

Insurance

What is insurance?

Insurance is a way of protecting against the risk of something happening that might end up costing you money. There are many different types of insurance. To have insurance cover you take out a **policy** (an agreement with an insurance company) and pay a **premium** (an amount of money). If something is lost, stolen or damaged you can make a **claim** where the insurance company will pay you for financial loss, this can include the cost of replacement, repair or expensive bills.

Some of the main insurances include:

Buildings insurance – This covers damage to a property (usual for people taking out a mortgage to have this as it protects the building society or bank lending the money if anything happens to the property).

Extended warranty – Most appliances come with a promise that they will be fixed or replaced if they break within a year. You usually have the option of paying for an 'extended warranty', which covers the product for a longer period of time.

Health insurance – This covers the cost of private medical treatment (not on the National Health Service).

Homecare insurance – This covers the cost of some services you might need at home e.g. unblocking drains, servicing central heating, breakdown of electrical appliances, internal plumbing, etc.

Home contents insurance – This covers theft of or accidental damage to the furnishings, appliances, clothing and other items in a home.

Life insurance – This pays a person's family an amount of money if he or she becomes critically ill or dies.

Motor insurance – This is for cars, vans and other vehicles and protects motorists if they cause injury to themselves, their passengers or other drivers; if their vehicle is stolen or damaged; and if they damage other vehicles.

Pet insurance – This covers expensive vet bills if a pet is sick or injured.

Travel insurance – This usually protects people from unexpected costs they may have while traveling, e.g. medical expenses, holidays being cancelled, or baggage / possessions / travellers' cheques being stolen, lost or damaged.



DISCUSSION

Discuss the reasons why people might take out insurance. Which type of insurance might people take out if they were worried about the costs if:

- their dog became ill
- a fire damaged their house
- they lost their suitcase on holiday
- their television broke down in three years time
- they damaged someone else's car while driving
- their television was stolen?

Activity

When deciding whether or not to take out insurance, people weigh up the likelihood of the expensive event happening. Research the types of annual costs for insurances and what the replacement or cost of the loss, etc would be. Discuss the likelihood of each of the above and whether or not insurance would be worthwhile in each case.