

# RISK MANAGEMENT: SELECTING INSURANCE

Everyone desires the peace of mind that comes from knowing their financial situation and assets are protected from serious harm and loss. Make sure you have the insurance coverage needed for your specific situation by following the steps given.



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## STEP ONE:

### Evaluate sources of financial risk and possible options for protection.

Start by thinking about the types of financial losses you might experience. Next, look at the options available to reduce the impact of those losses. Potential financial risks fall under several categories: illness and accident, legal liability, death and property loss. Begin by identifying sources or exposure of risk. Evaluate the potential and severity of the

loss and then think through ways to handle it if the loss occurs. For example, you could avoid the risk, reduce the risk or transfer the risk by purchasing insurance. Your personal risk management plan will grow out of your personal situation such as your job, size of household, income and savings, as well as life events.

## STEP THREE:

### Choose policies that insure against the risk and loss in the most affordable way.

Easy and practical ways to save money on insurance:

- Consider the company's reputation and financial soundness.
- Find out if the company will offer discounts the more policies you have with them.
- Install safety equipment to reduce insurance cost.
- Find out if you can receive a reduced cost as a loyal, longstanding customer.
- Weigh the cost of a larger deductible compared to the cost of the policy.
- Keep in mind that you need to plan for this larger deductible as part of your saving plan.
- Maintain a healthy lifestyle.
- Look into discounts on insurance offered by association and credit unions where you are a member.
- Read the insurance policy to make sure you understand what is covered if a loss occurs.

## STEP TWO:

### Select the types of insurances you identified as needed.

Several types of insurances are available to protect families against events that potentially threaten financial well-being:

- Auto
- Disability
- Health
- Homeowner's/renter's
- Liability
- Life

All insurances have one major purpose in common – to protect the policyholders against major financial losses that could wipe out a family's assets. Many insurance policies cover more than one risk. For example, auto and homeowner's insurances



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have some liability coverage. Health insurance may have disability coverage.

Identify the insurance requirements and laws in your state and compare the insurance options available in your community and workplace.

To learn more, visit [msue.msu.edu/managingfarmstress](https://msue.msu.edu/managingfarmstress).

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## TIPS

- Purchase insurance to cover situations and losses that could threaten your family's financial well-being.
- Do not buy insurance for items you can afford to pay for out of pocket.
- Read insurance policies carefully and know the coverages that you are buying.
- When possible, take advantage of insurance options available through your employer or group affiliate.
- Review your insurance coverage periodically and update as necessary.
- Understand the consequences of late or nonpayment of premiums.
- If choices are necessary, cover the risks most likely to damage your financial well-being.

Insurance is one of the basic elements in a solid family financial foundation.

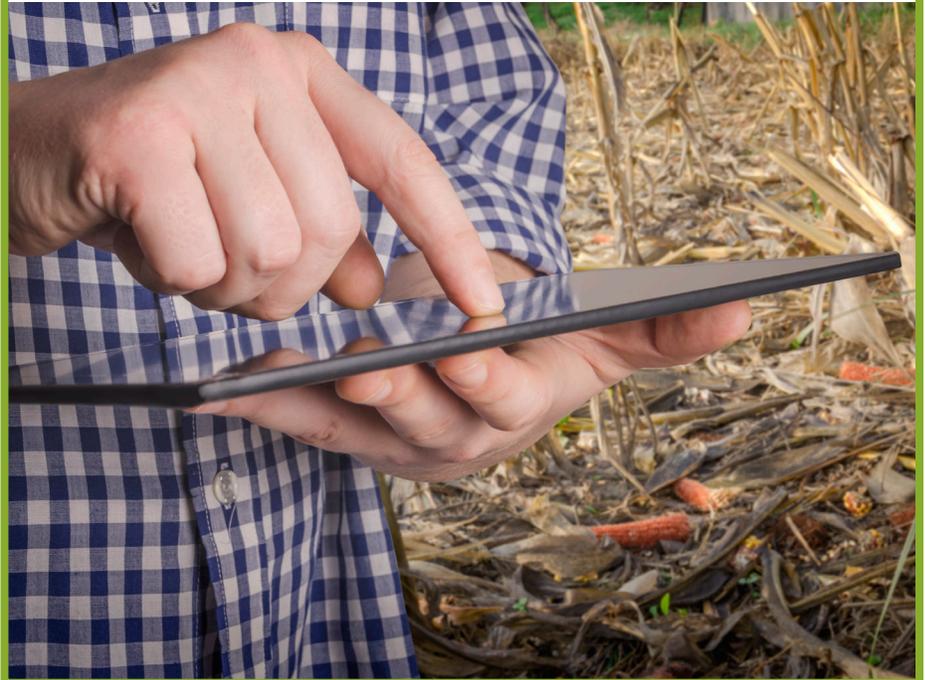
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## RECOMMENDED RESOURCES

- Consumer Financial Protection Bureau: <https://www.consumerfinance.gov/>
- Federal Trade Commission: <https://www.ftc.gov/>
- Michigan Department of Insurance and Financial Services: <https://www.michigan.gov/difs/>

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Author: Terry Clark-Jones, Michigan State University Senior Extension Educator



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