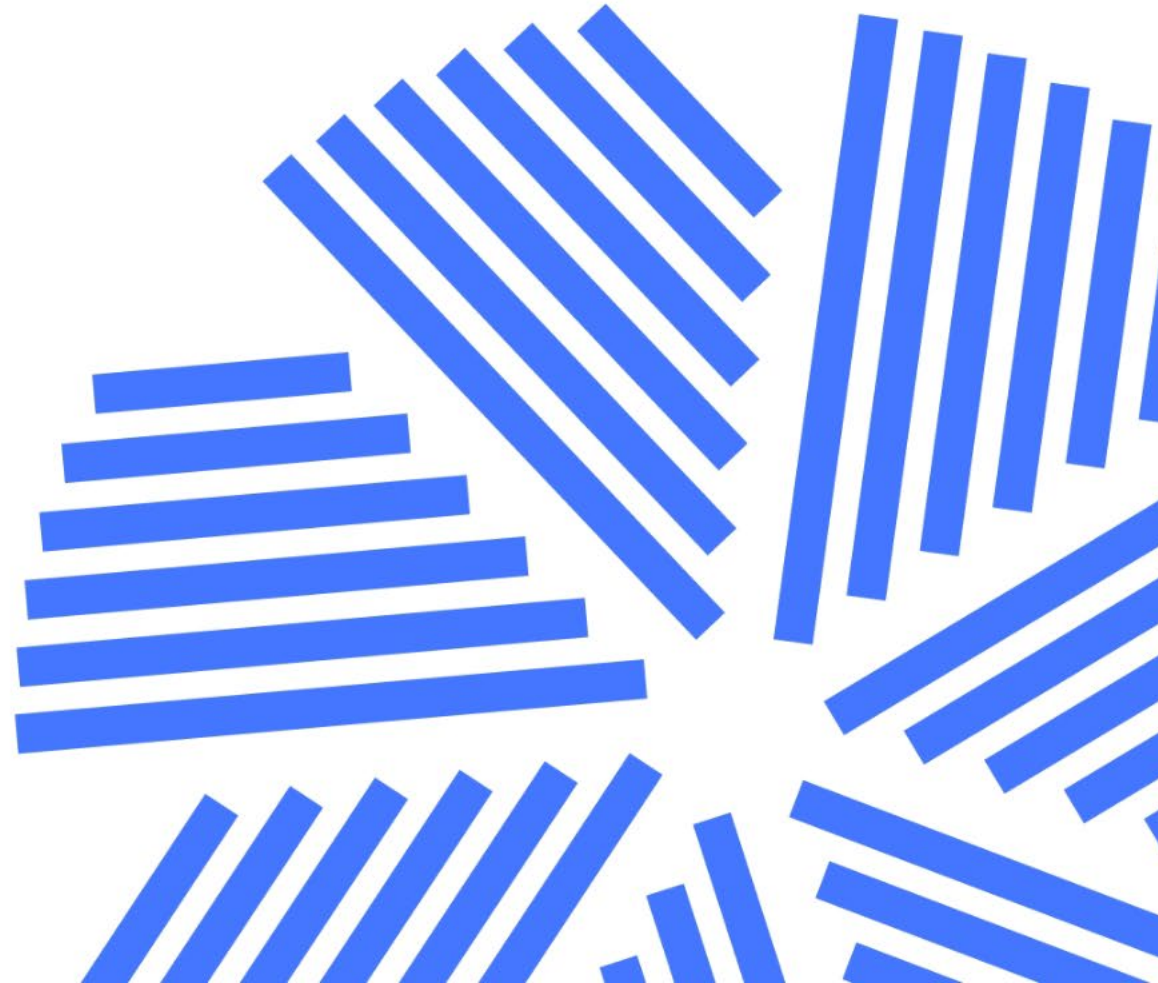




Introducing Young Adults to Insurance and Risk

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- Non-profit professional society of over 5,800 investment professionals
- New England's largest investment professional membership organization
- Founded in 1946, CFA Society Boston is a founding society of CFA Institute.



- Global association of investment professionals
- Sets the standard for professional excellence and credentials
- Champions ethical behavior in investment markets
- Respected source of knowledge in the global financial community.



We want to introduce you to insurance so you can ask the right questions

- **Agenda**
 - **What is insurance and why should (must) you have it?**
 - **What types of insurance are there?**
 - **What are common insurance terms?**
 - **What kind of insurance should you buy?**

Insurance is a complex topic, so please feel free to ask questions if you have a specific situation that you're curious about!

Insurance:

A contract in which a policyholder receives financial protection from an insurance company against losses. The company pools clients' risks to make payments more affordable for the insured. The client pays premiums to the insurance company for the protection.

Adapted from: <https://www.investopedia.com/terms/i/insurance.asp>



There are two basic types of insurance

Property and Casualty

- Auto
- Homeowners
- Tenant's (or Renter's)
- Umbrella
- Flood
- Workers' Compensation

Life and Health

- Life
- Health
- Disability
- Dental
- Vision
- Long-term care

Why might you get insurance?

- **Required by law (or the bank)**
 - Auto insurance is mandatory in Massachusetts
 - Health insurance is mandatory nationally (and is often provided through your employer)
 - Homeowners insurance is required by the mortgagor (lender) if you have a mortgage on your home
- **Safety net**
 - Life insurance can pay off obligations if you pass away unexpectedly
 - Umbrella policies protect against a wide variety of events
 - Disability insurance replaces a percentage of your income if you can't work
 - Dental and vision insurance can help defray the cost of specific treatments

Important terms: Health Insurance

- **Premium:** the amount you pay for coverage, evidenced by a policy (contract)
- **Deductible:** a fixed amount you pay before your services begin
- **Co-payment:** a fixed amount you pay when you receive services (for example, \$25 to see the doctor)
- **Dependent:** a legally married spouse or an unmarried child under 25
- **Maximum-out of pocket:** the most you'll pay in a year for services

Important terms: Life Insurance

- **Insured:** party(ies) covered by an insurance policy
- **Beneficiary:** an individual who may become eligible to receive payment due to will, life insurance policy, trust, or other contract
- **Premium:** money charged for the insurance coverage reflecting expectation of loss
- **Face Amount:** the value of a policy to be provided upon death

How does an insurance company work?

- Insurance companies (P&C or Life & Health) pool risks across a large number of insureds; doing so lets them take advantage of the law of large numbers to have a much higher degree of predictability
- Companies make money when the premiums they collect exceed the claims they pay out*
- There are publicly-traded insurers (owned by shareholders), and mutual companies (owned by the policyholders – you!) Each set of owners benefits from the insurer making profits



How do I know my claims will be paid?

- Insurance is regulated by state governments; each state insurance commission has to approve products that insurers offer to consumers
- If your insurer goes bankrupt, the regulator and the state insolvency fund will typically step in to guarantee your claims
- Rating agencies assign ratings to insurance companies that indicate how creditworthy they are
- Companies have reputations for how good they are at paying auto claims; it can help to look at review sites

How do I buy insurance?

- Health, dental, and vision are typically bought through your employer. If you are self-employed or a gig worker, go to [masshealthplans.com](https://www.masshealthplans.com)
- Auto, Homeowners, and Life Insurance can be bought through an insurance agent, directly from a company, or from a company through a comparison site (like [thezebra.com](https://www.thezebra.com) or [quotewizard.com](https://www.quotewizard.com))
 - An agent can serve as an adviser; they typically (but not always) will look at several companies to find the best product and price. They are paid a commission by the insurer for their work
 - Going direct can work if you know which company you want (especially a mutual insurer) or if you're comfortable navigating online

Considerations when buying insurance

- Insurers calculate premiums – how much they charge – based on how much they think they'll have to pay out
- If you're buying life insurance, it's cheaper when you're younger (and less likely to die)
- If you're buying home, auto, or health insurance, a policy with a high deductible will be cheaper. So will one that covers fewer events

Auto Insurance



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In Massachusetts, you are required to have 4 types of car insurance coverages with the following minimums:

- **Bodily Injury to Others:**
 - \$20,000 per person.
 - \$40,000 per accident.
- **Personal Injury Protection (PIP):**
 - \$8,000 per person in an accident.
- **Bodily Injury Caused by an Uninsured Auto:**
 - \$20,000 per person.
 - \$40,000 per accident.
- **Damage to Someone Else's Property:**
 - \$5,000 per accident.

Insurance may not be exciting, but it's important!

You've taken a great first step in coming here to learn more

Great online resources are the next step as you have questions relative to your unique situation



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Thank You

www.cfaboston.org/financialliteracy



About CFA Society Boston Financial Literacy Program

Who We Are

CFA Society Boston is dedicated to putting investors first and raising ethical standards within the investment profession. We unite Boston's investment community and provide a forum for collaboration, education, and innovation. Originally called the Boston Security Analysts Society, Inc., we are a non-profit professional society founded in 1946. In 2017, we became CFA Society Boston. More than 6,000 investment professionals locally and globally are members of CFA Boston, representing over 650 investment firms. 96 percent of CFA Boston members hold the Chartered Financial Analyst designation from CFA Institute.

Our Financial Literacy Mission

This community outreach program aligns with non-profit groups to reach a wide variety of audiences, from late high school onward. Since its inception in 2014, the initiative has touched thousands of people, partnered with over 30 organizations, and currently has over 30 active volunteers. This community outreach program makes valuable financial literacy content available to the general investing public through collaboration with our alliance partners. The initiative addresses issues such as Personal Finance, Basics of Investing, Retirement, Bonds vs. Equities, Choosing a Bank, and more.

How it Works

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How to Partner with the CFA Society Boston Financial Literacy Program

What CFA Society Boston Commits To

- Provide neutral, expert presenters
- Set up and present topics
- Supply the presentation / activity
- Bring a laptop and materials
- Be experienced in presenting in-person and in a virtual setting

What Your Organization Commits To

- Provide the audience and venue, either in-person or virtual
- Promote the event onsite, local newspapers and website
- Make a projector or USB connection available
- Briefly introduce presenter(s) Complete a post offering survey

For more information on how CFA Society Boston can partner with you visit www.cfaboston.org/financialliteracy or email finlit@cfaboston.org.

