



MANAGING RISK

A Guide to Insurance

A Brief History of Insurance

We tend to regard insurance as a modern cost of everyday life — and it is. But insurance is as old as trade itself, going back centuries.

The idea of managing risk was not unknown to ancient civilizations, with the hazards of potential loss even more distinct dangerous than we can imagine today.

But what we know as insurance today — a monolithic industry that manages the potential risks of living and business — sprung from 17th century England. The United States was, in fact, late to the business because the many risks of insurance were too great. When it did arrive, according to the website Investopedia, its first major supporter was none other than Benjamin Franklin.

BENJAMIN FRANKLIN: INSURANCE LEGEND

Thanks to Franklin's innovative spirit, the founding father launched the first mutual fire insurance company in America and set standards for insurance models to come. His Philadelphia Contributionship for the Insurance of Houses from Loss by Fire, started in 1752, protected homeowners during an era when many homes were made entirely of wood and open flame was the lighting standard.

Because Franklin recognized these hazards, the criteria used by the company in its decisions to provide insurance were the foundation for future building codes and zoning laws. As American cities grew and houses edged closer together, the importance



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of developing standards to ensure homes were as fire-proof as possible became the benchmark for issuing

insurance policies against loss.

Franklin also founded the first life insurance company in 1759, a prod-

uct that was challenged and criticized vigorously at the time for placing a monetary value on human life. But the benefits it offered soon outweighed religious concerns and the practice soon became standard.

MODERN INSURANCE

As the United States evolved, new risks created the need for new types of insurance. Business insurance became necessary with the rise of industry while the invention of automobiles gave birth to policies protecting drivers from theft and accidents. With the advent of Social Security, the government became an insurer itself by offering unemployment and retirement benefits.

But because insurers also grew wealthy from premiums, the industry was rife with fraud and the need for regulation became apparent to protect people from unfair practices. The government recognized the need for regulation and standards. After World War II, Congress created the McCarran-Ferguson Act, to turn over regulation to the states, where it remains today.

The explosion of economic opportunity in the post-war years provided equal opportunity for the creation of the insurance giants we know today. But as insurance became more affordable, it also developed complexities that mirror societal issues which still plague it today.

The rise of the internet have given more people more access to insurance than ever before.

And while the debate over private versus government-controlled health insurance continues today, the benefits of all kinds of insurance — from health to home, life, work and auto — remain an important safeguard to life's risks.

Protecting Yourself Online

Data breaches, mining and tracking, identity theft and privacy concerns have led Americans to reconsider their online presence and what they can do to limit themselves from exposure to fraud.

Protection from potential losses based on your online activity is difficult and may have more to do with your own efforts to clamp down on how much information you share. But that hasn't stopped the insurance industry from spawning new policies. Here's what's available.

IDENTIFY THEFT

Consumers today readily and easily share their most vital and personal information online, perhaps coaxed into a false sense of security from past transactions and the promises of vendors. But a history of data breaches and identify theft has led many to consider insurance policies to protect themselves should their credit card information fall into the wrong hands.

While most major insurers offer inexpensive identity-theft protection through add-ons to homeowners or renters policies, according to Consumer Reports that insurance often duplicates what



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most credit card companies and banks already offer.

Still many feel more secure with some sort of policy. Most range between \$20-\$50 per year and cover losses up to \$25,000, according to the consumer magazine. The policies normally also include assistance handling the aftermath of a theft. Before you buy, CR recommends you know what's included in the policy.

PERSONAL CYBER INSURANCE

Cyber insurance has long been a fixture in the business world, but not so much on an individual level. That's changing.

Big insurers have begun rolling out personal cyber insurance designed to prevent attacks as well as paying for them afterwards, according to a review one such policy in Computerworld maga-

zine.

It cites AIG's Family CyberEdge, an endorsement to a homeowners policy that covers extortion, data restoration, crisis management and cyber bullying.

Premiums begin at around \$600 per year for \$50,000 worth of coverage up to a maximum of \$250,000 of coverage for an annual fee of around \$1,700.

The FBI's Internet Crime

Complaint Center received almost 300,000 individual complaints of cyber-crimes, with a total estimated cost of \$1.3 billion in 2016 — and average of \$4,000 per cyber-crime, according to the credit advisory service ValuePenguin.

With the amount of devices in a typical home and the amount of shared on them, personal cyber insurance can be a good investment.

Do You Need Travel Insurance?

While experts agree that most travel insurance is unnecessary when traveling inside the United States, there are times when travel insurance makes sense.

When traveling domestically, cancellation policies won't help you arrive at your destination any faster and if you have health insurance you're already covered for medical emergencies. And most credit card companies offer travel insurance as a perk.

In a recent article on the subject on CNBC's website, travel experts advised against purchasing policies for most domestic travel. The average all-in-one policy costs \$164 — a significant amount for the traveler on a budget.

Spend some time investigating what travel carriers already offer that's included with your ticket and know your rights.

For significant delays or losses, airlines will normally offer compensation equal to most basic policies.

When you do decide the protection is worth it, take advantage of comprehensive policies that cover lost bags, missed connection reimbursements and refunds if you're sick or can't travel, plus medical expenses, dental



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emergencies and other situations.

Travel experts do advise purchasing policies for the following trips:

International travel:

Because of the expense and the longer time spent traveling overseas, comprehensive travel insurance can be valuable — especially when paying so much money so far in advance for a trip.

International medical help: If something goes

wrong in a faraway place, the site advises, medical help may not be easy to come by. And while most medical insurance pays for reasonable costs abroad, the extra insurance can defray out-of-pocket expenses.

Cruises: Because cruises typically encompass the major risks associated with travel, the site recommends a comprehensive policy to protect your investment. Emergencies aboard ships

can be much more costly than those on shore.

Of course, any vacation is an investment, so experts on the site advise some common sense: If your travel involves significant amounts of money or risks, say travel to remote or politically unstable areas, the extra assurance is worth it. But on short, reasonably inexpensive trips to major cities or across country, the policy is probably not worth it.

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The Value of Renters Insurance

One of the most neglected and rejected insurance policies is among the most valuable: renters insurance.

While many landlords and property management firms require it, some do not. If not, it's still recommended. After all, you're protecting your assets from theft or loss and liability for any damage done to your rental home.

Of course, insurance agencies are pro-renters insurance — but they're correct to do so, say many insurance policy experts. Here's why.

It's affordable: Most policies offer comprehensive coverage for relatively inexpensive annual premiums, around \$16 a month on average, according to the financial advisory website ValuePenguin. Most cover personal property damage, personal liability, additional living expenses and medical expenses, benefits that far outweighs the cost.

It cover unexpected expenses: Whether you have enough savings to cover virtually any imaginable loss or you're on a tight budget, rental insurance generally covers you far beyond the price of your premium when the unexpected occurs.

It goes beyond your personal belongings: While landlords maintain insurance policies that cover the dwellings they rent, they don't generally cover the items included inside, such as appliances or furnishings. The liability coverage can also cover any medical or legal expenses.

It's eligible for discounts: Most insurers will offer discounts for rental insurance if you bundle it with an existing package or policy, according to U.S. News & World Report. On average, policies can decrease by 5 to 10 percent.

If you live in an area of the country that's prone to natural disasters — wildfires, hurricanes or tornadoes, for example — the coverage is worth the peace of mind alone.

There's little reason not to get it, advises Consumer Reports. For the price of a few lattes a month or just one delivery pizza, renters can comprehensively cover their belongings and themselves should disaster, theft or liability raise its ugly head.



Surviving a Medical Crisis

Hopefully, you'll never need it — the rationale for almost every insurance policy — but consider that one big health emergency can not only fundamentally change your life physically but also financially.

According to the financial website Investopedia, most presume their health insurance will cover them in the event of a medical crisis — and that may be true. But the high cost of life-threatening illnesses and extended care are probably more than any plan would provide.

Critical illness policies were first introduced in 1996 and cover the tremendous expense involved with such medical emergencies as heart attacks, strokes, organ transplants, cancer and coronary bypass.

Most people can't imagine suffering any of these illnesses in their youth, but there exists the possibility for each to strike at any age. More concerned are older Americans who, on average, are living longer than at any time in history.

There are also benefits associated with critical illness insurance.

Many employers offer the



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policy as a voluntary benefit, recognizing that workers worry about out-of-pocket expenses with high-deductible plans.

The policies are a bargain through employers. Some plans cost as little as \$25 per month, which has the appeal of having a low-deductible policy for much less.

Bundling it with a life insurance policy can result in extra

savings.

The benefit, usually paid in a lump sum, can be used for more than medical treatment: living expenses, transportation and even recuperative vacations are all included in the value.

Of course when purchasing any policy, buyers should read the fine print. Because of the nature of critical illnesses, policies tend to be very spe-

cific in coverage, and restrictions abound. Seniors should be especially aware of the details, the site advises, as there may be limits to payouts.

Experts advise considering other additional policies such as disability insurance, health savings accounts or flexible spending accounts. Each of these can provide extra money for expenses incurred

to illness, especially if the illness triggers an extended period of recovery away from work.

Critical illness policies, however, can reduce financial anxiety and the lessen the stress associated with life-threatening illnesses, but there are drawbacks. Experts advise shopping around and identifying a policy that best meets your needs.



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Caring for the Family Pet

Americans love their pets and consider them important and equal members of their families. We all know someone who refers to their pet or pets as their “children.”

So it’s not surprising that owners choose to cover their pets from health emergencies just as they would themselves.

According to the National American Pet Health Insurance Association, more than 1.6 million of the estimated

179 million pets in America are covered by some form of insurance valued at \$774 million. Pet policies, like people policies, come in a wide variety of coverage that provide benefits for a range of care and illnesses and the associated treatment and recovery costs.

Besides the obvious medical benefits, pet insurance offers owners an emotional comfort that is worth the expense to many. Here’s some things to consider when choosing pet insurance.

Consult your veterinarian: No one is more qualified to advise you on the types of illnesses your pet may confront as it ages. Besides random accidents, pets are prone to certain diseases

and hereditary conditions based on their breed.

Cost of coverage: Unlike people policies, most pet policies require you to pay bills upfront and wait for reimbursement, according to Consumer Reports. Costs will vary based on breed, age and the increasing cost of veterinary care. Most policies exclude pre-existing conditions.

Types of policies: Plans vary, but most insurers cover accidents, illness and routine care, ranging in price from almost \$300 for cats to \$500 for dogs per year. Accident-only policies represent a significant savings, averaging half the price of the accident-illness policies.

Providers: Pet insurance is a specific industry with specific providers, such as the ASPCA and companies such as Healthy Paws and Trupanion and almost a dozen others. Most cover only cats and dogs, but one, Nationwide, also insures birds, rabbits, snakes, turtles and other animals, according to NAPHA. Visit their website for more information.

Alternatives: Keeping your pet healthy with preventative care and medication available at pet supply stores will help spare you medical expenses. You can also create a pet health savings account that can offset emergency care and more expensive illnesses.



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Insurance by the Numbers

Insurance in America is a costly and politically divisive subject.

Each year, health care costs rise, forcing many to choose between living expenses and medical care. Some, generally the young and healthy, choose to gamble with health

care, selecting high-deductible, limited-care plans, or none at all.

While the Affordable Care Act introduced coverage to a large segment of the population who had not previously been insured and offered such popular options as pre-existing conditions and substance abuse treatment, the reforms have been blunted by prevailing political winds.

Here's a statistical look at the state of Americans and insurance compiled during the 2017 National Health Interview Survey conducted by the Centers for Disease Control and Prevention.

UNINSURED

Number of persons under age 65 uninsured: 28.9 million
 Percent of persons under age 65 uninsured: 10.7%

Percent of children under age 18 uninsured: 5.0%
 Percent of adults aged 18-64 uninsured: 12.8%

PRIVATE INSURANCE

Percent of persons under age 65 with private insurance: 65.4%
 Percent of children under age 18 with private insurance: 55.0%
 Percent of adults aged

18-64 with private insurance: 69.3%

PUBLIC INSURANCE

Percent of persons under age 65 with public insurance: 25.3%
 Percent of children under age 18 with public insurance: 41.3%
 Percent of adults aged 18-64 with public insurance: 19.3%