

Handout

Protecting against risk through insurance

Note: We recommend that you read “Protecting against risk through insurance” before completing the tasks in this handout.

Read through the following case studies and indicate which type of insurance should be taken out to protect against the risk described. Explain your answer.

Case study	Type of insurance	Explanation
1. Maria (30 years old) is a single young woman who has just bought an apartment. As a homeowner, she wants to protect herself against unforeseen events such as fire damage or break-ins.	Home insurance	Maria should take out home insurance to protect her apartment and her furnishings against the potential damages listed.
2. Martha (42 years old) is the mother of two school-age children. As the family’s main breadwinner, she worries about her family’s financial security in the event of her death.	(Pure) life insurance	Martha could take out (pure) life insurance, thus ensuring her family’s material/financial security should she become unable to work, get sick or even pass away.
3. Anna (23 years old) is a young professional who has just bought a car to commute to work. She wants to make sure that her vehicle is protected in the best possible way against incidents such as theft or accidents.	(Fully) comprehensive insurance	Anna should take out (fully) comprehensive insurance which would cover (any) damage to her vehicle. (Note: As a vehicle owner, Anna is required by law to at least take out motor vehicle liability insurance. However, this type of insurance does not cover damage to her own vehicle).

<p>4. Franziska (27 years old) is a keen skier. One day, she got into a skiing accident when she collided with another skier, who was injured. Both were responsible for the accident. Since Franziska was partially at fault, she had to pay compensation to the other skier for the injury suffered.</p>	<p>Personal liability insurance</p>	<p>Franziska should consider taking out personal liability insurance to protect herself against the financial consequences that could arise if she unintentionally causes damage to other people while skiing. This type of insurance offers protection against claims for damages that may result from a skiing accident, for example.</p>
<p>5. Leopold and Lena (both 40 years old) live in an area prone to flooding. They have taken measures to protect their home from flooding but are still dreading water damage.</p>	<p>Homeowners insurance</p>	<p>Leopold and Lena should take out homeowners insurance which offers comprehensive protection for their home. Depending on the terms and conditions specified in the insurance contract, coverage might also include damage caused by natural events such as flooding.</p>
<p>6. Thomas (36 years old) is a single father of a one-year-old son. In his free time, he enjoys rock climbing in the high mountains. Since he is the only breadwinner, he worries about what would happen if he were temporarily unable to work as a result of a climbing accident.</p>	<p>Personal accident insurance</p>	<p>Thomas could take out personal accident insurance to guard against the financial consequences of leisure accidents.</p>
<p>7. Franz is worried that an ongoing dispute with a neighbor might escalate in the future. Time and again, his neighbor has been giving the impression of wanting to take legal action against Franz.</p>	<p>Legal expenses insurance</p>	<p>Franz could take out legal expenses insurance now to prepare for the worst case. This way he could make sure that any court costs he might incur will be covered.</p>