

Understanding Insurance — Workbook

This workbook turns the course into a personal insurance audit. You will list every policy you hold, run each risk through the insure-the-catastrophe grid, size your life and disability needs, compare health and property options on the numbers that matter, and end with a written plan to drop wasteful coverage and fix real gaps. Work one section per module, and use the templates to keep your policies, costs, and renewal dates in one place.

How Insurance Actually Works

Inventory what you pay for now and sort every risk into transfer, reduce, or self-insure.

Worksheet: Current Policy Inventory

List every insurance policy you currently pay for. For each, pull the premium, deductible, key limit, and renewal date from the declarations page. This is your starting picture before you decide what to change. Policy type (life, health, disability, home, renters, auto, other)

Insurer and policy number

Annual premium

Deductible

Main coverage limit (for example dwelling, liability, or death benefit)

Renewal or expiry date

Exercise: Run the Insure-the-Catastrophe Test

For each risk you face, decide whether a loss would be catastrophic or merely annoying. Catastrophic losses you cannot self-fund belong on insurance; small ones belong in your emergency fund.

- Which losses would you be unable to pay for out of savings without serious hardship?

- Which losses could you comfortably absorb from your emergency fund today?

- Looking at your inventory, are you paying premiums on any small, affordable risks you could self-insure instead?

Worksheet: Risk Grid Sorter

Plot your real exposures by likelihood and severity, then assign each one an action. This points you to where your insurance dollars should and should not go.

Low likelihood, high severity (transfer with insurance): list them

High likelihood, low severity (self-insure): list them

High likelihood, high severity (reduce, then insure): list them and the reduction step

Add-ons you now plan to cancel (extended warranties, credit insurance, duplicate rental coverage)

Checklist: Module 1 Completion Checklist

- Listed every policy with its premium, deductible, limit, and renewal date
- Identified which losses are catastrophic versus absorbable for my household
- Sorted each risk into transfer, self-insure, or reduce-then-insure
- Flagged at least one add-on or small-loss policy to cancel
- Confirmed I understand premium, deductible, limit, and exclusion for each policy

Life and Disability Insurance

Decide whether you need life insurance, size it honestly, choose term, and protect your income.

Exercise: Do You Even Need Life Insurance

Be honest about who depends on your income. If no one would suffer financially without you, you may not need life insurance at all. If people do depend on you, move to the sizing worksheet.

- Who relies on your income today, and what would change financially for them if you were gone?

- Do you have a mortgage, co-signed debt, or dependents that would create a financial gap?

- Does a stay-at-home parent in your household provide childcare or labor that would cost money to replace?

Worksheet: DIME Life Insurance Calculator

Add Debt, Income, Mortgage, and Education, then subtract existing savings and any coverage you already have. The result is your target death benefit. Cross-check it against ten to fifteen times your income.

D: total debts excluding the mortgage

I: annual income times years of support needed

M: remaining mortgage balance

E: estimated future education costs for your children

Minus existing savings and current life insurance

Target coverage amount (DIME total), and the 10-15x income cross-check

Worksheet: Income Protection Check

Disability is more likely during your working years than premature death. Map what would happen to your income if you could not work, and what coverage you already have.

Monthly take-home pay you would need to replace

Long-term disability coverage your employer already provides, and whether benefits would be taxable

Elimination period your emergency fund can bridge (for example 90 days)

Gap between essential expenses and any coverage you have, to fill with a private policy

Checklist: Life and Disability Checklist

- Decided whether anyone depends on my income enough to need life insurance
- Calculated a target death benefit using DIME and the income multiple
- Chose term length to match my years of dependency and mortgage
- Got quotes from more than one insurer or a broker for identical coverage
- Checked whether my employer offers long-term disability and what it covers
- Identified any disability income gap to fill with a private policy

Health Insurance

Estimate your real annual cost per plan, match the plan to your usage, and use coverage fully.

Worksheet: Total Annual Cost Comparison

For each plan you are considering, add twelve months of premium to your expected out-of-pocket spending. Compare the totals, not the premiums alone, and note the out-of-pocket maximum as your worst case. Plan name and type (HMO, PPO, EPO, HDHP) and metal tier

Annual premium (monthly premium times 12)

Deductible and out-of-pocket maximum

Expected out-of-pocket spending based on your typical care

Total estimated annual cost (premium plus expected out-of-pocket)

Are your doctors and nearest hospital in network, yes or no

Exercise: Match the Plan to Your Usage

The cheapest plan depends on how much care you expect to use. Estimate your year honestly, then decide whether a low-premium or low-deductible plan wins for you.

- How many doctor visits, prescriptions, or procedures do you realistically expect this year?
 - Do you have a chronic condition, regular medication, or a planned event such as surgery or a baby?
 - Based on your total-cost comparison, does a higher-deductible plan or a richer plan cost you less overall?
 - If you qualify, what marketplace subsidy applies, and how does it change the cheapest plan?
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Worksheet: HSA Opportunity Check

If you choose a qualifying high-deductible plan, a Health Savings Account gives a rare triple tax advantage. Plan whether and how much to contribute.

Is your plan HSA-eligible (a qualifying high-deductible health plan), yes or no

Planned annual HSA contribution (2024 limits: 4,150 individual, 8,300 family)

Amount you can cover toward the deductible if a claim hits before the HSA grows

Decision: use the HSA as a medical buffer, a long-term tax-advantaged account, or both

Checklist: Health Coverage Checklist

- Compared plans on total annual cost, not premium alone
- Confirmed my doctors and hospital are in network
- Found the out-of-pocket maximum on each plan as my worst case
- Matched the plan to my expected care for the year
- Checked HSA eligibility and set a contribution if applicable
- Noted the free preventive services I will actually use

Home, Auto, and Putting It Together

Right-size property and liability limits, compare quotes on identical terms, and plan clean claims.

Worksheet: Home and Auto Limit Audit

Check that your dwelling coverage equals rebuild cost and that your liability limits reflect what you have to lose. Note gaps to fix, especially low liability and excluded perils like flood.

Home dwelling limit versus estimated rebuild cost (not market value)

Belongings coverage: replacement cost or actual cash value

Home and auto liability limits, and whether to raise to 300,000 or 500,000

Excluded perils you are exposed to (flood, earthquake, sewer backup) and how you will cover them

Whether an umbrella policy fits your net worth

Exercise: Should You Still Carry Collision and Comprehensive

Collision and comprehensive only pay up to your car's value. Apply the 10 percent rule to decide whether to keep them on each vehicle, while keeping liability no matter what.

- What is each car's current value, and what do collision plus comprehensive cost per year on it?
 - Does that annual cost exceed about 10 percent of the car's value?
 - If you dropped collision and comprehensive, could your emergency fund replace the car if needed?
 - Are your liability limits high enough regardless of the car's age?
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Worksheet: Apples-to-Apples Quote Comparison

Line up competing quotes on identical limits and deductibles so the prices describe the same protection. Compare coverage type, exclusions, and the insurer's reputation, not just the monthly cost.

Quote A: insurer, limits, deductible, coverage type, annual premium

Quote B: insurer, limits, deductible, coverage type, annual premium

Replacement cost versus actual cash value on each

Each insurer's financial strength rating and complaint record

Decision and the date to re-shop again

Checklist: Property, Auto, and Claims Checklist

- Confirmed dwelling coverage equals rebuild cost
- Set home and auto liability limits to protect my assets
- Identified excluded perils and how I will cover the important ones
- Applied the 10 percent rule to collision and comprehensive on each car
- Compared quotes on identical limits and deductibles
- Built a home inventory and saved it somewhere off-site for claims

Your Action Plan

1. List every policy you pay for with its premium, deductible, limit, and renewal date in one place.
2. Run each risk through the insure-the-catastrophe grid and cancel any add-on or small-loss policy that fails it.
3. Decide whether anyone depends on your income, and if so, calculate a target death benefit with DIME.
4. Buy or right-size a level term life policy to match your years of dependency, and get quotes from several insurers.
5. Check your long-term disability coverage and fill any income-protection gap with a private policy if needed.
6. Compare health plans on total annual cost and the out-of-pocket maximum, and confirm your providers are in network.
7. If you choose a high-deductible health plan, open and fund a Health Savings Account.
8. Audit home and auto: set dwelling coverage to rebuild cost and raise liability limits, adding an umbrella policy if it fits.
9. Apply the 10 percent rule to drop collision and comprehensive on any car too old to justify them, while keeping liability.
10. Re-shop home and auto on identical limits every one to two years, and keep an up-to-date home inventory for claims.

