

**Each Package contains:**  
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28096

Evaluate and select insurance product types in relation to events for personal finances

Level	2
Credits	3
Version	1



# STUDENT WORKBOOK

NAME:

TEACHER:

# Outcomes and evidence requirements

## Outcome 1

Evaluate and select insurance product types in relation to events for personal finances.

### Range:

- **insurance product types** include – income protection, personal liability, travel, house, vehicle, contents, mortgage or loan repayment, health, life;
- events may include – flatting, travel, loss of income, serious accident, serious illness, loss of or damage to tangible assets, death;
- evidence relating to **four different events** is required.

## Evidence requirements

1.1 Insurance product types are described and their advantages and disadvantages are compared in terms of being appropriate to the event.

1.2 Preferred insurance product option is selected in terms of its suitability to the event.

## Award of Grades:

### Achieved, Merit, or Excellence

This unit standard can be awarded with *Achieved, Merit, or Excellence*.

For the *Achieved* grade to be awarded, the outcome must be achieved as specified in the outcome statement.

For *Merit* or *Excellence* to be awarded, the candidate must meet the *Merit* or *Excellence* criteria specified below.

### Criteria for Merit

The evaluation includes a detailed comparison of the advantages and disadvantages of the described product types and gives reasons why the selected options are appropriate to the events.

### Criteria for Excellence

The evaluation includes a comprehensive comparison of the advantages and disadvantages of the described product types and a justification for selection of preferred insurance product options in terms of their suitability to the events.

# Types of Insurance



1. personal liability



2. travel



3. house



4. contents



5. vehicle



6. mortgage or loan repayment



7. health



8. life



9. income protection

## Choosing an insurance company

Ask three or four insurance companies:

- What will the premium be for the type of insurance I want?
- Can I pay my premium monthly? Will it cost more than paying once a year?
- What excess will I pay?
- When won't the insurance company pay out on a claim?
- Who will be covered for vehicle insurance (just the owner or all the drivers?)
- What do I get on top of the basic cover? (Ask, "What extensions to the basic cover are there?")
- When do I lose my insurance cover?

# Types of Insurance:

## Travel Insurance



While overseas travel can be an exciting prospect, there can be situations where things may go wrong, and travellers could find themselves faced with a medical emergency, or finding the funds to replace lost luggage, or having to make an urgent trip home.

Travel insurance will normally provide the following protection:

- Cancellation and loss of deposits
- Medical treatment costs
- Costs for returning home in certain emergencies
- Loss of luggage and personal items
- Personal liability, excluding deliberate acts and use of motor vehicles.

### Travel insurance tips

- Purchase insurance before you leave home. It's unlikely you'll get insurance if you have already left the country.
- If you require cancellation cover, you need to purchase your travel insurance when you book and pay for your tickets.
- Keep the details of your insurance emergency assistance provider with you when travelling. In the event of an emergency you may need to contact them for emergency medical treatment or advice on other travel emergencies.
- Your travel insurance policy will have some exclusions. General travel insurance policies won't cover loss of personal items which are left unattended, or the insolvency of a service provider such as an airline. Your policy may not cover you for losses due to acts of terrorism.
- Declare any pre-existing medical conditions, not only for yourself, but close relatives back home.

- Winter sports. Skiing or snowboarding activities need to be advised to your insurer when taking out insurance as some policies may not cover you for this.
- Hazardous pursuits such as scuba diving, bungee-jumping, hang-gliding, water skiing and motorcycling may not normally be covered, however, you should discuss this with your insurer when purchasing the insurance policy.
- Motor vehicle liability (and damage to the hire car). It is most important that you purchase comprehensive Motor Insurance for the rental car from the rental car company in the country where you are hiring the car. Most travel insurance policies do not provide liability cover for the renting of a vehicle in another country. You should check with your insurer that cover is available for any excess or deductible that may apply to the insurance you purchase with the rental car company.
- High valued items. Advise your insurer that you are going to be taking or purchasing high valued items, for example cameras and jewellery, on your holiday.
- High risk countries. Talk to your insurer about your intention to travel to countries that may have a high-risk travel advisory status. Some of these countries may have security and health issues. To obtain an up to date status report see the Ministry of Foreign Affairs and Trade safe travel website: [www.safetravel.govt.nz](http://www.safetravel.govt.nz) (source: ICNZ)

## Tasks:

1. When should you take out travel insurance? Why?
  
2. If you're worried you might have to cancel your trip when should you take out cancellation insurance? Why?
  
3. Describe three exclusions that may be included in a travel insurance policy.
  - a.
  - b.
  - c.
  
4. Explain why it's important to disclose to your insurer any pre-existing medical conditions or the activities you'll be participating in during your holiday.

When you hire a car during your travels what is it important that you take out? Why?

6. Visit the [www.safetravel.govt.nz](http://www.safetravel.govt.nz) website and investigate three countries that are presently a high risk for New Zealanders to travel to.
  - a.
  - b.
  - c.

# Types of Insurance:

## Motor Insurance



You can insure your car against the accidental loss or damage to up to its market value or a value agreed with your insurer. Motor vehicle insurance can also cover you against any damage you might cause to someone else's car or property.

### Introduction

Motor vehicle insurance can cover you against accidental loss of, or damage to, your motor vehicle, up to either its:

**Market Value** – what your vehicle is worth just before the damage occurs.

**Agreed Value** – where you and your insurance company agree on the value of the car at the beginning of the contract and at each renewal.

Motor vehicle insurance can also cover you against any damage you might cause to someone else's car or property.

The two most important things to remember about motor vehicle insurance are:

- You are only covered up to the limit stated in your policy, and
- Your contract obliges you to take reasonable care to avoid accidents and theft.

## Types of policies

There are three types of policy:

### Third Party Property Damage

- This only covers you against the damage you cause to someone else's vehicle and/or property. It is the least expensive type of car insurance.

### Third Party, Fire and Theft

- This covers damage caused by fire and theft to your vehicle as well as Third Party Property Damage.

### Comprehensive

- This covers you against accidental loss of, or damage to, your motor vehicle. It also covers you for any damage to other people's vehicles or property, whether it was your fault or someone else's, and for other costs such as salvaging your car from the accident scene and towing it to a repairer.
- As well as the standard policy, companies offer a wide variety of options and benefits. Generally, the more extensive the cover, the more expensive the policy.

## Insuring your motor vehicle

When insuring your motor vehicle it is important that you disclose all information that may affect the acceptance of the insurance.

This is regardless of whether or not a specific question is asked.

In addition to disclosing all previous losses and criminal convictions, it is likely your insurer will also want to know who is going to drive your motor vehicle and if you or the other drivers have had any accidents or traffic convictions, and whether your vehicle has been modified.

## Deregistration of structurally damaged uninsured third party vehicles

Insurance companies would not wish to risk their reputations and public safety by settling an uninsured third party claim, **without deregistering** the third party vehicle if that vehicle has been structurally damaged.

The insurance company is going to insist that before they settle a claim with an uninsured third party, that the structurally damaged vehicle is deregistered.

### Tips for insuring your motor vehicle

At the time you insure your car you need to take note of how to stay within the terms of the agreement with your insurance company.

- An agreement to insure will carry conditions and obligations both for you, the car owner, and for your insurer.
- Learn some tips about how to stay within the terms of your agreement [here](#)

## Tasks:

<http://icnz.org.nz/for-consumers/motor-insurance/>

1. If you have had an accident involving another vehicle where you are 'at fault' and uninsured, what should you do?
2. What items are "accessories" in a motor vehicle policy?
3. When could my insurance company use drivers' licensing exclusions?
4. If someone hits my car and they are not insured, who pays? Why?
5. Explain the difference between Third Party and Comprehensive car insurance.
6. What would be the best car insurance for an 18 year old with a Subaru valued at \$1,000 and why?
7. What would be the best car insurance for a 40 year old with a Toyota valued at \$30,000 and why?

# Types of Insurance:

## House Insurance



House insurance is designed to protect your most valuable asset – your house.

There are three types of cover available:

- **Total replacement** (no sum insured). This means that if your house is destroyed, the insurance company will rebuild the house and pay all the fees (ie. architect, site clearance fees) involved in the process. This type of insurance policy is usually only available for houses that are owner-occupied, in good condition or under a certain age.
- **Fixed sum insured** (replacement). This means you and your insurance company agree on the sum insured, and the company will rebuild your house up to that limit if it is totally destroyed.
- **Indemnity policies** (present day value) This is what the house was worth just before a loss. It is roughly equivalent to the market value of the house (excluding the land).

## Tasks:

1. Go to the need2know website and make a list of 20 things you need to know about your house before you can insure it. <http://need2know.org.nz/whats-happening/whats-happening/>

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Visit: [http://need2know.org.nz/pdfs/need2know\\_fags.pdf](http://need2know.org.nz/pdfs/need2know_fags.pdf) and answer the following questions.