



YOUR INSURANCE NEEDS

TRAINING TECHNIQUES

MODULE DESCRIPTION

Your Insurance Needs is a 60-90 minute interactive program suitable for all audiences, designed to develop knowledge and skills that will enable participants to make informed consumer decisions on the basic types of insurance, and to determine their personal need for life insurance.

Due to the complexity of the subject matter and a requirement for the presenter to possess sufficient background knowledge to field questions, the Training Techniques component provides more detail than required for presentation. Be prepared to provide local phone numbers for the appropriate sources of help and to provide information on relevant state automobile coverage requirements. Review the content module before presentation and be sure to update any amounts that have changed since June 2007.

This module has two parts. The first follows the handout, “Life-Cycle Approach to Insurance Needs”, walking participants through various life-cycle events and their impact on insurance needs. The handout reviews most major types of insurance. The goal of this approach is to help participants to understand that insurance is purchased to meet a need, and the need is usually the result of some type of life-cycle event (marriage, birth, death, retirement, etc.).

The second part of the module zeros in on life insurance, explaining the major types of life insurance and walking participants through the comprehensive “Life Insurance Needs Calculator” available at www.insurance.va.gov.

LEARNING OBJECTIVES

At the conclusion of this program, participants will be able to:

- Explain how the need for insurance is determined by life events.
- Identify the primary purpose of insurance.
- Explain the need for replacement cost coverage for property insurance.
- Define the four elements of automobile insurance.

- Identify death benefits available to families of military personnel, to include SGLI, DIC, SBP and veteran benefits.
- Demonstrate how to determine life insurance needs using the Life Insurance Needs Calculator provided by the VA.

■ REFERENCES

- SECNAVINST 1754.1, Fleet and Family Support Center Program.
- OPNAV Instruction 1740.5B, Personal Financial Management Education, Training and Counseling Program, May 2007.
- Command Financial Specialist Instructor Guide, NAVPERS 15608D (or later).
- Dept. of Defense. February 2007. *A Survivor's Guide to Benefits*.
- Garman, E. T. and R.E. Forgue, 1997. *Personal Finance*. New York: Houghton Mifflin Company.
- Pike, R. and C. Busse, 1995. *101 Games for Trainers*. Minneapolis, MN: Lakewood Books.
- Vaughn, E. and T. Vaughn. 2003. *Fundamentals of Risk and Insurance. 9th ed.* Hoboken, NJ: John Wiley and Sons, Inc.
- Graves, E., Editor. *McGill's Life Insurance, 6th ed.* Bryn Mawr, PA: The American College Press.
- www.ambest.com (A.M. Best Company)
- www.annualcreditreport.com (Site for free annual credit report)
- www.ssa.gov (Social Security Administration)
- www.lifelines.navy.mil (Lifelines Services Network)
- www.consumerworld.org (Consumer World - insurance section)
- www.insurancefraud.org (Coalition Against Insurance Fraud)
- www.iii.org (Insurance Information Institute)
- www.insweb.com (InsWeb.com – Learning Center)
- www.tricare.mil (Tricare, Military Health System)
- www.defenselink.mil (OSD - Military Compensation)

- www.ffsp.navy.mil (Fleet and Family Support Program)
- www.insurance.va.gov (Department of Veterans Affairs - VA Insurance Home Page)
- www.ltcfeds.com (Federal Long Term Care Insurance Program)
- www.cem.va.gov (National Cemetery Administration)

MODULE PREPARATION

Handouts:

- Life-Cycle Approach to Insurance Needs
- Shopping Tips for Insurance
- Your Insurance Needs: Organizing Your Records

Materials (varies depending on activities chosen):

- Life Insurance Needs Calculator
- Case Study: AT1 George Flier
- Summary of Assets and Financial Obligations for AT1 George Flier
- Life Insurance Needs Calculator for AT1 George Flier
- Survivor Benefits – Fact or Fiction
- Whiteboard, Chalkboard, or Newsprint Paper
- Markers or Chalk
- Internet connection preferred but not strictly required
- Soft Koosh ball or other item to pass in class
- Survivor Benefits – Fact or Fiction Game

SUMMARY OF OPTIONAL PARTICIPANT ACTIVITIES

- **Life-Cycle Approach:** An interactive approach to content which highlights the fact that it is the life-cycle event that determines the need to make an insurance purchase. The bulk of course content can be taught

using this activity.

- **Survivor Benefits ~ Fact or Fiction:** Use this activity in lieu of just reviewing the information from the slide. It is a review of survivor benefits using a handout or a pre-programmed PowerPoint game.
- **The Life Insurance Needs Calculator:** An interactive approach to using a life insurance needs calculator using a case study.
- **Ball Toss True or False:** A quick interactive method of reviewing course material by passing a ball or other item to participants and having the recipient answer a review question.

■ CURRICULUM OUTLINE

1. Welcome and Introduction (5 minutes)
 - a. Purpose of Insurance
 - b. Risk
 - c. Optional Participant Activity: The Life-Cycle Approach to Insurance Needs
2. The Life Cycle Approach to Insurance Needs (45 minutes)
 - a. Single in Quarters
 - b. Moving Off-Base
 - c. Buying a Car
 - d. Getting Married
 - e. Having Children
 - f. Buying a Home
 - g. Increasing Assets
 - h. Divorce
 - i. Retirement/Separation
 - j. Death
 - i. Optional Participant Activity: Survivor Benefits – Fact or Fiction?

3. Shopping Tips for Insurance (5 minutes)
4. Optional Participant Activity: The Life Insurance Needs Calculator (20 minutes)
5. Focus on Life Insurance (10 minutes)
 - a. How much and what type?
 - b. Term Insurance
 - c. Permanent Insurance
 - d. Whole Life
 - e. Universal Life
 - f. Variable Universal Life
 - g. Comparison of Term and Permanent Insurance
6. Common Mistakes in Buying Life Insurance (1 minute)
7. Organizing Your Records (1 minute)
8. Summary and Conclusion (1–10 minutes)
 - a. Optional Participant Activity: Ball Toss True or False

■ INSTRUCTOR TECHNIQUES BY SLIDE NUMBER

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Optional Participant Activity: Life-Cycle Approach to Insurance Needs

Time: 45 minutes

Materials:

- Life-Cycle Approach to Insurance Needs Handout
- Large newsprint paper and markers

Instructors have several options in presenting the majority of the information in this module. It can be presented as a straight lecture using the PowerPoint slides, by reviewing the handout as a large group, or by having small groups brainstorm insurance needs based on the life-cycle and then

reviewing as a group, providing the handout after the activity.

Large Group Method: Distribute the handout and allow the class to answer the questions as to what new insurance need(s) arise as a result of each life-cycle event. As each type of insurance coverage is reviewed, the instructor can ask the class if they know how the insurance works. The instructor should be prepared to discuss the basic use and workings of each type of insurance as it arises. Alternatively, the instructor can record the life event on the board and the insurance needs associated with it as the class responds to the life-cycle event. Consider using stick drawings to represent each life event and record the insurance need next to the drawing. When all the events have been covered conduct a “silent review” of the material by flipping through the PowerPoint slides. Ask participants to silently read the slides as a review.

Small Group Method: Divide the class into ten small groups. Assign each group a stage of life from the “Life-Cycle Approach” handout but do not distribute the handout. Have each group brainstorm insurance needs for their stage in the life-cycle, taking into consideration the prior stage in the cycle. Ask for a member of each group to report and record the responses on the board or a sheet of newsprint. After completing all ten life events, provide the handout to the participants and congratulate them on their ideas. You can also conduct a “silent review” using the PowerPoint slides once the group work is done.

PowerPoint method: Slides 3-15 follow the handout and provide greater detail on the insurance need for each life event. The presentation can be done as a straight lecture using the slides along with the handout.



SGLI/FSGLI premiums can be updated at www.insurance.va.gov SGLI. FSGLI is discussed further under Slide 9.



Research the state requirements for auto insurance per person, per accident, property damage and medical payments and provide that information here. Refer participants to a “Car Buying Strategies” class at the FFSP if they are thinking of purchasing a car.

Additional Instructor Information on FSGLI. You should be familiar with this information in case questions come up during the presentation.

Cost: The monthly premiums for coverage for a spouse are based on his or her age and amount of coverage. This is not the least expensive term insurance available, but it is the easiest. SGLI coverage for children is free. Coverage will continue, at no extra cost to you, for 120 days following your separation from service. You will pay no premiums for your children, since coverage for them is free.

Termination: Coverage for your spouse will end 120 days after any of the following events:

- The date you elect in writing to terminate your spouse's coverage.
- The date you elect in writing to terminate your own coverage.
- The date of your death.
- The date your coverage terminates.
- The date of your divorce.

However, your spouse can convert his or her coverage to a permanent policy with a commercial company.

Coverage for your children ends 120 days after any of the following events:

- The date you elect in writing to terminate your coverage.
- The date you separate from service.
- The date of your death.
- The date your child is no longer your dependent.

Beneficiary: The beneficiary of the spouse and the child coverage will be the member. If the member were to die before payment could be made, the proceeds of a spouse or child claim would be paid to the member's beneficiary.

**Current Spousal Premium Rates
(Effective July 1, 2006)**

| Amount of Insurance | Age of Spouse | | | | | | |
|---------------------|---------------|--------|--------|---------|---------|---------|-----------|
| | Under 35 | 35-39 | 40-44 | 45-49 | 50-54 | 55-59 | 60 & Over |
| \$100,000 | \$5.50 | \$7.00 | \$9.00 | \$14.00 | \$27.00 | \$40.00 | \$52.00 |
| \$90,000 | \$4.95 | \$6.30 | \$8.10 | \$12.60 | \$24.30 | \$36.00 | \$46.80 |
| \$80,000 | \$4.40 | \$5.60 | \$7.20 | \$11.20 | \$21.60 | \$32.00 | \$41.60 |
| \$70,000 | \$3.85 | \$4.90 | \$6.30 | \$9.80 | \$18.90 | \$28.00 | \$36.40 |
| \$60,000 | \$3.30 | \$4.20 | \$5.40 | \$8.40 | \$16.20 | \$24.00 | \$31.20 |
| \$50,000 | \$2.75 | \$3.50 | \$4.50 | \$7.00 | \$13.50 | \$20.00 | \$26.00 |
| \$40,000 | \$2.20 | \$2.80 | \$3.60 | \$5.60 | \$10.80 | \$16.00 | \$20.80 |
| \$30,000 | \$1.65 | \$2.10 | \$2.70 | \$4.20 | \$8.10 | \$12.00 | \$15.60 |
| \$20,000 | \$1.10 | \$1.40 | \$1.80 | \$2.80 | \$5.40 | \$8.00 | \$10.40 |
| \$10,000 | \$0.55 | \$0.70 | \$0.90 | \$1.40 | \$2.70 | \$4.00 | \$5.20 |

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A full discussion about Long Term Care Insurance is beyond the scope of this presentation. However, recommend that interested parties contact the LTC program for details at www.ltcfeds.com or 1-800-582-3337.

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Before showing this slide, you may want to conduct the Optional Participant Activity for a change of pace. Otherwise, the slide contains information on these benefits.

Update all survivor benefit amounts prior to presenting this slide. The Department of Veterans Affairs handles DIC and many other Survivor Benefits Programs. Rates can be researched at www.va.gov. For more information on SBP refer to the OSD Military Compensation website

www.defenselink.mil/militarypay. Update VA educational benefits at www.gibill.va.gov.

Optional Participant Activity: Survivor Benefits, Fact or Fiction?

Time: 10 minutes

Preparation: The material for this activity can be presented using the pre-programmed PowerPoint game package or conducted manually using the “Survivor Benefits, Fact or Fiction” handout.

Procedure:

The pre-programmed PowerPoint game is Tic-Tac-Toe. Divide the class into two teams, X’s and O’s. The team will provide the response as either fact or fiction in answer to each question. Detailed explanation of the correct responses follows.

Alternatively, distribute the handout and either complete it as a large group or have participants complete it independently and then review as a class.

Answers:

1. An immediate gratuity will be paid to my survivors, usually within 36 hours.

FACT: This is called the “Death Gratuity”

2. SGLI will be paid to my spouse or next-of-kin immediately upon confirmation of my death.

FICTION: The death benefit of any insurance policy will be paid to whomever you have listed as your beneficiary. It is not controlled by your will. Keep this information current if you marry or divorce.

3. Any unused leave or arrears in pay is lost at the time of my death.

FICTION: Payment is made to survivors for all the member’s unused accrued leave and any arrears in pay (for example, you die on the 10th, you are due pay from the 1st to the 10th).

4. My spouse and any children will receive monthly compensation from the government.

FACT: This is called Dependency and Indemnity Compensation (DIC) and is a truly great benefit!

5. Social Security provides survivors benefits to both my spouse and/or my children.

FACT: Social Security provides a \$225 payment and if the surviving spouse has children 18 or under, the family will be eligible for one or more monthly checks from social security.

6. Paying for my funeral is the responsibility of my family. The government does not provide any financial assistance in this area.

FICTION: The government will reimburse up to \$6,900 of expenses for the member's burial. They will provide up to \$2,000 if the remains are not recoverable. For retirees, this changes to \$300 toward burial and funeral expenses and \$300 toward plot interment, or \$2,000 if the veteran's death is service-connected.

7. My family must vacate housing or will lose BAH within 180 days of my death.

FICTION: Survivors are provided rent-free government housing or retain BAH for 365 days.

8. My family will be provided a no-cost final move.

FACT: Survivors are also entitled to a transportation, per diem, and shipment of household goods.

9. The government will provide a flag, headstone, and a burial spot in a national cemetery.

FACT: This benefit is provided through the Department of Veterans Affairs.

10. My survivors are guaranteed acceptance at any college which receives federal funds.

FICTION: Guaranteed college acceptance is not an educational benefit provided to survivors.

11. My family will be provided transportation to and from my funeral.

FACT: The government will provide travel for next-of-kin under invitational travel orders.

12. My children will receive free childcare at on base Child Development Centers while my spouse attends college courses.

FICTION: No such care is guaranteed.

13. My dependents will lose their commissary and exchange privileges at the end of one year.

FICTION: Surviving spouses and dependents are eligible to shop at military facilities and retain that privilege until the spouse remarries or children are no longer qualified as dependents.

14. VA provides a survivors' and dependent's education assistance program that provides monthly payments for college enrollment.

FACT: This is called Survivors' and Dependents' Education Assistance (SDEA)

15. The Survivors Benefit Program will pay my spouse or children a portion of my monthly retirement pay.

FACT: Active Duty members are covered by SBP at no cost until retirement.

16. A surviving spouse gets both SBP and DIC.

FACT: However, the SBP amount is offset by the DIC amount.

17. Retirees survivors get the same survivor benefits as active duty survivors.

FICTION: The benefits for the survivors of retirees are dramatically different from the benefits for survivors of active duty. Go to the VA website for specific information.

18. A surviving spouse continues to receive all survivor benefits, even upon remarriage.

FICTION: Many of the benefits a surviving spouse receives stop upon remarriage. DIC, for example, ceases for the spouse if he or she gets remarried prior to age 57. NEX and Commissary privileges cease upon remarriage as well.



If at all possible, save enough time to conduct the case study showing participants how the VA's Life Insurance Needs Calculator works. If an internet connection is unavailable, you can conduct the exercise manually with the handouts, or, if time is short, simply let participants know that there is an excellent calculator available at the VA website and encourage them to try it in the near future.

Optional Participant Activity: Life Insurance Needs Calculator

Time: 20 minutes

Materials:

- Internet hookup
- Instructor notes below

Handouts:

- Life Insurance Needs Calculator Case Study: AT1 George Flyer
- Life Insurance Needs Calculator (if no classroom internet available.)

Procedure: Choose your presentation method below.

Internet Method: Ideally an internet hookup is available in the classroom so you can give a live demonstration of the calculator. Go to www.insurance.va.gov. Click on the SGLI/VGLI section at the left, click

on the Insurance Needs Calculator, click on Use the Life Insurance Needs Calculator. Use the AT1 George Flier case study to explain the use of the calculator and determine this hypothetical service member's life insurance needs. Once you have calculated the need, click on the view summary link to show the "Total Needs" information at the bottom. You will find it helpful to have the completed printouts available. Be sure to practice with the calculator before presenting this workshop. Note that using the numbers in the case study the results show that AT1 Flier currently has adequate coverage.

Handout method: Provide each participant with the blank "Life Insurance Needs Calculator" and "Case Study" handouts. Have each participant determine the life insurance needs of AT1 George Flier. Participants can work individually, in groups, or the exercise can be done as a whole group. Write on the board the Total Financial Obligations, Total Income Needed, Total Assets and Your Insurance Needs figures from the Instructor Guide.

Discussion: Explain that the easiest way to know how much life insurance to purchase is to conduct a needs assessment. There are many life insurance needs calculators and the VA provides one specifically for military members. By looking at your family's financial needs, your own assets that can be used to provide for them, and any gap that may exist between the two, you will zero in on the amount of additional insurance you need. When all existing benefits are taken into account, you may decide that you have little or no need for additional life insurance. Once you know how much you need, you then need to find the right product to meet that need. That will be discussed after looking at the Calculator. Encourage all participants to spend some time in the near future putting their personal information into the calculator and assessing their own need for additional life insurance coverage.

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Additional information is provided below for questions that may arise during the discussion of life insurance.

1. Features to consider:

When shopping for new insurance, or when considering replacing an existing policy, you must compare the various features and costs involved to determine which policy best meets your needs at the cost you can afford.

- The first feature to consider is face amount—the amount of cov-

erage you need. If, for example, your needs are for \$250,000 of coverage, you cannot compromise on that amount. To do so would be to put your family's financial future at risk. Once you have determined the face amount, you can then determine which policy is the best value, both now and in the future.

- Any insurance policy worthy of consideration must have a guarantee of renewability through the entire period when the protection will be needed. If, for example, you reasonably foresee a need for insurance until you are sixty-five years old, you should consider only those policies that guarantee protection through that age.
- As an active duty military member, you should ensure that any policy you purchase contains no war clause (excluding coverage due to combat or any combat related activity). Many companies have suspended or eliminated war clauses. Ask for a specimen policy to review. Don't go based solely on someone's word.
- Check for other possible limitations on coverage that may apply to you. Check the financial strength of the company. Past failures of some large insurers make it essential to check the financial stability of the company from which you plan to purchase a policy. Rating agencies such as A.M. Best, Standard and Poor's, Moody's, and Weiss rate insurance company strength. A++, AAA, and Aaa are the highest ratings for safety. While these ratings vary and are somewhat complicated, a good general guideline might be to use extreme caution when dealing with a company that has a letter less than "A" in its ratings.
- Finally, cost. Cost comparisons between cash value policies are often difficult. If you are considering a cash value policy, use caution when you analyze illustrations. Be sure to compare the return on the policy with a similar investment type you could purchase outside of the policy. The projected rate of return should be reasonable considering current market conditions. Check carefully both guaranteed and projected dollar figures on any illustration. The predicted cash value build-up within an insurance policy may not be based on any historical or factual data. In addition, commissions take a larger bite out of the cash value in the early years (as much as 100% of premiums in year one), thus reducing the amount of money working for you.
- An excellent way to compare policies and research costs, particularly for term insurance, is to use the internet price comparison resources. Double check your findings. Consumer

or financial publications can often provide valuable insurance information. *Consumer Reports Magazine*, for example, periodically publishes an extensive series of articles dealing with life insurance. This includes comparative ratings for sample policies from many companies. Several quote services are available that provide low cost insurance, particularly term insurance. The internet offers numerous opportunities for comparing life insurance quotes. Active duty service members should also check with Navy Mutual Aid Association for an additional comparison. (The association is non-profit and has no sales agents.)

2. Should You Replace Your Old Policy?

WARNING!! Emphasize that participants should not cancel an existing policy until they have done a thorough needs assessment and spoken with a qualified life insurance or financial planning professional. Put any new policy in place before canceling an old one.

In general, you may consider replacing an old policy if:

- You are healthy (insurable).
- You can significantly lower your cost per \$1,000 of coverage.
- You currently hold several policies. (Each policy typically has an annual administrative fee of \$25-\$50. For someone with five different policies, that could be as much as \$250 a year that could better be applied toward the premiums of just one policy.)
- Your current policies are based on old mortality tables. Life expectancy is increasing; therefore the cost per \$1,000 of insurance protection for any age group is going down. Depending on how old your policies are, the difference between the older rates and the current rates can be significant.

Do not replace an existing policy if:

- Your health has declined to the point where it would adversely affect the cost of the premiums.
- Your costs per \$1,000 of coverage will not decrease.
- You don't plan on saving the difference between the old and new premiums.
- You don't think you can handle the pressure that your old agent might put on you to keep the existing policy. (Since most insurance

commissions are paid in the first year, there will seldom be pressure not to replace a policy over one year old. Even if there is, that should not influence your decision.)

- Also remember that canceling any existing cash value policy in the early years will usually result in the loss of the cash value. Even an attractive cash value policy must generally be held 20 years or more in order to receive a good rate of return.

3. Factors Affecting Life Insurance Costs:

- Age. The possibility of death increases each year as you grow older; therefore the “risk” being assumed by the insurance company is greater. The cost of the “insurance” portion of any policy will increase with age.
- Gender. For any age, women have a longer life expectancy than men; therefore their insurance costs are less.
- Occupation. The cost of life insurance can increase dramatically for those in “high risk” jobs such as demolition specialists, race drivers, or scuba divers. People with dangerous hobbies can also be affected the same way.
- Health. Your state of health determines not only your costs, but in some instances will determine if you are even insurable! Those with chronic health problems will face higher insurance premiums.
- Lifestyle. Certain lifestyle choices can affect insurance premiums. For example, smokers will pay almost twice as much for life insurance as a non-smoker of the same age. Most insurance companies consider you to be a smoker if you have used tobacco in any form at any time in the previous twelve months. Once a smoker quits, the rate for insurance will normally be reduced to the non-smoker rates after twelve or more months.

4. Selecting an agent.

Interview a number of agents that specialize in the type of insurance you need. The person that handles your auto and homeowner’s insurance may not be the best person for life or disability insurance advice. Make sure they are operating with your best interests in mind. Credentials such as CFP® (Certified Financial Planner®), CLU (Chartered Life Underwriter) or ChFC (Chartered Financial Consultant) are designations to look for as all

call for considerable study and continuing education requirements. All persons using these designations sign an ethical agreement.

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Optional Participant Activity: Ball Toss True or False

Time: 3-5 minutes

Preparation: Any soft ball, stuffed animal, even a large wad of paper will work.

Procedure: Ask the class to stand and form a circle. Ask the first question below and then toss the ball to a participant for the answer. If they do not know, they can pass it to another participant. Once any discussion about the question has been completed, ask the next question and allow the ball to be tossed to someone new. Continue on in this manner until the review is complete.

1. Whole Life insurance is the only type of life insurance you'll ever need.
FALSE: It depends on your personal financial situation and usually term is less expensive.
2. You should insure against large losses and take care of the small losses yourself.
TRUE: You cannot insure against all risk. Don't be "insurance poor".
3. Since I carry the maximum, I have \$400,000 in cash-value in my SGLI.
FALSE: SGLI is term insurance and so has no cash-value.
4. You should match your insurance product with the type of need you have.
TRUE: Use term for needs with a discrete end, and use permanent or whole life for perpetual needs.
5. Term insurance is more costly than whole life in the early years.
FALSE: Whole life is more expensive in the early years.

6. Any permanent product makes an excellent addition to your other investments because of the growth of cash value.

FALSE: Although cash value may grow, life insurance shouldn't be purchased as a type of investment.

7. The insurance salesman will tell me how much life insurance I need to buy.

TRUE: Any salesman will be happy to tell you how much you need to buy. However, you can figure it out yourself and that is the better route.

8. A great way to reduce the cost of insurance is to reduce the deductible.

FALSE: Increase the deductible to reduce cost. However, make sure you don't increase it so much that you can't afford to pay it!

9. You can get either DIC or DEA, but not both.

FALSE: In most cases you are entitled to both.

10. You can get either SGLI or the Death Gratuity, but not both.

FALSE: You get both.

11. Renter's Insurance is a waste of money.

FALSE: It may be the best money you've spent in a while! Of course, if you have absolutely nothing to insure, then it is a waste.

12. Bonus: What does "SBP" stand for?

Survivor Benefit Plan.