What is Insurance Planning?

Worksheet

Insurance planning is identifying risks to your finances and selecting appropriate coverage (health, life, property, liability) to protect your wealth and loved ones. It's a cornerstone of financial security.

Questions

1. Insurance planning is primarily about…

A) Getting the cheapest premium possible
B) Identifying risks and selecting appropriate coverage
C) Investing in insurance stocks
D) Avoiding all risk

2. Which person needs life insurance?

A) Only wealthy people
B) Anyone with dependents or debt
C) Only those over 50
D) Nobody — life insurance is wasteful

3. What is an umbrella policy?

A) Insurance covering only weather damage
B) Extra liability protection beyond your home/auto policy limits
C) A policy that covers all risks
D) Health insurance with broad coverage

4. How often should you review your insurance plan?

A) Only when buying a home
B) Never — set it and forget it
C) Annually and after major life changes
D) Only when your premium increases

5. Sarah is 35 years old with two children and a mortgage. What insurance types should she consider?

6. Marcus is self-employed with no dependents and rents an apartment. What's his minimum coverage?

7. The Kim family owns a 400K home and has600K in assets. What should they review?

8. Define: What is insurance planning?

9. Define: Main types of personal insurance?

10. Define: Why review insurance annually?

Answer Key

1. B) Identifying risks and selecting appropriate coverage — Insurance planning balances risk assessment with appropriate coverage to protect finances — not just cheap premiums.

2. B) Anyone with dependents or debt — Anyone whose death would cause financial hardship for dependents or leave debt should have life insurance.

3. B) Extra liability protection beyond your home/auto policy limits — Umbrella insurance provides additional liability coverage (often $1-2M+) when your home or auto policy limit is reached.

4. C) Annually and after major life changes — Annual review plus reviews after marriage, children, job changes, home purchase, or retirement ensures coverage stays relevant.

5. Key risks: income loss (dependents), health, home/property Recommended: Life insurance (10× income = $500K), health, homeowner's, disability She's protecting her family and assets from major threats

6. Key risks: health, liability, minimal property concerns Recommended: Health insurance, renters insurance, umbrella policy ($1M) No life insurance needed since no dependents; focus on income protection

7. Key risks: property loss, liability (lawsuit from injury on property), asset protection Recommended: Homeowner's insurance (full replacement), umbrella ($1-2M), life insurance for income earners Umbrella policy protects assets beyond home policy limits

8. Process of identifying financial risks and selecting appropriate coverage to protect finances and family.

9. Life, health, property (home/auto), disability, long-term care, umbrella/liability.

10. Life changes (marriage, kids, job, home purchase, retirement) mean coverage needs change.