



Te whai hua - kia ora!

**sorted**  
*in Schools*

US 28096 (version 4)

**Keeping ourselves covered**

Explain insurance products as financial risk management strategies for personal finances

LEVEL

**2**

CREDITS

**3**

THEMES

Insurance

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come with insurance



# Nau mai haere mai!

## Welcome to the Keeping Ourselves Covered module.

This module provides an opportunity for you to explain insurance products, as well as the consequences of not disclosing important information to insurance companies.

You will be assessed on how well you:

- explain insurance product types in terms of their purpose, features and suitability to personal circumstances insurance product types may include but are not limited to – life, disability and health (medical) insurance, trauma (also called critical illness), income protection and mortgage protection insurance, travel, house, motor vehicle, house contents; four insurance products are explained.
- justify how disclosure and its related consequences can impact insurance products as financial risk management strategies on personal finances
- explain the components of an insurance policy in terms of their impact on personal finances, components of an insurance policy may include but are not limited to – excess, premium, sum insured, claims process, coverage, exclusions; four components are explained.
- explain the consequences of non-disclosure in terms of their impact on policy coverage and claims
- describe how the components of an insurance policy impact on personal finances.

Evidence/Judgements for Achievement	Evidence/Judgements for Achievement with Merit	Evidence/Judgements for Achievement with Excellence
<p>You need to:</p> <ul style="list-style-type: none"> <li>• explain FOUR insurance products in terms of their <ul style="list-style-type: none"> <li>- purpose</li> <li>- features and</li> <li>- suitability to personal circumstances.</li> </ul> </li> </ul> <p>Insurance product types may include but are not limited to</p> <ul style="list-style-type: none"> <li>• life,</li> <li>• disability and health (medical) insurance,</li> <li>• trauma (also called critical illness),</li> <li>• income protection,</li> <li>• mortgage protection insurance,</li> <li>• travel,</li> <li>• house,</li> <li>• motor vehicle,</li> <li>• house contents.</li> </ul> <ul style="list-style-type: none"> <li>• explain FOUR components of an insurance policy in terms of their impact</li> </ul>	<p>As well as meeting the requirements for Achievement, you need to:</p> <ul style="list-style-type: none"> <li>• include a description of how the components of an insurance policy impact on personal finances.</li> </ul>	<p>As well as meeting the requirements for Merit, you need to:</p> <ul style="list-style-type: none"> <li>• justify how disclosure and its related consequences impact on personal finances.</li> </ul>

on personal finances.

Components of an insurance policy may include but are not limited to

- excess,
- premium.
- sum insured,
- claims process,
- coverage,
- exclusions.

The consequences of non-disclosure are explained in terms of impact on policy coverage and claims.

### Potential link to NCEA Level 2 Achievement Standards

You may be able to use your knowledge, content, and modified work in this module and assessment task as evidence towards the following Achievement Standards:

- **AS 90846** Conduct market research for a new or existing product.
- **AS 91101** Produce a selection of crafted and controlled writing
- **AS 91102** Construct and deliver a crafted and controlled oral text
- **AS 91103** Create a crafted and controlled visual and verbal text.

Discuss this possibility with your teacher.

This module is about insurance, which is a way to cover the financial impacts of potential future events. It includes information about different insurance policies, what you need to do when you make a claim and the consequences of not being completely open or honest when it comes to insurance.

In this module you will explore:

- **Topic One: Types of insurance**
  - the purpose and features of seven types of insurance; the suitability of types of insurance for different circumstances
- **Topic Two: Insurance policies**
  - key components of insurance policies, including: premiums; making a claim; excess; risks covered; replacement versus indemnity; exclusions.
- **Topic Three: The responsibilities that come with insurance**
  - the duty of disclosure; the consequences of non-disclosure.



## Resources

There are lots of useful resources for exploring insurance options.

Sorted in Schools resources that have particular relevance to this module are:

- Insurance Sorted booklet
- Insurance PowerPoint
- Insurance infographic.

You can find these resources on the **student activities** page of the Sorted in Schools website by clicking on Theme and selecting **Insurance** from the dropdown menu.



Be sure to watch the fun, informative video that accompanies this module

### Keeping Ourselves Covered Video



Other useful tools and websites include:

- [Sorted.org.nz guide to protecting wealth](#)
- [Sorted.org.nz cover your people, money, stuff](#)
- [Insurance Council of New Zealand.](#)

Let's begin to explore ways to keep you, your people, your money and your possessions covered.



# Topic One:

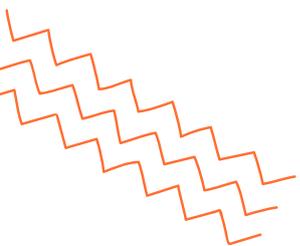
# Types of insurance

## Learning Outcome for Topic One

- ✓ Understand seven types of insurance including their purpose, features and suitability for different circumstances.

## Success criteria

You should complete all activities in this topic. They will help you to meet the assessment requirement of describing four types of insurance in terms of their purpose, features, and suitability to personal circumstances.



## Take a moment to reflect on a life goal you have.

Your goals are part of who you are and are likely to change over your lifetime to reflect your changing interests, dreams, and circumstances. Most goals require action on our part to make them happen, but we can also face obstacles. Insurance is a way to help minimise the impact of unexpected obstacles that might otherwise prevent us from reaching our goals.

## What is insurance?

Insurance is a way of protecting ourselves, and our families, if something unexpected happens to our health, our ability to work or the things we own. Insurance spreads the financial risks of these events over a group so that we don't have to motor vehicularly the full responsibility of covering the costs by ourselves.

The Sorted.org.nz webpage [Cover your people/money/stuff](#) provides an overview of different types of insurance and why they are useful.

When you buy insurance, you pay an amount of money called a premium to an insurance company. You and the insurance company agree on:

- what you want to protect
- what portion you will protect and what portion they will protect (your "excess")
- how much you will pay for the insurance
- how much money the company will give you if something bad happens to you or your property.

Insurable events aren't just things that happen to you, they can include you damaging someone else's property. For example, if you cut down a tree and it lands on your neighbour's car, you are legally responsible for the cost of the repair.

Some types of insurance aren't just about your own financial wellbeing. For example, if you have tamariki, buying life insurance can ensure that their financial needs are met if something happens to you.

Insurance is important when you or your whānau would be badly affected by a loss – even one that is not very likely to happen. Whenever you have a goal, whether it's a personal goal, or a goal that involves your whānau, there is a risk that something will prevent you from reaching it. Insurance helps us to manage this risk. In exchange for a definite loss (the cost of insurance) you are protected from an uncertain but much larger loss.

It's less important to have insurance for losses that you can cope with. If you can't afford for something to happen, you should seriously consider taking out insurance.

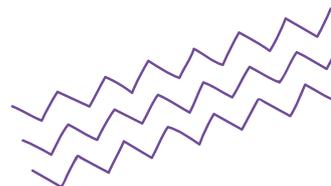


Watch this [Marae video about a mum who lost everything in a house fire](#). Discuss with a classmate the issues and questions about insurance that the video raises.

## Types of insurance

There are lots of different types of insurance. For example:

- **vehicle insurance** can cover the cost of replacing your car if it is stolen, or the cost of repairing someone else's



motor vehicle if you damage it

- **pet insurance** can cover the cost of your cat's hip operation
- **contents insurance** can cover the cost of replacing stolen items, such as your shoes, television or phone.

You can even get insurance in case you accidentally drop an expensive vase in an antique shop.

The things you need to insure change as you grow older.

- Motor vehicle insurance is really important once you start driving. If you hit a BMW even a small dent can cost thousands of dollars to fix. This

can have a dramatic impact on your ability to meet financial goals such as saving or investing.

- If you own a home, you'll need to insure it in case it gets damaged by a fire or an earthquake. Insurance can help you maintain a goal of having a home for you and your whānau to live in.
- If you have a family, life insurance can make sure they are looked after financially when you die. This is important if one of your goals is making sure your loved ones are looked after.

How much insurance we need depends on our own circumstances and attitudes. It's easy to buy too much insurance and it's just as easy not to buy enough. Most of us probably need some kind of insurance, but not



everyone needs every single kind.



Watch the Tia and Hayleigh video on the **student activities** page of the Sorted in Schools website. You can find the video by selecting Insurance from the dropdown menu under Theme.



If you needed to save money, which type of insurance would you prioritise and why?

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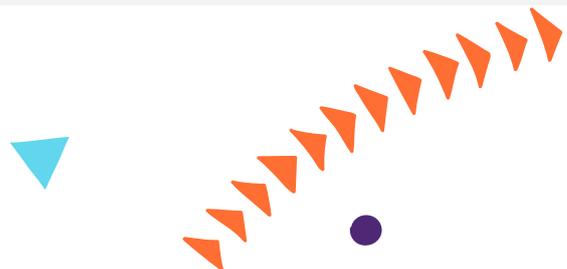
### Assessment tip:



In your assessment, you need to describe seven types of insurance:

- motor vehicle insurance
- travel insurance
- Trauma (critical illness) insurance
- house insurance
- house contents insurance
- income protection and mortgage protection insurance
- disability and health (medical) insurance
- life insurance.

For each type of insurance, you need to explain its purpose, features and suitability for different circumstances.





The following table provides an example of the information you will need to provide for your assessment. Note that pet insurance is **NOT** one of the insurance types you will be assessed on.

<b>Type of insurance:</b> Pet insurance
<b>Purpose:</b> Give a general description of what the insurance cover is for and the unexpected events it protects people from.
If you have a pet such as a cat or a dog, pet insurance can help to cover the medical costs if your pet gets sick or injured.
<b>Features:</b> Provide some specific examples of what the insurance policy includes covers and what levels of cover are available.
<p>A basic pet insurance plan usually just covers cats and dogs. Pet insurance can cover the medical costs of injury, accident or illness. Some insurance policies contribute towards the costs of check-ups and vaccinations as well.</p> <p>Pet insurance can include third party liability for dogs, which means that if your pet hurts someone or another animal the insurance company will contribute to the costs. The insurance payout can be more than a million dollars!</p> <p>You can also get insurance that covers the cost of a horse dying, being stolen or straying. You can choose to include additional cover to cover veterinary fees, permanent loss of use and disposal after death.</p> <p>Some Pet insurance companies give you a discount if you take out insurance for multiple pets.</p> <p>You can't get pet insurance for small pets such as rabbits, rats and birds.</p>

**Suitability to personal circumstances:**

What are the chances of an unexpected event occurring? How do the chances compare with the cost? For example, the chance of a house fire is small, but the costs can be huge.

- What would happen if the unexpected event occurs? For example:
  - How might the event impact on you or your whānau?
  - What costs are involved?
  - Would you have enough money saved to cover the costs of the event?
  - Would you want to use your savings to pay for it?

Not everyone sees pet insurance as a priority so it depends how much spare money you have.

Vet bills can be very large, especially if the pet has a serious injury or illness.

Vets will usually discuss options with pet owners before treating an animal. They may allow their clients to pay a large bill off in instalments which could be a way to manage the financial risk.

Another option is, even if it is emotionally upsetting, to have an animal put down.

The costs of raising a horse can be quite considerable so it may be a good idea to factor in the additional cost of getting insurance.

If you have three or more animals it might be worthwhile exploring whether you can get a special deal.

## Activities

This activity requires you to identify the purpose, features and suitability to personal circumstances of seven types of insurance:

- motor vehicle insurance
- travel insurance
- house insurance
- contents insurance
- income protection
- health insurance
- life insurance.

You can use the information you find as source material in your assessment. Use a separate table for each type of insurance.

Here are some questions that can help you to source the information you will need for your assessment:

### Purpose

- What is the insurance for?  
For example, travel insurance is for travellers and can cover the costs of unexpected or unintended events that impact on travel arrangements.

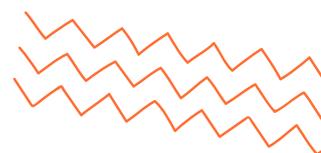
### Features

- What types of things does the insurance cover? Provide specific examples.
- What options are available? For example, what levels of insurance can you take out? Are there ways to reduce the cost of the insurance?

### Suitability for different circumstances

The way you approach this will depend on the type of insurance, but here are some key things to consider:

- What are the chances of an unexpected event occurring? How do the chances compare with the cost? For example, the chance of a house fire is small, but the costs can be huge.
- What would happen if the unexpected event occurs? For example:
  - How might the event impact on you or your whānau?
  - What costs are involved?
  - Would you have enough money saved to cover the costs of the event?
  - Would you want to use your savings to pay for it?



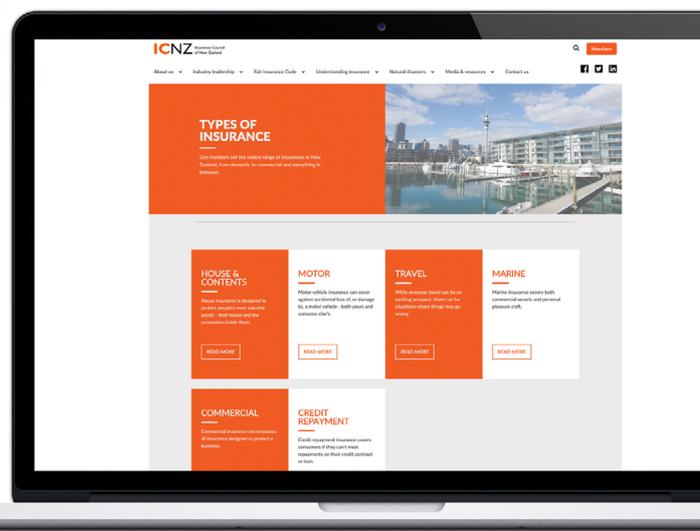
Useful sources of information include:

- The Investment Sorted booklet, which can be downloaded from the **student activities** page of the Sorted in Schools website.
- The **Sorted guide to Types of Insurance**. This guide provides general information about the types of investment and links to additional sources of information.
- Other guides on the Sorted.org.nz website, for example this **Sorted guide to Home insurance**.
- The **Insurance Council of New Zealand** provides information on different types of insurance.
- Insurance companies in Aotearoa New Zealand. You can find these by doing a search such as “income insurance NZ”. You can use these sites to identify features of different types of insurance cover.
- This **Stuff.co.nz article Insurance: What do you really need?** explores the suitability of some types of insurance in terms of people’s personal circumstances.

## Assessment tip:



In your assessment, you need to demonstrate an understanding of the purpose, features and suitability of all four types of insurance covered in this activity.



## Type of insurance: Car insurance

**Purpose:** Give a general description of what the insurance cover is for and the unexpected events it protects people from.

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**Features:** Provide some specific examples of what the insurance policy includes covers and what levels of cover are available.

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### **Suitability to personal circumstances:**

What are the chances of an unexpected event occurring? How do the chances compare with the cost? For example, the chance of a house fire is small, but the costs can be huge.

- What would happen if the unexpected event occurs? For example:
  - How might the event impact on you or your whānau?
  - What costs are involved?
  - Would you have enough money saved to cover the costs of the event?
  - Would you want to use your savings to pay for it?

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## Type of insurance: travel insurance

**Purpose:** Give a general description of what the insurance cover is for and the unexpected events it protects people from.

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**Features:** Provide some specific examples of what the insurance policy includes covers and what levels of cover are available.

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### **Suitability to personal circumstances:**

What are the chances of an unexpected event occurring? How do the chances compare with the cost? For example, the chance of a house fire is small, but the costs can be huge.

- What would happen if the unexpected event occurs? For example:
  - How might the event impact on you or your whānau?
  - What costs are involved?
  - Would you have enough money saved to cover the costs of the event?
  - Would you want to use your savings to pay for it?

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## Type of insurance: house insurance

**Purpose:** Give a general description of what the insurance cover is for and the unexpected events it protects people from.

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**Features:** Provide some specific examples of what the insurance policy includes covers and what levels of cover are available.

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### **Suitability to personal circumstances:**

What are the chances of an unexpected event occurring? How do the chances compare with the cost? For example, the chance of a house fire is small, but the costs can be huge.

- What would happen if the unexpected event occurs? For example:
  - How might the event impact on you or your whānau?
  - What costs are involved?
  - Would you have enough money saved to cover the costs of the event?
  - Would you want to use your savings to pay for it?

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## Type of insurance: contents insurance

**Purpose:** Give a general description of what the insurance cover is for and the unexpected events it protects people from.

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**Features:** Provide some specific examples of what the insurance policy includes covers and what levels of cover are available.

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### **Suitability to personal circumstances:**

What are the chances of an unexpected event occurring? How do the chances compare with the cost? For example, the chance of a house fire is small, but the costs can be huge.

- What would happen if the unexpected event occurs? For example:
  - How might the event impact on you or your whānau?
  - What costs are involved?
  - Would you have enough money saved to cover the costs of the event?
  - Would you want to use your savings to pay for it?

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## Type of insurance: income protection

**Purpose:** Give a general description of what the insurance cover is for and the unexpected events it protects people from.

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**Features:** Provide some specific examples of what the insurance policy includes covers and what levels of cover are available.

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### **Suitability to personal circumstances:**

What are the chances of an unexpected event occurring? How do the chances compare with the cost? For example, the chance of a house fire is small, but the costs can be huge.

- What would happen if the unexpected event occurs? For example:
  - How might the event impact on you or your whānau?
  - What costs are involved?
  - Would you have enough money saved to cover the costs of the event?
  - Would you want to use your savings to pay for it?

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## Type of insurance: health insurance

**Purpose:** Give a general description of what the insurance cover is for and the unexpected events it protects people from.

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**Features:** Provide some specific examples of what the insurance policy includes covers and what levels of cover are available.

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### **Suitability to personal circumstances:**

What are the chances of an unexpected event occurring? How do the chances compare with the cost? For example, the chance of a house fire is small, but the costs can be huge.

- What would happen if the unexpected event occurs? For example:
  - How might the event impact on you or your whānau?
  - What costs are involved?
  - Would you have enough money saved to cover the costs of the event?
  - Would you want to use your savings to pay for it?

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## Type of insurance: life insurance

**Purpose:** Give a general description of what the insurance cover is for and the unexpected events it protects people from.

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**Features:** Provide some specific examples of what the insurance policy includes covers and what levels of cover are available.

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### **Suitability to personal circumstances:**

What are the chances of an unexpected event occurring? How do the chances compare with the cost? For example, the chance of a house fire is small, but the costs can be huge.

- What would happen if the unexpected event occurs? For example:
  - How might the event impact on you or your whānau?
  - What costs are involved?
  - Would you have enough money saved to cover the costs of the event?
  - Would you want to use your savings to pay for it?

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**Before moving on to Topic Two, check that you understand:**

- the purpose, features, and suitability of seven types of insurance

# Topic Two:

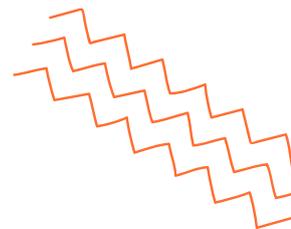
# Insurance policies

## Learning Outcome for Topic Two

- Explain key components of insurance policies.

## Success criteria

You should complete all activities in this topic. They will help you to meet the assessment requirement of explaining the following components of insurance policies: excess, premiums, sum insured, claims process, coverage, and exclusions.



## The focus of this topic is on the components of insurance policies and how they can impact on your personal finances.

An **insurance policy** is a written agreement between you and the insurance company that explains what types of loss or damage the insurer will pay for and under what circumstances. It also explains what they won't pay for and the circumstances that will result in them declining to pay.

An insurance policy is a legal document, so if either you or the insurance company don't meet the requirements of the agreement, the dispute can end up in court.

It's really important to read insurance policies carefully so that you understand what is and isn't covered by the policy. You can always ask the insurer to explain anything that isn't clear.

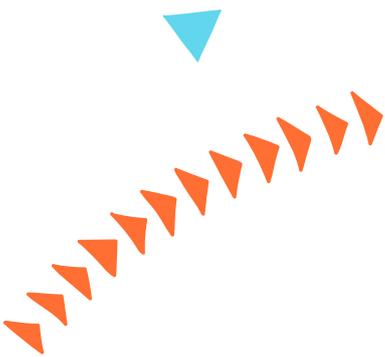
Key components of insurance policies include:

- **premium:** the amount you pay for the insurance policy
- **risks covered:** an outline of what the policy covers
- **replacement versus indemnity:** how much the insurer will pay you
- **exclusions:** an outline of what is not covered by the policy
- **claims process:** what you need to do to make a claim
- **excess:** how much you have to contribute towards a claim for each event that occurs.

Each of these components is explained below.

### Assessment tip:

In your assessment, you'll be given a scenario that involves a person buying insurance and making a claim. You will need to describe four components of insurance policies and how they can impact on your finances. This includes providing specific examples from the scenario that illustrate each component.



## Premiums

### What is a premium?

The **premium** is the amount you pay for the insurance. Insurance companies base their premiums on the probability that they will have to pay out a claim.

### How do premiums impact on your finances?

Premiums impact on your finances because you have to pay them on a regular basis, for example, every month. Premiums usually go up, so the amount you pay for an insurance policy can increase over time. Some people choose not to buy insurance because they feel that they can't afford it. However, not having an insurance policy can be very expensive as well.

There are lots of factors that can affect your premium, including personal circumstances such as your age, health and how much exercise you do. If certain circumstances are statistically shown to increase the risk of an event, the premium will be higher. The way premiums are calculated can change if other circumstances change.

The following two examples are from the **Insurance Council of New Zealand**:



### Example A

*Tahu is a 17-year-old male on a restricted license who has just bought his first motor vehicle. He decides to take out third-party insurance. Third-party motor vehicle insurance covers the costs of damage you do to another person's motor vehicle or property, but not the cost of fixing or replacing your own motor vehicle. Tahu discovers that his insurance is more expensive than his cousin's, who is a few years older. This is because teenagers who haven't been driving for very long are statistically more likely to cause a motor vehicle accident than more experienced drivers. If Tahu doesn't make any insurance claims, then his insurer may decrease his premium each year as he gets older. When he turns 25, provided he hasn't had any accidents, he'll start paying the same premium as other adults in similar circumstances.*

### Example B

*Charlene lives beside a river. Her insurance premiums have gone up significantly over the past ten years. This is because climate change has caused an increase in severe weather events, which can result in flash flooding. Houses beside rivers are, on average, more likely to be affected by flash flooding than those further from bodies of water.*

## Claims process

### What is the process for making a claim?

Asking the insurance company to pay for something that has been lost, damaged or stolen is called making a claim. It's always important to tell your insurer that you want to make a claim as soon as possible after an adverse event. Sometimes you can do this over the phone or online, but you usually have to submit a form and provide supporting documents, for example, a police report.

The insurance company will evaluate your claim and let you know what the outcome is. If your claim is accepted, your insurance company can choose to either pay you a sum of money, or they might repair or replace the item you have claimed for. In Aotearoa New Zealand, over 90 percent of insurance claims are paid, which is a much higher proportion than most people are aware of.<sup>1</sup>

### How making a claim impacts on your personal finances

Having a claim accepted by your insurance company can save you a lot of money because you don't need to cover the full cost of replacing something valuable or paying for damage that you have done to someone else's property.

### Example

*When Willow came home from work, she discovered that her house had been burgled. The thief took her laptop and some stereo equipment. Willow called the police and they gave her a police report for her insurer. When Willow called her insurance company, they asked her to supply receipts to show how much the items were worth. Her insurer is evaluating her claim and, if it is successful, they will give her money to replace her stolen items.*

<sup>1</sup> <https://www.newshub.co.nz/home/money/2019/06/most-new-zealanders-don-t-trust-insurance-companies-survey.html>

## Excess

### What is an excess?

An excess is the amount a person is required to pay towards a claim they make on their insurance policy. Remember that an insurance policy involves spreading the responsibility of risks across a group. If you're prepared to cover some of the costs of an event yourself, the insurance company doesn't have to pay as much, which is why having a high excess can lower the cost of the premium.

This article explains [why insurance customers have to pay excesses](#).

### How can an excess impact on your personal finances?

If you make a claim, the excess is taken off the amount you get from the insurance company. Choosing a high excess can lower the cost of the premium, because the insurer is covering less of the cost. However, you'll have to pay more for each claim.

If the cost of getting something replaced or repaired is close to the cost of the excess, you might choose not to make a claim and cover the cost yourself.

### Example

*Tahu is glad he took out third party motor vehicle insurance – he recently bumped into a car while he was parallel parking. Tahu isn't too worried about the damage to his own car because it's quite old. However, the repair bill for the other motor vehicle was a whopping \$2,000. It didn't look like there had been much damage at the time, but the other car was a BMW and valuable motor vehicles can involve expensive repair costs. Tahu's excess is \$400, so the insurance company will cover \$1,600 of the costs and Tahu has to pay \$400.*



## Coverage

### What are the risks covered?

An insurance policy carefully outlines exactly what risks are covered by the insurance company and how much they will pay you if you make a claim.

### How do the risks covered impact on your finances?

The more things your insurance policy covers, the higher the premium will be. However, the more events and items you are insured for, the less likely it is that you will end up with a large and unexpected cost.

### Example

*Nick is going on his first solo trip overseas. He wants to buy travel insurance but doesn't want to spend too much money. Nick chooses a basic plan and then pays a bit more to have his valuable camera covered as well.*



## Sum insured - replacement versus indemnity

### What is the difference between replacement and indemnity?

Some policies will pay to replace an item that is damaged or stolen, others will only pay for the item's "present value", which is called indemnity.

Replacement is the cost to repair or replace an item in Aotearoa New Zealand that is the same age, quality, capability and in the same general condition.

Indemnity means that the insurer will take into account how old the item is and then subtract a percentage from the cost of replacing it. This takes into account the wear and tear that the item might have had.

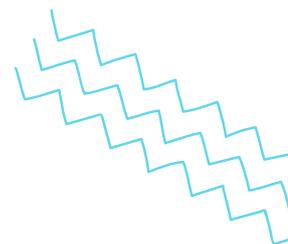
### How can indemnity impact on your finances?

The indemnity value of an insurance claim can be a lot lower than the actual cost of replacing or repairing the item.

If you've insured an item for \$2,000 but its market value is only \$1,500, your insurer will only pay a maximum of \$1,500. If you've insured it for more than it's worth, you might be paying a higher premium than is worthwhile.

### Example

*Motor vehicles go down in value each year. Your insurer won't pay more than the market rate, which is the average price of the motor vehicle that are similar in type, age, mileage and condition sell for. If you have a car, it's worth doing some research online to find out what the market value of your motor vehicle so that it is only insured for what it is worth.*



## Exclusions

### What are exclusions?

Exclusions are things that your insurance policy doesn't cover. You can find these in the fine print of your insurance policy, and it's important that you are aware of them so that you know exactly what you are covered for.

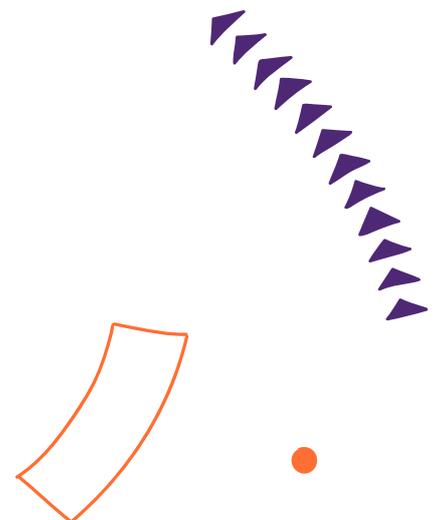
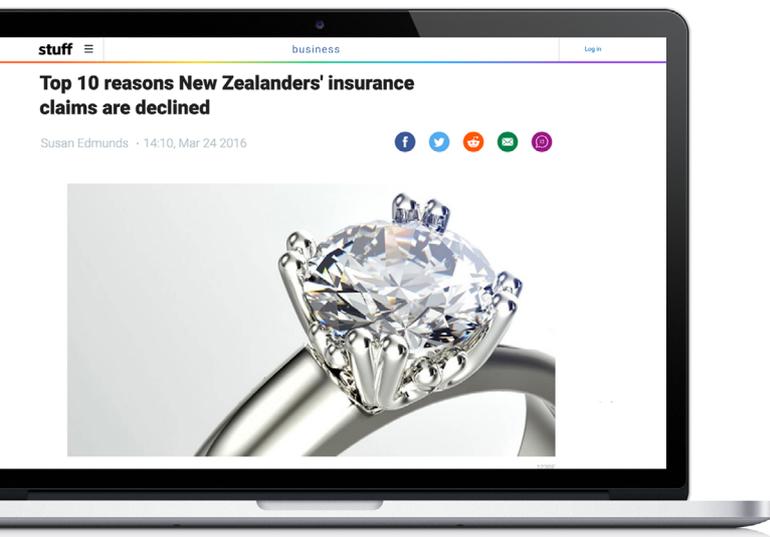
This article provides information on the [top 10 reasons that New Zealander's insurance claims were turned down.](#)

### How can exclusions impact on your finances?

Exclusions can have a big impact on your finances if they result in your insurance claim being declined and leaving you with a significant cost.

### Example

*Tahu's not doing so well with his driving. Last weekend he was out with some friends and headed home later than he had expected. He didn't notice a red light and ended up hitting another motor vehicle. Fortunately, neither he nor the other driver were hurt. His insurer has declined Tahu's claim because he was over the legal limit for alcohol. He now needs to cover the costs of replacing or repairing the other motor vehicle himself. He is still waiting to find out how much it is going to cost.*



# Activities

1) Read this online article about **insurance for restricted drivers.**

a. What are three reasons that insurance can be more expensive for drivers on a restricted license?

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b. Why might an insurance policy be cheaper if you are female?

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c. What effect can a high excess have on your insurance premium?

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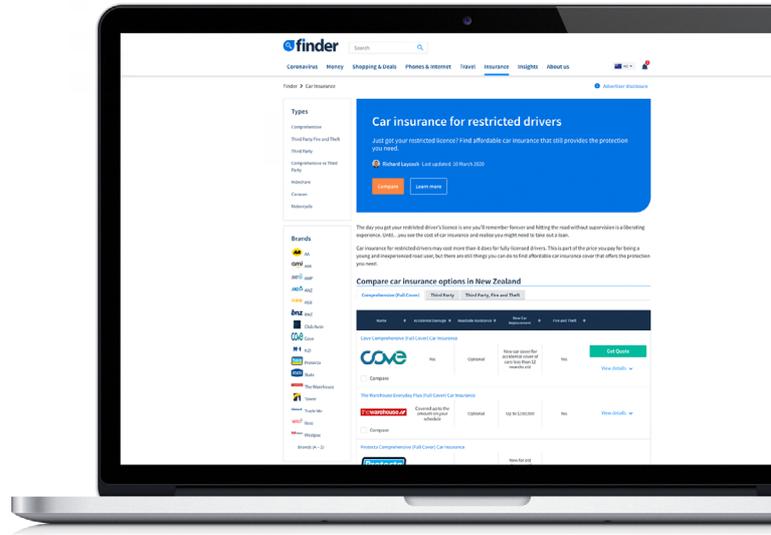
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**2) a.** Find a New Zealand insurance provider online and, if possible, download an insurance policy. If you can't find a policy on their website, ask your teacher or a classmate to help you find one.

**b.** Identify the following components within the policy:

- Risks covered: an outline of what the policy covers

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- Exclusions: an outline of what is not covered by the policy

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- Whether the policy cover is replacement or indemnity

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- The claims process: what you need to do to make a claim.

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**c.** Repeat this process using a different type of insurance.



**3)** Watch the **Keeping Ourselves Covered video**. How has Sapphy insured her motor vehicle and why?

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**Before moving on to Topic Three, check that you understand the following components of insurance policies:**

- premium
- risks covered
- sum insured - replacement versus indemnity
- exclusions
- claims process
- excess.

# Topic Three:

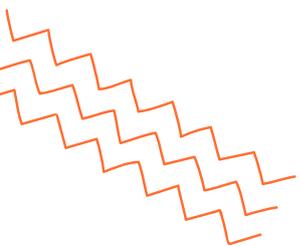
## The responsibilities that come with insurance

### Learning Outcome for Topic Three

- ✓ Explain the responsibilities that come with insurance

### Success criteria

You should complete all activities in this topic. They will help you to meet the assessment requirements of describing the requirement for full disclosure when taking out an insurance policy and when making a claim and the potential consequences of non-disclosure.



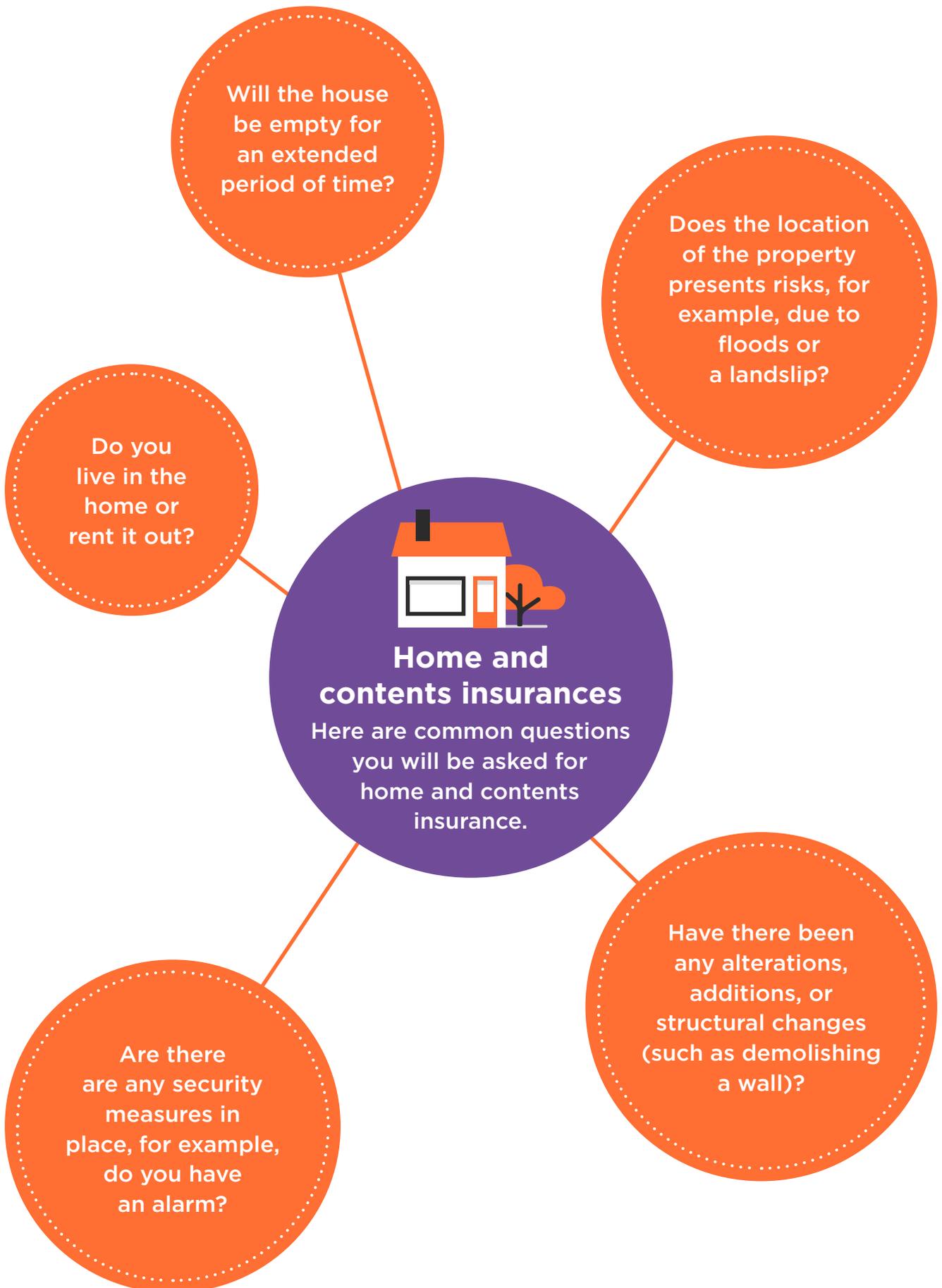
## Insurance companies will ask you to provide some key information before you buy a policy.

For example, if you want to get health insurance, your insurer will ask about things such as your level of fitness, your weight and whether or not you smoke. The insurance company uses this information to assess how statistically likely it is that you will make a claim and, as a result, what premium to charge you. If your lifestyle choices are associated with poor health, your insurance premium will be higher.



**Other questions will be specific to the type of insurance:**





## The duty of disclosure

It's essential to answer any questions an insurer asks completely and honestly. This requirement is called "the duty of disclosure". Insurance products only work effectively if insurance companies have reliable information about potential risks. If you're not sure whether a piece of information is relevant, it's best to ask.

Failing to provide complete and honest information is called "**non-disclosure**".

The duty of disclosure applies both when you buy your insurance policy and for the entire time that you have your insurance cover. For example, if you have motor vehicle insurance, you need to let your insurer know if you have modified your motor vehicle or if you are convicted of a traffic offence, even if you're not making a claim related to either of these things.

Examples of non-disclosure when you take out an insurance policy include:

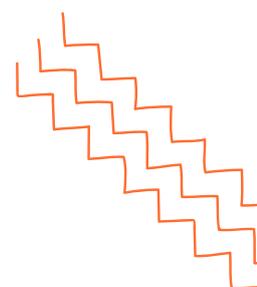
- Applying for health insurance when you are already sick, but not telling your insurer that you are unwell. This is an example of intentional non-disclosure.
- Not telling the insurer that you've had a contents claim from another insurer two years ago because you didn't think it was relevant. Even though this is merely an error of judgment, the insurer can still decline a claim and may cancel your insurance policy.

## Consequences of non-disclosure

The consequence of non-disclosure can be severe. You can be left with no insurance, no ability to get replacement insurance and any other insurance policies you have might be cancelled.

If you haven't disclosed relevant information, or have provided information that is out of date or incomplete, your insurer has a legal right to decline your claim or only pay part of a claim. The insurer has a legal right to treat the policy as if it never existed, and they don't have to return any of your premiums.

If the insurer thinks that your failure to disclose was deliberate, they can refuse to provide any further insurance. This can affect your ability to get future insurance from other insurers, so the impacts of this can last a long time and be very serious.



## Disclosure when making a claim

Full disclosure is also a requirement when you make an insurance claim. If you exaggerate a claim by saying that something is worth more than its actual value or lie about what has happened, you are guilty of insurance fraud. If your insurance company thinks you have given them inaccurate information, they can use an investigator to find out the truth.

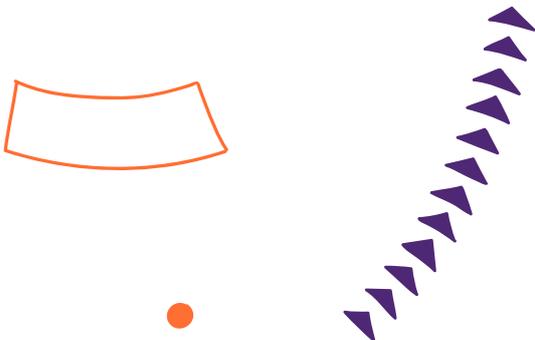
## Short and long-term impacts of disclosure

Sometimes people buying an insurance policy can be reluctant to fully disclose information. As we've seen, this can have dire consequences.

### Assessment tip:



In your assessment task, you need to explain the consequences of non-disclosure, in terms of the impact on policy coverage and claims.



## Here are some examples of short- and long-term impacts of disclosure:

	Consequences	Example
Short term	<p>Full disclosure may result in higher premiums because the risk of the insurance company needing to pay out is higher.</p> <p>Full disclosure may also result in the insurance provider refusing to provide insurance. Alternatively, they may add some exclusions to the policy.</p>	<p><b>Health insurance:</b> disclosing pre-existing medical conditions such as a heart condition prior to taking out health insurance may result in a much higher premium if medical issues involving the client's heart are to be covered by their insurance policy. Alternatively, their health insurance provider might give them a standard policy that excludes anything related to their heart.</p>
Long term	<p>Disclosure may result in a higher total premium pay-out over the long-term, although premiums may be reduced if claims are not made over a certain number of years.</p> <p>If an insurance claim is required, disclosure means that the claim is more likely to be accepted. If a person doesn't disclose, they risk losing their insurance cover and the opportunity to get replacement cover. This can have significant financial consequences.</p> <p>If the person has been paying higher premiums as a result of disclosure, they might be eligible for a higher payout.</p>	<p><b>Contents insurance:</b> Disclosing the full value of the contents of a house, particularly valuable items such as jewellery and paintings, can result in a higher premium but will also result in an accurate and fair pay-out by the insurance company following a devastating fire or burglary.</p>

## Activities

1) Explain what disclosure is and what can happen if you don't disclose everything when you:

- buy an insurance policy

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- make an insurance claim.

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2) Read these articles about Aotearoa New Zealand's non-disclosure rules. What law changes are being recommended?

- [Examining duty of disclosure in New Zealand](#)
- [Reasonableness on non-disclosure needed](#)

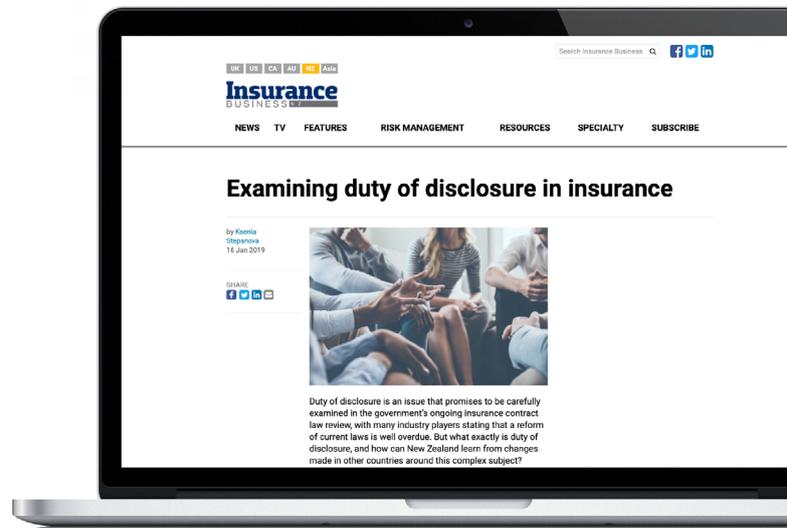
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3) Create a role play with a classmate that could be used to educate people about the risks of non-disclosure.



### Before moving on to your assessment, check that you understand:

- what disclosure is
- how the “duty of disclosure” applies when you take out an insurance policy
- how the “duty of disclosure” applies when you make a claim
- consequences of non-disclosure when taking out an insurance policy
- consequences of non-disclosure when making an insurance claim.

# Ka pai!

You've completed the Keeping Ourselves Covered module. Use the checklist below to make sure that you are ready for your assessment.

## Checklist for:

**US 28096** Explain insurance products as financial risk management strategies for personal finances.

## I can:

- Explain the purpose and key features of the following types of insurance:
  - motor vehicle insurance
  - travel insurance
  - house insurance
  - house contents insurance
  - life insurance
  - income protection and mortgage protection insurance
  - disability and health (medical) insurance
  - trauma (critical illness) insurance
- Identify the following components of insurance policies and explain how they can impact on personal finances:
  - risks covered
  - exclusions
  - claims process
  - premium
  - excess
  - sum insured - replacement versus indemnity
- Explain what non-disclosure it and give two examples of how non-disclosure might impact on policy coverage and claims

## Reference list

<b>Student activities</b>	<a href="https://sortedinschools.org.nz/students/activities/">sortedinschools.org.nz/students/activities/</a>
<b>Glossary</b>	<a href="https://sortedinschools.org.nz/api/v1.0/download?filename=keeping-ourselves-covered-glossary&amp;files=2467">sortedinschools.org.nz/api/v1.0/download?filename=keeping-ourselves-covered-glossary&amp;files=2467</a>
<b>Keeping ourselves covered video</b>	<a href="https://vimeo.com/425276624/dd52f1170d">vimeo.com/425276624/dd52f1170d</a>
<b>Sorted.org.nz guide to protecting wealth</b>	<a href="https://sorted.org.nz/guides/protecting-wealth/insurance-types/">sorted.org.nz/guides/protecting-wealth/insurance-types/</a>
<b>Sorted.org.nz cover your people, money, stuff</b>	<a href="https://sorted.org.nz/get-sorted/cover-your-people-money-stuff/">sorted.org.nz/get-sorted/cover-your-people-money-stuff/</a>
<b>Insurance Council of New Zealand</b>	<a href="https://icnz.org.nz/understanding-insurance/">icnz.org.nz/understanding-insurance/</a>
<b>Marae video about a mum who lost everything in a house</b>	<a href="https://tvnz.co.nz/one-news/new-zealand/why-do-so-few-m-ori-have-any-insurance">tvnz.co.nz/one-news/new-zealand/why-do-so-few-m-ori-have-any-insurance</a>
<b>Sorted guide to Home insurance.</b>	<a href="https://sorted.org.nz/guides/protecting-wealth/insuring-our-homes/">sorted.org.nz/guides/protecting-wealth/insuring-our-homes/</a>
<b>Stuff.co.nz article Insurance: What do you really need?</b>	<a href="https://stuff.co.nz/business/112872915/insurance-what-do-you-really-need">stuff.co.nz/business/112872915/insurance-what-do-you-really-need</a>
<b>Why insurance customers have to pay excesses.</b>	<a href="https://stuff.co.nz/business/money/102583868/insurance-woes-excesses-of-anger">stuff.co.nz/business/money/102583868/insurance-woes-excesses-of-anger</a>
<b>Top 10 reasons that New Zealander's insurance claims were turned down.</b>	<a href="https://stuff.co.nz/business/78221825/top-10-reasons-new-zealanders-insurance-claims-are-declined">stuff.co.nz/business/78221825/top-10-reasons-new-zealanders-insurance-claims-are-declined</a>
<b>Insurance for restricted drivers</b>	<a href="https://finder.com/nz/car-insurance-for-restricted-drivers">finder.com/nz/car-insurance-for-restricted-drivers</a>
<b>Examining duty of disclosure in New Zealand</b>	<a href="https://insurancebusinessmag.com/nz/news/breaking-news/examining-duty-of-disclosure-in-insurance-122336.aspx">insurancebusinessmag.com/nz/news/breaking-news/examining-duty-of-disclosure-in-insurance-122336.aspx</a>
<b>Reasonableness on non-disclosure needed</b>	<a href="https://goodreturns.co.nz/article/976506840/reasonableness-on-non-disclosure-needed.html">goodreturns.co.nz/article/976506840/reasonableness-on-non-disclosure-needed.html</a>

Te whai hua - kia ora!



**NCEA Level:** 2 (version 4)

**QAAM Number:** #3182

**Unit Standard:** #28096

**Unit Standard Title:**

Explain insurance products as financial risk management strategies for personal finances

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**Notes:**