### Procedure/Lecture Outline

1) Ask students what the one guarantee in life is
2) Guide students through the PowerPoint 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. 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
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. Two Basic Types
   i. Term Insurance
   ii. Permanent Insurance

r. Term Insurance
   i. Simplest
   ii. Usually most inexpensive
   iii. A policy that is limited to a specific length of time, or term
   iv. Does not accumulate cash value
   v. Usually term is 1, 5, 10, 15, 20, 25, or 30 years

s. Permanent Life Insurance
   i. Covers the insured for a lifetime or until age 100
   ii. If you live to 100 insurer pays individual the death benefit
   iii. Three types of Permanent Insurance:
      1. Whole life
      2. Universal life
      3. Variable life

T. Cash Value
   i. Cash reserves accumulate in the policy
   ii. You can take a loan out on the policy
   iii. You can cash in your policy

u. Dividends
   i. The proportion of a company’s profit that it pays to its policyholders

v.

w. How much life insurance should a person have?
   i. Factors
      1. Number of dependents
      2. Ages and needs of dependents
      3. Balance on mortgage or monthly rent payments
      4. Balance of loans
      5. Health insurance
      6. Tuition
      7. Basic necessities

x. 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