When Losses Hit

How insurance changes the financial impact of unexpected events

9-12.EC.20 "Describe how life, health, home, and auto insurance protects against loss and mitigates financial consequences."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline one place in the passage where each of the four insurance types could pay for a loss, and write the insurance type beside it. Circle two costs or limits a policyholder might still face.

Four Policies, Different Losses

1. On Monday, a delivery driver backed into Nia's parked car. A repair shop quoted $3,200. Her auto policy's collision coverage could pay for covered repairs after Nia pays her deductible, according to the policy's terms. Without that coverage, she might have to pay the entire repair bill. That night, a pipe burst inside her house and soaked the kitchen floor. Home insurance could help pay to repair covered water damage and replace damaged belongings, subject to its deductible and limits. A standard home policy would not cover flooding from a river, even though that also causes water damage.

2. Two months later, Nia needed surgery after a fall. Her health insurance helped pay covered hospital and physician charges. She still owed her deductible and any required share of the bills. Coverage reduced the risk that one medical event would consume her savings; it did not prevent the injury. Nia also bought life insurance and named her sister, who helps raise Nia's son, as the beneficiary. If Nia died while the policy was in force, the insurer would pay the policy's death benefit to her sister. That money could help cover her son's living costs and replace some lost income.

3. Nia pays premiums to keep each policy in force. In return, the insurer agrees to pay for losses that meet that policy's rules. A deductible is an amount she may have to pay before certain coverage pays; policy limits cap some payments. Auto liability coverage, unlike collision coverage, can help pay for injuries or property damage Nia causes to others, up to its limits. Home insurance may also include liability protection if Nia is legally responsible for a visitor's injury on her property. Policies have exclusions, so Nia reads the terms instead of assuming every loss is covered.

2 ANSWER WITH EVIDENCE

Use the passage

1. How could Nia's auto collision coverage change what she pays after her parked car is damaged? How is auto liability coverage different?

2. How could home insurance reduce Nia's loss from the burst pipe, and why would it not provide the same protection against river flooding?

3. How did health insurance reduce the financial consequences of Nia's surgery without paying every charge?

4. If Nia died while her life insurance policy was in force, who would receive money, and how could it reduce the financial loss for her family?

3 YOUR TURN

Your own words

A family owns a house, and a hailstorm damages its roof. Later, one parent needs ongoing medical treatment. In three to four sentences, explain how home and health insurance could reduce the financial effects of these events, and name one cost the family might still pay.

ANSWER KEY

When Losses Hit

HIGH SCHOOL · 9-12.EC.20

PART 1 · READ AND MARK

Underline one place in the passage where each of the four insurance types could pay for a loss, and write the insurance type beside it. Circle two costs or limits a policyholder might still face. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How could Nia's auto collision coverage change what she pays after her parked car is damaged? How is auto liability coverage different?	**Collision coverage could pay for covered repairs after Nia pays her deductible. Liability coverage could help pay for injuries or property damage she causes to others, up to its limits.**
2	How could home insurance reduce Nia's loss from the burst pipe, and why would it not provide the same protection against river flooding?	**It could help pay to repair covered damage and replace damaged belongings after a deductible, subject to limits. A standard home policy does not cover river flooding.**
3	How did health insurance reduce the financial consequences of Nia's surgery without paying every charge?	**It helped pay covered hospital and physician charges, while Nia still owed her deductible and any required share of the bills.**
4	If Nia died while her life insurance policy was in force, who would receive money, and how could it reduce the financial loss for her family?	**Her sister, the named beneficiary, would receive the death benefit. She could use it for Nia's son's living costs and to replace some lost income.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Home insurance could help pay to repair the roof if the hail damage is covered. Health insurance could help pay for covered medical treatment over time. The family might still have to pay a home insurance deductible before the insurer pays for roof repairs.

Accept answers that correctly connect each type of coverage to a covered loss and explain a financial benefit. Students may identify deductibles, required shares of medical bills, policy limits, or exclusions as costs or limits.