

 **BUILDING BLOCKS STUDENT WORKSHEET**

# Understanding how insurance works: A case study about Omar

It's helpful to understand how insurance can protect you from risks and the financial burdens that can come with these risks.

## Instructions

- 1 Review the "What is insurance?" handout, if needed.
- 2 Read Omar's case study to understand the insurance choices he's made.
- 3 Review Omar's life in the year following his insurance decisions.
- 4 Summarize the costs of Omar's insurance decisions and reflect on which type(s) of insurance may be most important for a young person.
- 5 Answer the "Consider insurance in your life" questions on your own.
- 6 Write an email from Omar's perspective offering advice to a younger cousin about how insurance works and how to make thoughtful insurance choices.

## TIP

---

It's helpful to know that people get insurance not only to help with risks from unexpected events but also to help pay for routine things, such as annual medical checkups and dental visits.

## Omar's case study\*

Omar is starting out on his own in Philadelphia, Pennsylvania, and he wants to be responsible. He has a steady job with benefits, a studio apartment, and a used car his uncle gave him. He wears contact lenses. He understands that insurance may help minimize some financial risks, but he can't afford to purchase every policy he wants within his budget. He has determined that he can spend up to \$2,150 per year on premiums. After doing some careful research to figure out which choices would be best for him at this point in his life, here's what Omar decided.



<p><b>Medical insurance - In place</b></p> <p><i>Through his employer, Omar pays a premium of \$103 per month.</i></p> <p>\$30 copay for doctor visits</p> <p>\$10 copay for prescriptions</p> <p>\$0 copay for annual physical</p> <p>\$50 copay for emergency room visits</p> <p>Omar pays 20% of the cost of medical procedures.</p>	<p><b>Dental insurance - Declined</b></p> <p><i>Through his employer, Omar would have paid a premium of \$27 per month.</i></p> <p>Omar brushes and flosses every day, so he felt like he could do without this insurance for a couple of years.</p>	<p><b>Vision insurance - In place</b></p> <p><i>Through his employer, Omar pays a premium of \$2 per month.</i></p> <p>\$30 copay for eye doctor visits</p> <p>\$10 copay for prescriptions</p> <p>\$0 copay for annual eye exam</p>
<p><b>Renter's insurance - Declined</b></p> <p><i>Omar would have paid a premium of \$16 per month.</i></p> <p>Omar feels that he doesn't have much valuable stuff, so he doesn't get renter's insurance.</p>	<p><b>Disability insurance - In place</b></p> <p>Paid for by Omar's employer. He doesn't have to pay a premium, deductible, or copay for this policy.</p>	<p><b>Auto insurance - In place</b></p> <p><i>Omar pays an annual premium of \$889.</i></p> <p>This type of insurance is required by law. Omar pays a \$300 deductible for claims (including coverage for glass replacement and towing).</p>

*\* Note that the premiums used in this case study represent national averages and are not broken out by age, location, or other key details. Premium costs will vary based on many factors, including state requirements. While the premiums in this activity are based on national averages, they are intended to be used as examples only.*

## Life happens

The table below details specific things that happened to Omar during the year.

Month	What happened?	Which insurance would cover this?	Did Omar have coverage?	How much will Omar have to pay? (If he has insurance, what is his copay or deductible?)
January	Omar got sick and visited the doctor. Without insurance, the appointment cost \$120 and the antibiotics cost \$110.		<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
March	Omar slipped on the sidewalk while carrying groceries and had to get stitches in the emergency room. Without insurance, the visit cost \$250.		<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
July	A kitchen fire in the apartment next door caused the sprinkler system to activate in Omar's apartment as well. His couch, his bed, his television, and his bookcase were ruined. The cost of the damage was \$2,500. His neighbor didn't have insurance.		<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
October	Omar's car was damaged by a hit-and-run driver while it was parked on the street. The damage to his car cost \$3,400.		<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
November	While Omar was jogging through Fairmount Park, wind blew dirt in his eye. He went to the eye doctor when his eye became red and swollen; the doctor prescribed eye drops. Without insurance, the appointment cost \$150 and the eye drops cost \$90.		<input type="checkbox"/> Yes <input type="checkbox"/> No	\$

## Summarize the costs

Based on the insurance coverage Omar had in place, how much did he have to spend himself? How much more would it have been if he didn't have any insurance (including copays, deductibles, and premiums)?

## Consider insurance in your life

Life is full of surprises. Insurance is there to assist with the cost of certain expenses. What types of unexpected events (illness, accident, surgery, natural disaster, dental emergency, etc.) have happened to you or to your family or friends in the past year that may have caused a financial burden? Which types of insurance coverage would be most helpful to protect people in these instances?

## Omar gives advice

Imagine that Omar's cousin is getting ready to graduate and start their first job in a new town. After meeting with their new employer, they've asked Omar for advice on whether or not insurance is worth the cost. Write a response as if you're Omar, giving general advice about the important role insurance can have in a person's financial life. Include at least two examples from Omar's experiences.