



Name _____ Date _____

BUILDING WEALTH PROTECT YOUR WEALTH

DIRECTIONS: Read "[Building Wealth](#)", pages 25–28, and answer the following questions.

1. Why do people buy insurance?
2. What is the purpose of automobile liability insurance? Is it optional?
3. If you live in a flood plain, will a standard homeowner's policy cover flood damage?
4. Why should renters purchase their own insurance?
5. What reasons are there for having medical insurance?
6. What is disability insurance?
7. What is the purpose of life insurance?
8. Why might a younger person buy long-term-care insurance?

BUILDING WEALTH – PROTECTING WEALTH

KEY

1. Why do people buy insurance?

People buy insurance to protect themselves from major financial loss.

2. What is the purpose of automobile liability insurance?

Automobile liability insurance covers injury to other people or damage to their property.

Is it optional?

State law requires such insurance.

3. If you live in a flood plain, will a standard homeowner's policy cover flood damage?

A standard homeowner's insurance policy will usually not cover flood damage.

4. Why should renters purchase their own insurance?

Renters' possessions are not covered by a landlord's insurance.

5. What reasons are there for having medical insurance?

A lack of medical insurance can result in a lot of debt if you have a serious illness or accident.

6. What is disability insurance?

Disability insurance helps pay for living expenses, if a person is sick, injured, or unable to work for a long time.

7. What is the purpose of life insurance?

Life insurance pays money to a "beneficiary"—usually a spouse, children, or family member—when the insured person dies. It can serve to protect young families.

8. Why might a younger person buy long-term-care insurance?

A young person might choose to buy long-term-care insurance because the premiums are usually less expensive, if the policy is bought while a person is still young.