list-style-type: none"> <li>• Loss of income</li> </ul>	<ul style="list-style-type: none"> <li>• Life insurance</li> <li>• Estate planning</li> </ul>
Property Loss	<ul style="list-style-type: none"> <li>• Catastrophic storm damage to property</li> <li>• Repair or replacement</li> <li>• Cost of theft</li> </ul>	<ul style="list-style-type: none"> <li>• Property repair and upkeep</li> <li>• Auto insurance</li> <li>• Homeowners insurance</li> <li>• Flood or earthquake insurance</li> </ul>
Liability	<ul style="list-style-type: none"> <li>• Claims and settlement costs</li> <li>• Lawsuits and legal expenses</li> <li>• Loss of personal assets and income</li> </ul>	<ul style="list-style-type: none"> <li>• Maintaining property</li> <li>• Homeowners insurance</li> <li>• Auto insurance</li> </ul>

RISKY BUSINESS

Risk management strategies help reduce the financial impact of various risks.  
*Can you think of any other strategies that would apply to the risks mentioned in the chart?*

Figure 13.2

## Household Inventory Contents



# CHAPTER 13

Figure 13.3

## Not Everything Is Covered

Certain personal property is not covered by homeowners insurance:

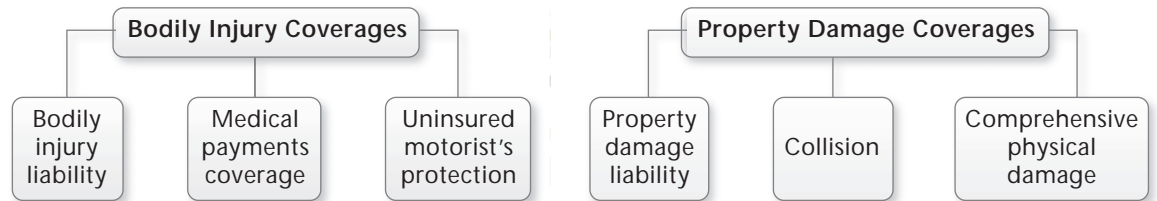
- Items insured separately, such as jewelry, furs, boats, or expensive electronic equipment
- Animals, birds, or fish
- Motorized vehicles not licensed for road use, except those used for home maintenance
- Sound devices, such as radios, tape players, and tapes used in motor vehicles
- Aircraft and parts
- Property belonging to tenants
- Property contained in a rental apartment
- Property rented by the homeowner to other people
- Business property

### COVERAGE EXCLUSIONS

Separate coverage may be available for personal property that is not covered by a homeowners insurance policy. *Give an example of another type of policy that would cover one of the items listed here.*

Figure 13.4

## Automobile Insurance Coverage

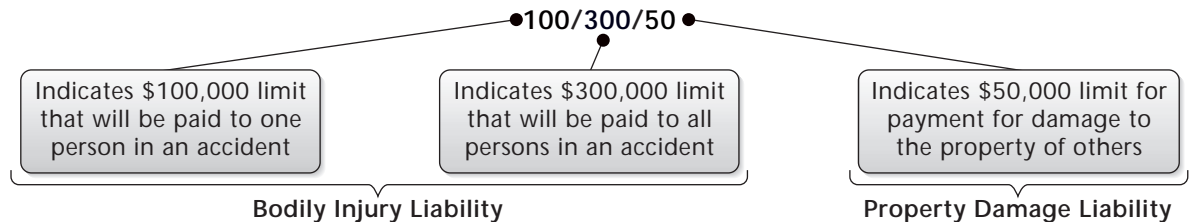


### PROTECT YOURSELF

Buying bodily injury and property damage coverage can reduce the financial impact of an accident. *What type of expenses would be paid for by bodily injury liability coverage?*

Figure 13.5

## Automobile Liability Insurance Coverage



### LIABILITY COVERAGE

The three numbers used to describe liability coverage refer to the limits on different types of payments. *Why do you think the middle number is the highest?*

# Your Financial Portfolio

## Auto Insurance—How Much Will It Cost?

Before Mario bought the car he wanted, he needed to be sure he could afford the insurance for it. In this example he chose low liability, uninsured motorist coverage, and high deductibles to keep his insurance payments as low as possible. Clearly insurer B offered a lower price for the same coverage.

Investigating Insurance Companies		
	Insurer A	Insurer B
<b>Bodily Injury Coverage:</b> <ul style="list-style-type: none"> <li>• Bodily injury liability \$50,000 each person; \$100,000 each accident</li> <li>• Uninsured motorist's protection</li> <li>• Medical payments coverage: \$2,000 each person</li> </ul>	\$472	\$358
<b>Property Damage Coverage:</b> <ul style="list-style-type: none"> <li>• Property damage liability \$50,000 each accident</li> <li>• Collision with \$500 deductible</li> <li>• Comprehensive physical damage with \$500 deductible</li> </ul>	208	84
	48	46
<b>Property Damage Coverage:</b> <ul style="list-style-type: none"> <li>• Property damage liability \$50,000 each accident</li> <li>• Collision with \$500 deductible</li> <li>• Comprehensive physical damage with \$500 deductible</li> </ul>	182	178
<b>Car rental:</b>	562	372
<b>Discounts:</b> good driver, air bags, garage parking	263	202
<b>Annual total</b>	40	32
	(165)	
	\$1,610	\$1,272

**Research** Identify a make, model, and year of a car you might like to own. Research two insurance companies and get prices using this example. You can get their rates by telephone. Many also have Web sites. Using your workbook or on a separate sheet of paper, record your findings. How do they compare? Which company would you choose and why?