

NGPF COHORT 22 PROJECT

MICHAEL KUMARESAN

During the second cohort of the NGPF certification classes, I participated in two courses - Banking and Budgeting and Insurance. This project will focus primarily on the Insurance course, which I found useful personally and which is an important topic of which that all teachers should be aware. In the notes below, I summarize some key ideas that could be incorporated into a ST@C course or part of a series of lectures on Personal Finance for Teachers.

The Importance of Insurance & Different Types of Insurance. One big take-away for me from the course was the importance of the idea of transferring liability (which is basically what insurance does). There are plenty of things that can happen in life that you don't anticipate so you have to think carefully about whether you can take on the liability yourself or whether it's wise to outsource it to some other place. Insurance relies on the idea of risk pooling, where risk is divided among a large pool of individuals. Here are some types of insurance that one should consider adopting:

- (1) **RENTER'S INSURANCE:** this type of insurance covers three basic things:
 - (a) Personal Property Coverage: your belongings in the case of damage, destruction, some weather problems and theft. Under this category there are two types of policies - replacement cost value (RCV) or actual cash value (ACV). The former pays you out as if your belongings are brand new. The latter pays you out the depreciated value of your belongings.
 - (b) Personal Liability Coverage: if someone is hurt in your residence and/or if you damage someone else's property.
 - (c) Loss of Use Coverage: the cost of temporary shelter and other expenses if you need to move out due to issues with your rental.
- (2) **HOMEOWNER'S INSURANCE:** operates through six coverages which are all bundled together. None of these are required by law; however, they are all required by the mortgage lender. These are: dwelling coverage¹, other structures coverage (garages, outhouses), personal property coverage, loss of use coverage, personal liability coverage and medical payments coverage. Common riders or endorsements allow you to pay extra to broaden your standard homeowners coverage.

¹This does not include floods or earthquakes

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- (3) **AUTO INSURANCE:** there are five categories of auto insurance - liability (damage to others; legally required by almost all states), collision (crash related damage to your car), comprehensive (damages outside your influence or control), personal injury protection (covers costs of treating your injuries regardless of who is at fault), uninsured/underinsured motorist coverage (hit by an uninsured or underinsured driver).
 - (4) **HEALTH INSURANCE:** this is a complex topic that covers a lot of material. At a basic level, it is important to know the different sources of this insurance - employer-based, medicaid, medicare, non-group or public. Medical insurance billing works through premiums, deductibles, OOP maximums and metal tiers.
 - (5) **LIFE INSURANCE:** this type of insurance typically comes in two types - term or permanent. It is important to research and find the right type of tool that will help in your particular personal situation. For instance, if you ask most people about whole life insurance they will immediately say it's a scam. This isn't necessarily true. It's important to weigh the pros and cons. For example, you should be aware that insurance agents make more commission money by selling whole instead of term life, so there's an incentive for them to sell it to you. But on the other hand, this doesn't mean it's automatically bad, because you could be in a financial situation where you could use a whole life policy as an investment option and it would make sense for you.

CERTIFICATE OF COMPLETION

1 hour of professional development presented to

Michael Kumaresan

awarded on

Cohort 22 - Insurance Certification Exam (Passed!)

Jim Rangetta & Jessica Endlich

Co Founders, Next Gen Personal Finance



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