CHAPTER 12: Insurance

INTRODUCTION

Insurance is a five-hour program suitable for all audiences. It is designed to develop the knowledge and skills necessary for participants to make informed consumer decisions on various forms of insurance, within both the military and civilian communities.

This chapter has six sections. The first, *Survivor Benefit Plan* (60 minutes), provides basic information on the key provisions of the Survivor Benefit Plan (SBP). This information will assist service members and their spouses in making informed decisions about SBP's role in their retirement plan. Due to the complexity of this topic, the presenter should be comfortable with basic financial planning subjects such as the time value of money, inflation, life insurance, annuities and investments. This section provides more information than is necessary for presentation. Although the SBP covers numerous classes of beneficiaries, the vast majority of military retirees are male and the majority of SBP beneficiaries are female spouses. This section is designed from that perspective.

The second section of this program, *Property and Casualty Insurance for Home and Automobile* (60 minutes), will focus on creating awareness of and education about, the various types of property insurance, as well as understanding the need for each through risk assessment and management.

The third section focuses on *Life Insurance* (90 minutes). Although all Marines have the option to purchase Servicemembers' Group Life Insurance and, if they are married or have children, the Family SGLI, some opt for life insurance either for themselves or family members outside the military system. This section also will provide an awareness of how life insurance works in the civilian world for when they leave the Marine Corps.

Civilian Health Insurance is the fourth section of this program (60 minutes). A good understanding of the civilian health insurance will be helpful post-service and, if eligible, can complement their TRICARE benefits.

The last two sections of the program are *Disability Income Insurance* and *Long-Term Care Insurance*, each 15 minutes in length.

LEARNING OBJECTIVES

Upon completion of this course, learners should be able to:

- Discuss the purpose of the SBP.
- Identify one advantage and one disadvantage associated with SBP.
- Determine the various types of insurance needed for major life events.
- State three rules that should be followed when using property and casualty insurance.
- Evaluate the different purposes for term and permanent life insurance.
- Identify two common mistakes individuals often make when purchasing life insurance.
- Name two categories of civilian health insurance.
- Identify the steps to take to resolve billing issues.
- Describe two of the three types of health care accounts.
- Identify two important provisions of disability income insurance.
- Discuss two key features of long-term care insurance.

REFERENCES

"Annuities Based on Retired or Retainer Pay," Title 10 U.S. Code, Chapter 73.

Garman, E.T., & Forgue, R.E. (2010). *Personal Finance, 10th edition.* Boston, MA: Houghton Mifflin Co. U.S. Department of Defense. (2010). *A Survivor's Guide to Benefits: Taking Care of Our Own.* Washington, D.C. Retrieved from http://www.woundedwarrior.af.mil/shared/media/document/AFD-100415-050.pdf.

Geology.com (2009). Homeowners Insurance Does Not Cover Many Types of Damage. Retrieved from http://geology.com/articles/homeowners-insurance.shtml.

Graves, E.E., editor. *McGill's Life Insurance, 6th edition.* Bryn Mawr, Pa.: The American College Press.

Investopedia. (2011). *Let Life Insurance Riders Drive Your Coverage.* Retrieved from http://www.investopedia.com/articles/pf/07/life_insurance_rider.asp.

John Hancock Life & Health Insurance Co. (2011). Federal Long-Term Care Insurance Program. Retrieved from http://www.ltcfeds.com.

Military Advantage. (2011). *The Survivor Benefit Plan Explained.* Retrieved from http://www.military.com/benefits/survivor-benefits/survivor-benefit-plan-explained.

National Association of Insurance Commissioners. (2011). Retrieved from http://www.naic.org/.

Navy Mutual Aid Association. (2011). *Survivor Benefit Plan (SBP) Details for Active Duty.* Retrieved from http://www.navymutual.org/Military-Benefits/Active-Duty/.

Office of the Secretary of Defense. (2011). *Welcome to Military Pay & Benefits.* Retrieved from http://militarypay.defense.gov/.

Pike, R., and Busse, C. (1995). *101 Games for Trainers.* Minneapolis, Minn.: Lakewood Books.

U.S. Department of the Air Force. Air Force Retiree Services. (2011). *Survivor Benefit Plan.* Retrieved from http://www.retirees.af.mil/sbp/.

U.S. Department of the Army. Retirement Services Office. (2011). *Survivor Benefit Plan.* Retrieved from http://www.armyg1.army.mil/rso/sbp.asp#maincontent.

U.S. Department of Commerce. (2011). *U.S. Census Bureau.* Retrieved from http://www.census.gov/.

U.S. Department of Defense (2010, December). *Defense Finance and Accounting Service.* Retrieved from http://www.dfas.mil/.

U.S. Department of Defense. Office of the Actuary. (2011). Retrieved from http://actuary.defense.gov/.

U.S. Department of Defense. Office of the Actuary. (2011). *Fiscal Year 2005 DoD Statistical Report on the Military Retirement System.* Retrieved http://actuary.defense.gov/statbook05.pdf.

U.S. Department of Defense. Office of the Actuary. (2011). *Fiscal Year 2006 DoD Statistical Report on the Military Retirement System.* Retrieved http://actuary.defense.gov/statbook2006.pdf.

U.S. Department of Defense. Office of the Secretary of Defense. (2011). Survivor Benefits Plan. Retrieved from http://militarypay.defense.gov/survivor/sbp/.

U.S. Department of Defense (2011). *TRICARE.* Retrieved from http://www.tricare.mil.

U.S. Department of Health and Human Services. (2011). *National Clearinghouse for Long-Term Care Information.* Retrieved from http://www.longtermcare.gov/LTC/Main_Site/Paying_LTC/Private_Programs/LTC_Insurance/index.aspx.

U.S. Department of Labor. (2011). *Health Plans & Benefits: Continuation of Health Coverage – COBRA.* Retrieved from http://www.dol.gov/dol/topic/health-plans/cobra.htm.

U.S. Department of Labor. Employee Benefits Security Administration. (2011). *FAQs of Portability of Health Coverage and HIPAA.* Retrieved from http://www.dol.gov/ebsa/faqs/faq_consumer_hipaa.html.

U.S. Department of the Navy. Commandant of the Marine Corps. (2011). *MARADMIN 035/11: Personal Commercial Solicitation and Financial Education Classes.* Washington, D.C.

U.S. Department of the Navy. Commander, Navy Installations Command. (2005). *Command Financial Specialist Training Manual 15608D.* Washington, D.C.

U.S. Department of the Navy. Office of the Chief of Naval Operations. (2007, amended July 2008). *OPNAV Instruction 1740.5B: United States Navy Personal Financial Management (PFMP) Education, Training, and Counseling Program.* Washington, D.C.

U.S. Department of the Navy. Office of the Secretary of the Navy. (2005). *SECNAV Instruction 1754.1B: Department of the Navy Family Support Programs.* Washington, D.C.

U.S. Department of Veterans Affairs. (2011). *Life Insurance.* Retrieved from http://www.insurance.va.gov.

U.S. Department of Veterans Affairs. National Cemetery Administration. (2011). *Burial and Memorial Benefits.* Retrieved from http://www.cem.va.gov.

Vaughan, E.J., and Vaughan, T.M. 2003. *Fundamentals of Risk and Insurance, 9th edition.* Hoboken, N.J.: John Wiley and Sons Inc.

PREPARATION AND PROCEDURES

Activity:

- "Life Insurance Needs Calculator" — An activity that illustrates the use of a life insurance calculator to assist participants in determining an appropriate level of life insurance for their individual needs.

Additional Handouts:

- "Health Care Checklist – Active Duty"
- "Health Insurance Questions"
- "Instructor's Key: Life Insurance Needs Calculator"
- "Life-Cycle Approach to Insurance Needs"
- "Life Insurance Needs Calculator"
- "Life Insurance Needs Calculator Case Study"
- "National Guard and Reserve Health Care Checklist"
- "Session Evaluation"
- "Shopping Tips for Insurance"
- "Summary of Assets and Financial Obligations for Staff Sergeant Flier"
- "Survivor Benefit Plan: Basic Questions Answered"
- "Types of Health Insurance Comparison"
- "Your Insurance Needs: Organizing Your Records"

Materials:

- Insurance PowerPoint slides
- Pens, pencils, markers and blank paper
- Chart paper or a whiteboard
- Internet connection preferred but not required

Registration:

Registration ensures that you have an adequate number of materials on hand and that guest speakers are prepared if they have handouts or giveaways for their audience. Program registrants should be contacted by phone or e-mail two to three days before the program to verify participation. Sign-in is advised to track attendance.

Target Audience:

The target audience is Marines and their family members with a basic to intermediate knowledge of personal financial management.

KEY TERMS

- **Annuity:** A financial product sold by financial institutions that is designed to accept and grow funds from an individual and then, upon annuitization, pay out a stream of payments to the individual at a later point in time.
- **Assignment:** The transfer of ownership of a life insurance policy to someone other than the insured.
- **Beneficiary:** A person or entity named in a will or a financial contract as the inheritor of property when the property owner dies.
- **Beneficiary designation:** The assignment of the proceeds of the life insurance policy to a specifically named individual or individuals.
- **Casualty:** Liability coverage of an individual or organizations for negligent acts or omissions.
- **Consolidated Omnibus Budget Reconciliation Act (COBRA):** Federal law that allows workers and their families the option to choose to continue group health benefits under certain circumstances.
- **Cost of living allowance (COLA):** A government subsidy given to Marines and other service members living in higher cost areas.
- **Defense Finance and Accounting Service (DFAS):** An agency of the DoD, that provides finance and accounting services for civil and military members. Headquartered in Indianapolis, Ind., DFAS is the world's largest finance and accounting operation. DFAS pays all DoD military and civilian personnel, retirees and annuitants, as well as major DoD contractors and vendors.
- **Endorsement:** Amendments or additions to the basic policy that can expand or limit coverage to accommodate special needs; also called riders.
- **Flexible Spending Account (FSA):** Sponsored by the employer, and owned and funded by the employee. FSA is a "use or lose" account based on the plan year. Money deducted is not subject to payroll taxes, and the money cannot be used for non-health expenses.
- **Hazard:** A situation that poses a level of threat to life, health, property or environment.
- **Health Insurance Portability and Accountability Act of 1996 (HIPAA):** Federal law that governs aspects of employer-sponsored health insurance regarding exclusions for pre-existing conditions, enrollment opportunities, discrimination based on health factors, and access and renewability of health insurance.

- **Health Maintenance Organization (HMO):** Prepaid health care that provides a broad range of health care services to members for a set monthly fee; focuses on preventive care and early intervention.
- **Health Reimbursement Account (HRA):** Sponsored, owned, and funded by the employer. HRA has no "use or lose" provision, is excluded from income for tax purposes (tax free), and the money can be used for non-health expenses.
- **Health Savings Account (HSA):** Sponsored by the employer, owned by the employee, and funded by both employer and employee. The employee must be enrolled in a high-deductible health care plan. HSA has no "use or lose" provision, reduces taxable income, and the money can be used for non-health expenses.
- **Incontestability:** The placement of a time limit, typically two years after the date of issuance, on the right of the insurance company to deny a claim.
- **Inflation:** The rate at which the general level of prices for goods and services rises, and subsequently, purchasing power falls.
- **Insurable interest:** A financial or other kind of benefit derived from the continuous existence of the insured object; a vested interest in the maintenance of the health or well-being of the insured.
- **Peril:** Something that causes or may cause injury, loss, or destruction.
- **Point of Service Plan (POS):** An alternative to an HMO where the member chooses their primary care doctor from a list of approved providers; usually has a higher deductible and co-pay than a standard HMO program.
- **Preferred Provider Organizations (PPOs):** A group of medical care providers, (doctors, hospitals, etc.), who contract with a health insurance company to provide services at a discount. The discount is passed on to the policyholders by reduction or elimination of deductibles and co-insurance as long as they use a PPO provider for their care. TRICARE Extra is an example of a PPO.
- **Premium:** A specified amount of payment required periodically by an insurer, to provide coverage under a given insurance plan, for a defined period of time.
- **Property:** Something of value that is owned, e.g. real estate or land.
- **Provider Sponsored Network (PSN):** A group of doctors and hospitals that have partnered together to cover health insurance contracts; typically in rural areas where HMOs may be limited.
- **Renewability:** The ability to renew a policy annually, or for a set period of time, based upon the conditions set by the insurer. Renewability can be automatic.

- **Risk:** The potential that a chosen action or activity (including the choice of inaction), will lead to a loss (an undesirable outcome).
- **Subrogation rights:** The legal right for an insurer to pursue a third party that caused an insurance loss to the insured.
- **Suicide clause:** Allows the life insurance company the right to deny coverage if the insured commits suicide within the first few years (as stated in the policy).
- **TRICARE:** Health care program serving uniformed service members, retirees and their families worldwide.
- **War clause:** A provision in a life insurance policy that states that even though premiums are paid the death benefits will not be paid in the event the insured dies from war-related as a result of this war clause.

QUALITY ASSURANCE PROCEDURES

To assure accurate and current information as well as a quality presentation:

- Headquarters (HQ) and installation PFMs will review the curriculum annually or when there have been consequential changes to content regarding laws, regulations or military programs that could have a significant impact on Marines and their families. HQ will then update the curriculum.
- Distribute session evaluations to participants at the end of each workshop. Results should be tabulated and retained to measure the effectiveness of information provided at the session, in the program content, and of the delivery of the presentation.

CONTENT OUTLINE (5 HOURS AND 10 MINUTES TOTAL)

A. **Welcome and Chapter Overview** (5 minutes)

B. **Survivor Benefit Plan** (60 minutes)

1. What is SBP?
2. SBP and Financial Planning
3. Retired Members
4. SBP Example
5. Active-duty Members
6. Election Options
7. Important Considerations
8. Pre-tax Benefit
9. SBP and CSB/Redux
10. Annuities vs. Premiums
11. How to Make the Decision
12. SBP vs. Life Insurance
13. Advantages of SBP
14. Disadvantages of SBP
15. Resources

C. **Property and Casualty Insurance for Home and Automobile** (60 minutes)

1. Insurance as Risk Management
2. Insurance Agents and Companies
3. Life-cycle Approach
    a. Single in Quarters
    b. Moving Off Base
    c. Buying a Car
    d. Ways to Save on Car Insurance
    e. Getting Married
    f. Having Children
    g. Buying a Home
    h. Increasing Assets
    i. Divorce

        j. Retirement/Separation
        k. Death
    4. Shopping for Insurance
    5. Filing a Claim
    6. Golden Rules of Risk Management

D. Life Insurance (90 minutes)

1. Life-cycle Approach
    a. Single
    b. Buying a Car
    c. Getting Married
    d. Having Children
    e. Buying a Home
    f. Increasing Assets
    g. Divorce
    h. Retirement/Separation
    i. Death
2. How Much and What Type?
    a. Term Insurance
    b. Permanent Insurance
    c. Riders
    d. Settlement Option
    e. Comparison of Term and Permanent Insurance
3. Common Life Insurance Language
4. Life Insurance Features
5. When to Replace Life Insurance
6. Factors Affecting Life Insurance Costs
7. Common Mistakes When Purchasing Life Insurance
8. Annuities as Investments
9. Organizing Your Records
10. Golden Rules of Life Insurance

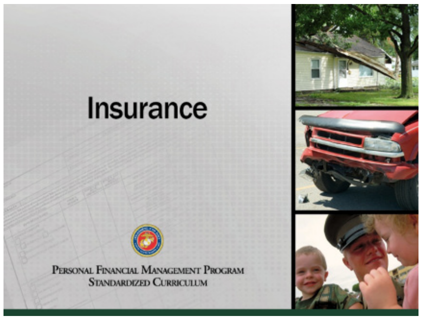
E. **Civilian Health Insurance** (60 minutes)
   1. Individual vs. Group Health Insurance
   2. Types of Coverage
   3. Supplemental Insurance
   4. Health Care Plans vs. HMO
   5. Managed Care in Health Care Plans
   6. Additional Terms in Health Care
   7. Cash Customers
   8. Resolving Billing Issues
   9. Health Care Accounts
   10. Portability of Insurance – HIPPA
   11. COBRA
   12. Conclusion

F. **Disability Income Insurance** (15 minutes)
   1. Level of Need
   2. Important Policy Provisions
   3. Renewability Options
   4. Disability Income and Taxes

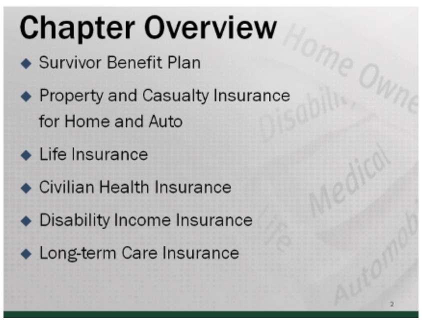
G. **Long-term Care Insurance** (15 minutes)
   1. Types of Skilled Coverage
   2. Costs of Long-term Care
   3. Tax Aspects
   4. Key Features
   5. Why Buy Now?
   6. Resources

H. **Summary** (5 minutes)

SLIDE 1: INTRODUCTION



SLIDE 2: OVERVIEW



INSTRUCTOR NOTES:

1. Introduce yourself and have the participants introduce themselves.
2. Introduce the topics to be covered in this session.

SECTION BACKGROUND INFORMATION

Imagine yourself sitting on your couch. Think about all of the items around you; your TV, DVD player, furniture, electronics. Do you have a mental picture? If there was a fire in your home and you lost everything, would you be able to replace it? Do you have the money in the bank or sufficient insurance to cover this loss? Now think about your car and the potential hazards you face each time you drive. Would your current automobile insurance cover all of your expenses if you were in a car accident? Does your insurance provide protection for medical costs resulting from an accident? What about life insurance, either in addition to Servicemembers' Group Life Insurance (SGLI) and Family SGLI or after you leave the Marine Corps? How does health insurance work in the civilian world? Have you thought about disability insurance and long-term care insurance with regard to yourself or your loved ones?

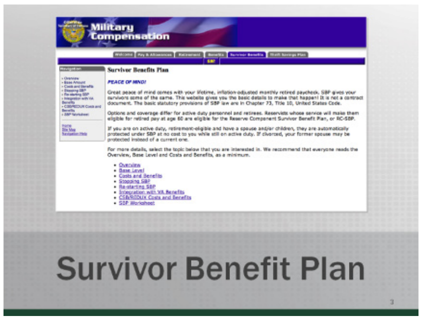
Although it may be difficult to think about potential loss, you can give yourself tremendous peace of mind by preparing for unanticipated events and hazards. This class will cover the different types of insurance protection available to help you manage the risk of potential losses.

The purpose of any insurance is protection from financial loss. Life, health, auto, homeowners, renters and long-term care insurance products are all designed to protect you from losses you cannot afford to cover yourself. Insurance allows an individual to substitute a small known cost (the premium) for a large unknown financial loss (the contingency insured against). All policies have limits, which define the maximum amount you will be paid for the loss.

This program is made up of six distinct sections:

1. Survivor Benefit Plan
2. Property and Casualty Insurance for Home and Auto
3. Life Insurance
4. Civilian Health Insurance
5. Disability Income Insurance
6. Long-term Care Insurance

SLIDE 3: SURVIVOR BENEFIT PLAN



SLIDE 4: WHAT IS SBP?

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

One of the most important aspects of financial planning is the ability to provide for a survivor or survivors in the event of a wage-earner's death. People rely on several different types of tools to help ensure continuing income for their survivors; these tools range from personal assets to life insurance to Social Security. Some Marines also believe their retirement pay will continue to be paid in full to their survivors, unaware that they must elect the Survivor Benefit Plan (SBP) at retirement to guarantee a partial continuation of the retirement income.

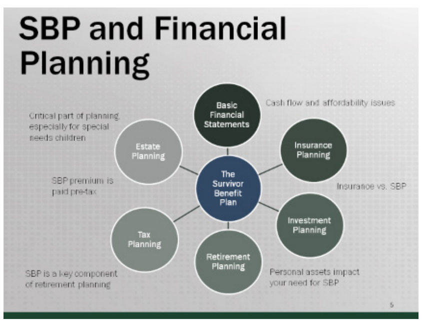
The SBP is a government-subsidized program which guarantees that a portion of a member's monthly retirement pay will continue to be paid to a spouse or other designated beneficiary after the member's death. Unlike any other resource available, the SBP monthly payment is guaranteed by the government and protected from inflation.

All active-duty military members are covered by SBP automatically at no cost. The government bears the total cost of that coverage while you are on active duty. Should you die in the line of duty, your retired pay entitlement is calculated as of that date, and the SBP annuity flows to your surviving spouse from that amount.

Your decision at retirement is whether you wish to afford your family the same survivor benefits that were in place for you on your last active-duty day. If so, you begin to share SBP's cost with the government by electing to receive reduced retired pay during your lifetime. When a member maintains SBP coverage, their portion of the cost will be deducted from their retired pay on a pre-tax basis. The government cost-sharing and pre-tax treatment of the member's cost makes the SBP an attractive way to provide long-term financial security for a beneficiary.

The SBP decision, however, is complicated by the fact that military retirement often occurs at a young age. Retiring Marines in their late 30s or early 40s will likely have many forces competing for their income. They are frequently raising young children, buying houses and preparing for new careers. Any reduction in retirement pay at an uncertain time in their life cycle can understandably be viewed as a sacrifice. However, due to the transient nature of military life, many military spouses have put their careers on hold. If they have held jobs, they may not have worked long enough in one place to accrue long-term retirement benefits from their employer. Since military retirement pay stops when the retiree dies, it is critical to consider the long-term income needs of the surviving spouse.

SLIDE 5: SBP AND FINANCIAL PLANNING



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Financial planners look at six key areas of a person's financial life:

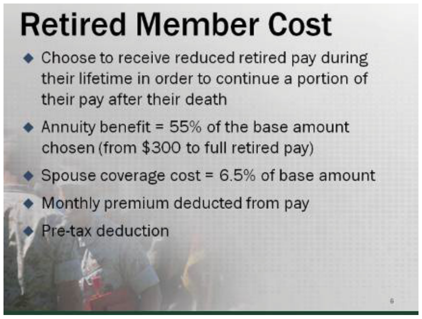
- **Basic financial statements**, such as a cash flow or a budget that tracks regular income and expenses, and a net worth statement that measures the amount of assets you own and the amount of liabilities you owe.
- **Insurance planning**, which includes all aspects of risk management, especially life insurance needs.
- **Investment planning**, which typically includes personal assets such as stocks, bonds and mutual funds but also includes real estate, businesses owned, etc.
- **Retirement planning**, which includes planning retirement dates, estimating longevity, exploring employer-provided pensions and personal investment plans to ensure cash flow continues when you decide to stop earning income.
- **Tax planning**, which involves looking at all areas of a person's financial life and ensuring that you are paying the minimum amount of tax possible.
- **Estate planning**, which is concerned with preserving and passing on any assets you have accrued over your lifetime, also includes planning for survivors through the use of wills, medical powers of attorney, etc.

The Survivor Benefit Plan is a unique financial planning tool that affects every area of your financial plan:

- The decision involves consideration of a retiree's cash flow and a determination of the affordability of the SBP premium.
- Often insurance is sold as a "replacement" for SBP (which it is not), so your insurance planning can be affected by SBP.
- Your personal investments will affect the decision to take SBP, because if you have sufficient personal investments, your survivors may not need to have a portion of your retired pay continue. However, 10-20 years from now your personal investments may change.
- SBP is a key component of your retirement planning and a unique benefit when it comes to compensation plans. When exploring the options for employment outside the military, you will want to be familiar with the characteristics of SBP so you can see how it fits with benefits offered by a potential employer. SBP also broadens the worth of your retirement benefit to your family as a whole, so it should be taken into consideration when evaluating all retirement plans you may have in effect.
- Taxes come into play in several ways when considering SBP, with the biggest factor being the pre-tax nature of the premium payment.
- Finally, the SBP can be a big piece of estate planning, especially if you have a special-needs child that will need continued income after your death. This invaluable option allows for mentally or physically incapacitated children to continue receiving the benefit as long as they continue to be incapacitated.

So, whether you are about to retire and need to make the SBP decision or are just interested in what the program is about, you can see that it is worth your time to learn about this important (and virtually unmatched) benefit.

SLIDE 6: RETIRED MEMBERS



INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Distribute the “Survivor Benefit Plan: Basic Questions Answered” handout. Inform the participants that the information reviewed in this presentation is also included in the handout for them to take home.

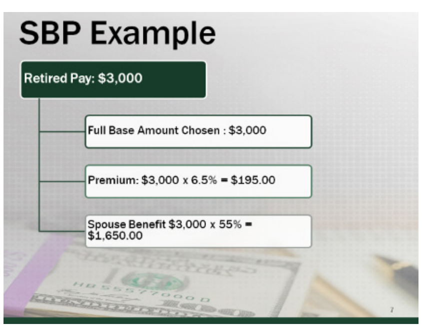
SECTION BACKGROUND INFORMATION

The decision that has been made by someone who participates in SBP is fairly straightforward; they choose to receive reduced retired pay during their lifetime to continue a portion of their pay after their death. Conversely, one can say that retirees who do not participate have elected to receive full retired pay during their lifetime, knowing that their full retired pay will die with them.

Benefit amount: The SBP benefit, called an annuity, is the regular, continuing payment of a portion of retirement pay to a designated beneficiary (sometimes referred to as the annuitant) after the member dies. The portion is 55 percent of a base amount chosen by the member. The base amount is the dollar amount of retirement pay selected by the member, upon which both the cost and benefit are based. It can be any dollar amount between a minimum of $300/month up to the full retired pay.

Cost: SBP was designed with the military spouse in mind (former spouse costs and benefits follow the same rules). Spouse coverage costs 6.5 percent of the base amount selected. No similar private survivor program matches SBP’s 6.5 percent tax-free cost and other features.

SLIDE 7: SBP EXAMPLE



INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. This is a basic calculation of a premium and a benefit (under the “spouse only” election).

SECTION BACKGROUND INFORMATION

Example: If a member’s retirement pay will be $3,000 per month, the member can choose any amount from $300 to $3,000 as the base amount. If the member chooses the full base amount and desires spouse only coverage, the cost will be:

- **Cost:** $3,000 x .065 = $195/month

  This payment, or premium, will be deducted from retirement pay each month before taxes are calculated, resulting in an additional benefit.

  Having chosen $3,000 as a base amount, the benefit would be 55 percent of the monthly base amount; in this case, $1,650 will be paid monthly and is taxable to the surviving spouse.

- **Annuity:** $3,000 × .55 = $1,650/month

Each year in which retired pay receives a cost-of-living adjustment (COLA), the base amount increases accordingly. For example, if the $3,000 base amount receives a 3 percent COLA, the base amount is now $3,090 and the spouse's potential survivor annuity has increased to $1,699.50.

SLIDE 8: ACTIVE-DUTY MEMBERS

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Active-duty members are automatically enrolled in the Survivor Benefit Plan at no cost to provide income to a surviving spouse and/or children.

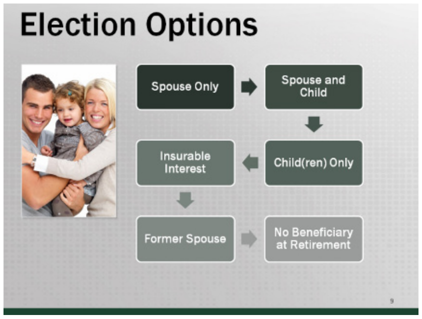
Death in the line of duty: If the member was on active duty at the time of death and the death is in the line of duty, then the Marine's family qualifies for SBP benefits. The SBP base amount is equal to the retirement pay as though the member retired with total (100 percent) disability or 75 percent of the appropriate retirement pay base. (Those electing Career Status Bonus (CSB)/Redux get the reduced cost-of-living-adjustment.)

Beneficiaries: For deaths while on active duty, the beneficiaries, in order of priority, are:

- Former spouse based on a court order
- Current spouse
- Children

Death is not in the line of duty: If the member is retirement-eligible at the time of death while on active duty, then the SBP base amount is equal to the retired pay the Marine would qualify for under the Marine Corps' applicable law. However, if the member is not on active duty at the time of death, or was on active duty but the death is determined not to be in the line of duty, and the member is not eligible for retired pay, then the member's death does not qualify for SBP benefits. The SBP base amount will be computed as though the member retired for length of service based on the final basic pay or High-3 average applicable. (Those electing CSB/Redux get the reduced cost-of-living adjustment.)

SLIDE 9: ELECTION OPTIONS



INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. For those without a beneficiary at the time of retirement, you may want to discuss the concept of the “threshold amount,” detailed under the “No beneficiary at retirement” option.

SECTION BACKGROUND INFORMATION

There are six SBP election options. An election enrolls eligible beneficiaries within a category. The most important feature of electing by category is that the decision you make for each category available to you at decision time is binding. In other words, if you have an eligible spouse or child and choose not to enroll them, then later gain a spouse or child or simply wish you had enrolled, you have closed these categories forever! Your only ability to change this decision might be through a future “open season,” of which there have been only five since 1972. Conversely, if you do enroll your eligible beneficiaries at election time, all future eligible persons in those categories will be automatically covered.

Federal law requires that SBP elections be made before midnight of the last active-duty day. If the election is not made before retirement, federal law directs the finance center to default the election to full spouse coverage. If that happens, the election can be changed only if the member proves that the government erred in the election process. This is a safeguard which protects a spouse’s expected benefit. In fact, Congress strengthened the process in 1986, when they began to require married members to provide their spouse’s written concurrence to make certain elections.

Generally speaking, the SBP process is:

- The Marine and spouse receive SBP counseling;
- The Marine makes an SBP election;
- If the election requires spouse concurrence, the spouse is notified of the decision and given the opportunity to concur;
- If concurrence is provided before retirement, the election is valid;
- If it is not, the election is invalid and full spouse coverage is established, in accordance with federal law.
- Certified mail is used to obtain concurrence when the spouse cannot be present for counseling.

Spouse only: The spouse option requires written spousal approval if a member elects a reduced base amount or declines SBP entirely. If $300 is chosen, the survivor's benefit would be 55 percent of $300 or $165. The cost would be 6.5 percent of $300, or $19.50/month. A reduced benefit amount may be appropriate if there are other substantial sources of funds available to replace the retiree's lost income. If no election is made, the retiree's full retirement pay will automatically be the base amount.

The annuity is paid for the surviving spouse's lifetime — it cannot be outlived. If the surviving spouse chooses to remarry and that marriage occurs after age 55, the surviving spouse will continue to receive the SBP benefit. If the remarriage occurs before age 55 the benefit is discontinued. However, if the subsequent marriage ends (due to either death or divorce), the SBP payments can be reinstated. Former spouses are covered under a separate category — under the same cost and benefit rules as current spouses (see below).

It is important to note that with spouse coverage, only the spouse is covered. If the spouse dies and there are surviving children, they will not receive a benefit under the spouse-only election. If a member would like the benefit to continue for children, the spouse-and-child election may be a better choice.

Spouse (or former spouse) and child: The spouse is the primary beneficiary and children are secondary beneficiaries under this option. The annuity is not paid to the children unless the spouse first loses eligibility through remarriage before age 55 or by death. Even then, the children must be under age 18 (or 22 if in school) to be eligible.

The cost for this election is based on the cost for spouse coverage and an additional cost based on the age of the child and both spouses. One important reason to elect child coverage is because SBP is paid forever to an incapacitated child, as long as the incapacitation occurred when the child was in the eligibility age range. Due to the fact that SBP is income, it may interfere with other benefits such as SSI and

Medicaid dependent upon the rules at the time. Check with appropriate state and federal agencies for specific information. Note that if an election is made for a former spouse and children, only the children who resulted from that marriage are eligible beneficiaries. This means that if you gain children in the future, they could not be added to a "former spouse and child" election. However, if you elect "spouse and child" — all of your children, of any unions, are eligible.

Child(ren) only: Children are eligible for coverage if they are unmarried and under the age of 18. If they are full-time students, they can be covered until age 22. Marriage at any age renders a child ineligible for coverage. Children may be covered with or without spouse or former spouse coverage.

If covered without a spouse or former spouse, the children will divide 55 percent of the retiree's base amount. Using the earlier example, if the base amount is $3,000, the monthly payout would be $1,650. If there are three children, each would receive $550. As the children become ineligible for coverage due to age or marriage, the remaining children will divide the annuity payment. The cost for coverage is based on the ages of the member and the youngest child. All eligible children are covered at one cost, and the cost stops when children are no longer eligible. The cost for the child-only benefit is cheaper than the spouse benefit because the benefit ends when the children are 18 or 22. However, this election is costlier than the spouse-and-child election since the child is the primary beneficiary.

Insurable interest: If a member is unmarried, they may cover another family member or even a business associate. Covered family members must be more closely related than a cousin. Parents, stepparents, siblings, aunts, uncles and grandparents all qualify. An individual child or stepchild can be covered regardless of dependency status. Business associates also can be protected if they would suffer financially due to the death of the retiree.

Costs for this option are 10 percent of the retiree's full base amount plus 5 percent for every full five years the beneficiary is younger than the retiree. If the beneficiary is 12 years younger than the retiree, an additional 10 percent would be charged. The maximum premium is 40 percent. The cost of insurable interest coverage continues to be subtracted from the beneficiary's monthly annuity.

The benefit for the insurable interest option is also 55 percent of the base amount. Under this option, the member is required to elect the maximum base amount. Unlike the other options, premiums continue to be paid after the death of the retiree.

Former spouse: Benefits for a former spouse are identical to spousal benefits. If a former spouse is covered by SBP, a current spouse and/or children of the current spouse cannot be covered. When electing former spouse coverage, the member must file a written statement with the finance center indicating the reason for the election. The current spouse must also be informed of the election. The rules regarding a spouse's remarriage apply to the former spouse.

No beneficiary at retirement: Members without a spouse or children on their date of retirement have future options. Since they have no eligible beneficiaries now, they have not closed the door on future enrollment.

If a member gains an eligible family member after retirement, contact Defense Finance and Accounting Service (DFAS). Members have a one-year time limit on making all SBP changes. If you gain a child, the coverage is effective upon your request. If you gain a spouse, while you must take the action before your one-year anniversary (i.e., make a written request and provide a marriage certificate) — a spouse gained after retirement is not eligible until completing one year of marriage, or earlier, if a child is born of the marriage.

For Marines who determine that their family does not need the benefit provided by covering full retired pay, the term "threshold amount" may be of interest. The "threshold" is the portion of the base amount which costs 2.5 percent. This only applies to Marines who entered service before March 1, 1990. The minimum participation of $300 is set by law and never changes. However, the threshold amount increases periodically (annually or semi-annually) based on the active-duty pay raise percentage. As of Jan. 1, 2010, the threshold amount is $725. The rationale for this is that, as one's active-duty pay rises over the course of a career, a relative increase of the lowest amount which costs 2.5 percent is considered appropriate, to keep pace. While it remains advantageous for most Marines to cover full retired pay as the base amount, covering a reduced base amount (at least the threshold amount), should be considered.

SLIDE 10: IMPORTANT CONSIDERATIONS

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Some important items for consideration are:

Social Security offset: In the past, a surviving spouse would experience a Social Security offset at age 62. This no longer applies. The annuity is 55 percent of the base amount regardless of the annuitant's age.

Paid-up status: Since Oct. 1, 2008, when a member has paid SBP premiums for 30 years and has reached age 70, he or she is considered fully paid-up and coverage continues without any further premium payments.

One-year termination option: Between the 24th and 36th month of SBP participation, you may terminate SBP coverage. Spouses and former spouses must give their consent for this termination. There is no refund for past protection, and future enrollment is barred.

It will be helpful if, two years into retirement, you ask these two questions:

- Is my retirement pay still a major part of our household income?
- Have I adjusted my lifestyle to incorporate the cost of SBP into it?

If you answer yes, then stay enrolled in the SBP. If you answer no, discuss termination with your spouse (whose concurrence you need) and take action to cancel your enrollment.

Premiums stop if you lose your spouse: If your marriage ends due to the death of your spouse or divorce, premiums for SBP protection stop once you provide appropriate documentation to DFAS. If you remarry, you can cover your new spouse.

Open season: Some people believe they can join SBP years after they retire, during an "open season." In the 25-plus-year history of SBP, only five times have retirees had a second chance at SBP. Each time, enrollment opened after major plan improvements. The second time, premiums were raised for new joiners to help make up for the missed premiums. The third time, new joiners were required to pay all missed premiums with interest, plus an additional amount to protect the solvency of the plan. Open enrollment elections have typically required a period of time (two years) before the election is actually effective. This prevents too much adverse election (people joining with short life expectancies).

Do not count on an open season. Although an open season may be enacted, they are not part of the regular plan. No more are expected, and it will not give your survivors peace of mind.

SLIDE 11: PRE-TAX BENEFIT

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

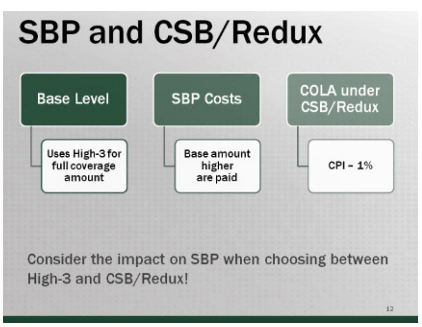
SECTION BACKGROUND INFORMATION

Pre-tax benefit: One of the major advantages and cost savings of the SBP is that premiums are taken out of retirement pay before taxes are computed, resulting in a significant tax savings and a further reduction of the true cost of the SBP benefit.

For example, a member with a $3,000 monthly retirement check declines SBP and leaves the entire $3,000 gross retired pay to be taxed. If the member is in the 28 percent tax bracket, the taxes due are $840. However, if a member covers a spouse at the full base amount, which costs $195 per month, the resulting taxable income is $2,805 (since the premium comes out before taxes are assessed), and federal taxes due are $785, $55 less each month.

You could say that, in reality, including the tax savings, the premium is $195 less the $55 in tax savings, or $140. Understanding this concept allows you to make sound cost comparisons of SBP with other insurance products. Real comparisons require the use of real figures. When a private product is being touted as one that "will provide the same benefit as SBP, for the same cost," be sure to use only the real, after-tax SBP cost as your basis for comparison and remember that the SBP payment adjusts with inflation.

SLIDE 12: SBP AND CSB/REDUX



INSTRUCTOR NOTES:
1. Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

SBP and Career Status Bonus (CSB)/Redux: SBP operates slightly differently in regard to costs and benefits when a member elects the CSB/Redux retirement option. CSB/Redux includes a readjustment to its retired pay amount. At age 62, retired pay is recomputed to what it would have been under High-3. Also, at age 62, a one-time cost of living allowance (COLA), is made that applies the cumulative effects of High-3 COLA (Consumer Price Index) to the new retirement base. Afterward, all future COLAs are again set to CPI minus 1 percent.

Base level: Under CSB/Redux, full coverage means that the full retired pay you would be entitled to under High-3 is your base amount. (This is the amount that would be used as a basis for your age 62 retired pay adjustment).

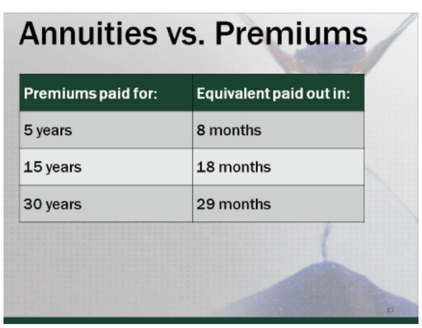
2. You may need to explain the basics of the CSB/Redux plan to participants who are not familiar with it. Alternatively, you can sum up this discussion by simply noting that choosing CSB/Redux will also result in a reduced SBP benefit.

SBP costs (premiums): If you elect full coverage, your base amount is higher than what you are actually paid until the age 62 readjustment. Also, remember that the base amount is adjusted annually by CPI minus 1 percent.

COLA under CSB/Redux: Members choosing the CSB/Redux plan have a COLA increase of CPI minus 1 percent. This reduced COLA affects the retirement benefit under SBP. If in a given year the CPI was 3 percent, the increase in survivor pay would be 2 percent. In the year the member would have been age 62, survivor's benefits are adjusted to what they would have been if full CPI increases had been applied from the beginning. After this one-time restoration, survivor annuities are once again subject to annual increases of CPI minus 1 percent.

Results: As a result of this modification to the standard premium and benefit calculations, you will pay a higher proportion of your retired pay to obtain coverage. This amount, however, is the same as what an individual who opted for High-3 would pay for the same amount of coverage. Your beneficiary will be better protected against inflation than they would be if SBP benefits received the same COLA as under CSB/Redux. In effect, you are paying the same price as a High-3 individual for the same coverage.

SLIDE 13: ANNUITIES VS. PREMIUMS



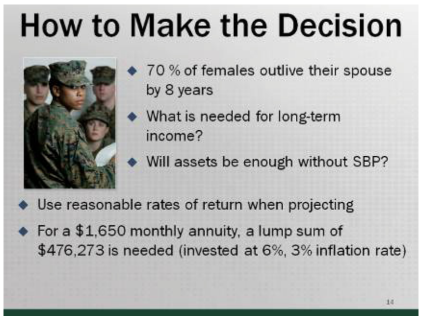
INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

The annuity your spouse receives will quickly exceed the amount you paid in SBP premiums.

- If the retiree paid premiums for five years, the spouse beneficiary will receive the equivalent of the total SBP premiums paid in just eight months of collecting the annuity.
- If the retiree paid premiums for 15 years, the SBP beneficiary will receive the equivalent of the total SBP premiums paid in one year, six months.
- If the retiree paid premiums for 30 years, the spouse will receive the equivalent of the total SBP premiums paid in two years, five months.

SLIDE 14: HOW TO MAKE THE DECISION



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Remember, on the average, 70 percent of female spouses will outlive the retiree by eight years, 40 percent by 15 years, 20 percent by 22 years, and 10 percent by 28 years.

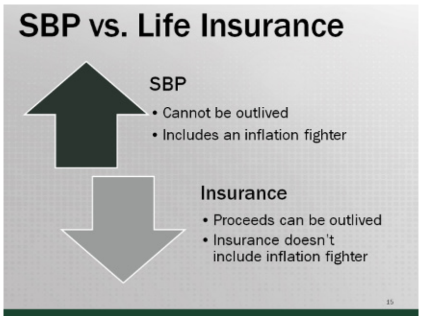
When considering whether to elect SBP, the surviving spouse's need for long-term income is paramount. Census Bureau figures from 2009 tell us that 54.6 percent of married couples are dual income. Recent reports indicate that the percentage of income saved by American workers is about 4.9 percent (April 2011). It is reasonable to assume that the majority of household income is being consumed by current needs.

In the event of a retiree's death, even if both spouses were working, it must be asked, how much income can the surviving spouse afford to lose? Some expenses such as housing and children's education and activities will likely remain the same. Food, insurance and car expenses may decrease. Costs for child care, home maintenance and professional services may increase. It will likely be determined that some measure of income replacement will be necessary to preserve the family's economic security.

For military members with a desire to provide ongoing retirement income for their spouse, it is logical to consider the cost of SBP relative to other personal or commercial alternatives. If a couple has other assets that could be used to generate income, it is necessary to determine whether those assets are sufficient on a long-term basis. Using a 6 percent rate of return on investments with an annual inflation rate of 3 percent, $476,273 would have to be available at retirement to provide a monthly annuity of $1,650 to the surviving spouse based on average life expectancy.

Although many military members are successful financially, few have $476,273 available at their military retirement to set aside for this purpose. In addition, investment and economic environments change. There is no guarantee that 6 percent can be earned consistently or that inflation will remain at 3 percent.

SLIDE 15: SBP VS. LIFE INSURANCE



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Life insurance is another possibility. Since SBP is guaranteed, permanent (whole life) insurance is the only legitimate alternative, since it is designed to provide lifelong protection. A policy providing a face amount of $476,273 would cost a 40-year-old male non-smoker approximately $709 monthly. Rates vary by company and by other factors relating to the applicant, such as gender, health history, avocations and smoking status. These factors will affect the premium cost. If SBP premiums increase annually by 3 percent, they will never get as high as the whole-life premium. So the actual lifetime cash outlay will be higher using the insurance approach. However, insurance will pay benefits to the beneficiary even if they have remarried. Always review any life insurance policy and especially whole life policies. Review for things such as: if you pass away after only paying 6 months into a whole life policy what would your beneficiaries receive?

Any program earmarked as security for your survivors — except for the average eight- to 10-minute telephone insurance sales pitch — deserves serious consideration. Personalized SBP valuation printouts, prepared by the DoD Actuary, are available online or through your Reemployed Annuitant Office. To access this program, go to the DoD Actuary homepage at http://actuary.defense.gov/, click on "SBP Program" and select "Insurance."

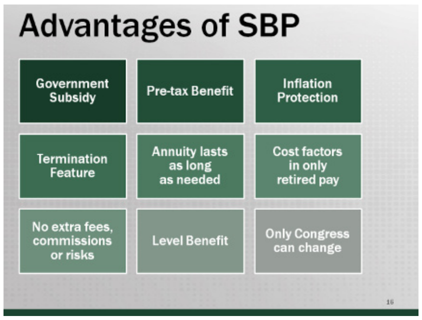
SBP versus life insurance: If you are considering passing on SBP and replacing it with a commercial insurance product, remember these five main points:

1. Use the evaluation program to see exactly how much insurance you will need to provide the same benefit as SBP.
2. Since you do not know how many years your spouse might outlive you, determining what is adequate regarding insurance is impossible. A crystal ball is not needed with SBP; it simply cannot be outlived.

3. SBP's inflation fighter is its guaranteed cost-of-living adjustments. Increasing life insurance is needed as one ages, due to inflation's eroding effect on the dollar's purchasing power.
4. Try to adjust your thinking from short-term to long-term. When you limit your view, life insurance may appear more attractive (i.e., cheaper) than SBP. But, if you compare SBP costs and benefits with life insurance costs and benefits for each year in the future, you will see that insurance costs must increase dramatically based on the insurer's increased risk of paying a policy. Since SBP protects your ever-increasing retired pay, its value rises at the same rate — even after it begins to be paid as an annuity.
5. The SBP premium is government subsidized and deducted pre-tax. No commercial product has these features.
6. Term life insurance by definition expires at a certain point in time (buy a 30 year term policy at age 45 and it expires at age 75). If the policy is not renewed and the insured dies after the termination date, the surviving spouse receives nothing from that policy.

In a well-designed retirement plan, it is probable that some combination of personal investments, life insurance, and government benefits and retirement benefit plans from post-military employers will all be at work. When one factors in the government's subsidization of SBP costs, the COLAs and the before-tax treatment of premiums, the Survivor Benefit Plan can be a cost-effective way to deliver an ongoing measure of financial security to spouses and families.

SLIDE 16: ADVANTAGES OF SBP



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

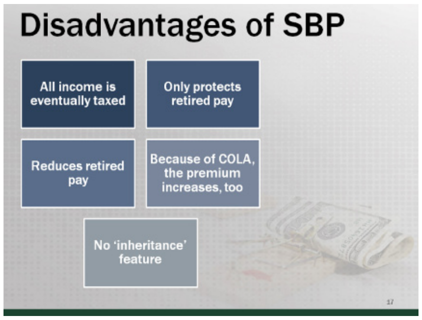
SECTION BACKGROUND INFORMATION

To summarize the advantages of the SBP:

- The impact of a government subsidy speaks volumes. Only a nonprofit concern like the U.S. government can offer this feature.
- Any time you have the opportunity to take advantage of tax avoidance, you should! SBP does, and you can even use the tax savings to make other investments.
- Unlike insurance values which are eroded by inflation, SBP's value increases at the same rate as retired pay.
- If you balk at the finality of "SBP elections are forever," the termination feature permits you to rethink your participation after you have settled into retirement for two years. And do not forget SBP's "paid-up" provision.
- The annuity is paid as long it is needed.
- SBP costs do not consider any factor except covered retired pay.
- There are no extra fees, agent commissions or risks to the retiree.
- A level benefit of 55 percent without regard to the age of the spouse or former spouse.
- It is a plus that only Congress can change SBP's features. They make changes on matters affecting survivors very cautiously.

While less quantifiable, peace of mind rises in value with age. Remember, every active-duty Marine is enrolled at no cost. At retirement, you must decide to continue participation and share cost.

SLIDE 17: DISADVANTAGES OF SBP



INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. For each "disadvantage," there is also a benefit. Read through the content to be familiar with the arguments in favor and against taking SBP.

SECTION BACKGROUND INFORMATION

The disadvantages of SBP actually have a positive side:

- All income is typically taxed at the front or back end. It is smartest to take a tax break when it is of most value to you — when you are in a higher tax bracket as a couple. That is when tax-free SBP premiums are paid. It is not a viable "counter" to pose that insurance proceeds are tax-free — when they are used, they are taxed, and when they are gone, they are gone.
- SBP's goal is to protect military retired pay … period. If it is protection of a spouse's life you seek, you might want to buy a life insurance policy on your spouse. In fact, you can use the monthly tax savings SBP provides to fund that policy.
- Choosing to receive reduced retired pay during your lifetime is the only way to continue a portion of it after you die. The finance center simply deducts the premium before paying you. Such automatic deductions result in coverage that cannot lapse because of a missed payment. Worth thinking about is this: If you find living on 93.5 percent of your retired pay (retired pay minus 6.5 percent spouse costs) painful — how will your family survive on zero after your death?
- The 6.5 percent spouse cost does not increase. However, with each retired pay COLA received, your cost becomes 6.5 percent of a new, higher amount, which produces a higher annuity.
- SBP is not intended to be an "inheritance" vehicle. But consider the notion that the best inheritance you can give your kids is a financially independent parent. If they are not burdened with supporting your spouse, that is a substantial "inheritance." Also, when SBP is used to pay monthly living expenses, perhaps other funds can be invested to meet your inheritance goals. But without SBP as the workhorse, the intended "inheritance" could easily be depleted.
- SBP does not have insurance-like features, but that is a plus as it keeps the plan affordable.

SLIDE 18: RESOURCES

INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Answer any remaining questions the participants may have about SBP.

SECTION BACKGROUND INFORMATION

Financial educators at Marine Corps Community Service Centers and career counselors can lend assistance. Once again, make sure they are comfortable with all aspects of military retirement plans and SBP.

Assistance in evaluating your personal financial needs may be obtained from civilian and military sources. Financial planners, financial counselors or accountants can be helpful; however, make sure they possess knowledge on military retirement plans and ask them how they expect to be compensated. Look for designations such as CFP (Certified Financial Planner), AFC (Accredited Financial Counselor), and/or CPA (Certified Public Accountant).

The following websites provide in-depth information on SBP and offer online calculators:

- Defense Finance and Accounting Service: http://www.dfas.mil/rapay/annuities/sbp.html
- DoD Office of the Actuary: http://actuary.defense.gov/
- Office of the Secretary of Defense: http://militarypay.defense.gov/survivor/sbp/
- Navy Mutual Aid Association: http://navymutual.org/military-benefits/active-duty/
- Army Retirement Services Office: http://www.armyg1.army.mil/rso/sbp.asp#maincontent
- Air Force Retiree Services: http://www.retirees.af.mil/sbp/

SBP is a complicated subject but one that deserves the effort needed to make an informed decision. Whether to elect SBP, and in what form, is a decision that must be evaluated by each Marine and family individually. Each family's situation and needs are unique; there is not a "one-size-fits-all" answer when it comes to SBP.

SLIDE 19: PROPERTY AND CASUALTY INSURANCE FOR HOME AND AUTOMOBILE

INSTRUCTOR NOTES:
Use the information in the column to the right to introduce this section of the program.

SECTION BACKGROUND INFORMATION

Earlier we discussed the purposes of insurance: To protect from a financial loss you cannot afford to cover yourself. Insurance is a tool for risk (uncertainty) management.

SLIDE 20: INSURANCE AS RISK MANAGEMENT

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

There are four basic ways to manage risk: Avoid, assume, reduce, or transfer.

Avoid: In theory, the simplest way to handle risk is to avoid it. In practical terms, however, it is not possible to avoid all risks, as many are out of our control. For example: the only way to avoid the risk of theft is to own nothing, which we all know is an impossibility.

Assume: Risk assumption means that you are willing to personally retain or accept all possible risk associated with a piece of property or activity. It should only be considered when no other method is available, the worst possible loss is not serious, and both frequency and severity of losses are highly predictable.

Reduce: Risk reduction and transfer both use insurance to limit the risk exposure to the individual. In risk reduction, there is a balancing act between the reduction of the risk exposure by the individual with the cost from the insurance company for the assumption of the risk.

Transfer: Risk transfer (the most expensive option) shifts all of the financial risk from the individual to the insurance company.

When it comes to the reduction or transfer of risk, insurance allows you to trade a small known cost (the premium) for a larger unknown financial loss.

SLIDE 21: INSURANCE AGENTS AND COMPANIES

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Insurance can be purchased through an agent or directly from the issuing company. Insurance agents can be independent agents, who represent two or more insurance companies, or exclusive agents, who represent only one company for a specific type of insurance.

Independent agent: Acts as a third-party link between the company and the insured. The agent earns a commission from the company they represent.

Exclusive agents: Are often employees of the company they represent.

All agents have the power to enter into, change, and cancel insurance policies on behalf of the company they represent. In most states, insurance agents must have passed some sort of knowledge testing process and be licensed and registered before they can conduct business.

Direct sale companies: Market their policies through salaried employees, direct marketing (mail, phone, and e-mail), newspapers and even vending machines. Direct sale insurance can offer some of the lowest premiums due to the lower associated cost of the sale, but with this option you give up the benefits of having an agent involved, such as for their assistance in pre- and post-purchase service and information.

Like all financial relationships, it is good to know about the company before you tie your financial future to them. Just like financial service companies, insurance companies are evaluated and rated based on history, performance and financial stability. One of the best-known and trusted sources for information regarding insurance companies is A.M. Best (www.ambest.com). In business since 1899, A.M. Best provides in-depth reports and ratings of insurance companies and is considered the industry standard for reliable, accurate and comprehensive information about insurance organizations.

SLIDE 22: LIFE-CYCLE APPROACH

INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Distribute the "Life-Cycle Approach to Insurance Needs" handout to participants.

SECTION BACKGROUND INFORMATION

Like most Marines, we all go through major events in our lives that affect our insurance needs. We start out single and then go through a progression of different housing situations, family situations, accumulation of assets, retirement and, ultimately, death. Insurance planning begins with a detailed assessment of your insurance needs and reviews each life event and the insurance requirements that go with it. Some insurance products, such as health and disability, are provided to you while your remain on active duty. Other types of insurance are partly or totally the responsibility of each individual.

Let's take a look at major life-cycle events and explore how we can use them to make the best insurance purchasing decision, focusing primarily on property and casualty insurance.

SLIDE 23: SINGLE IN QUARTERS

INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

"I don't need any insurance. I live in government quarters. I don't even have a car."

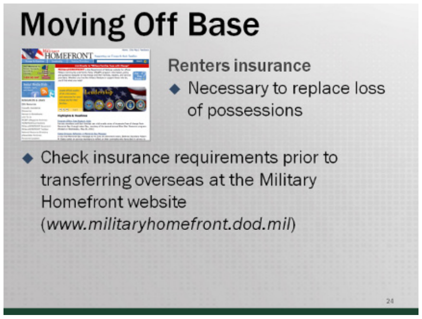
Insurance Needs:

Renters insurance: Most single Marines living in barracks will argue that they do not need renters insurance because they do not have a lot of items that would need to be replaced if lost. But think about what it would cost just to replace the items and if you can afford to pay to replace them without increasing your debt. What would it cost to replace your iPod, cell phone and other personal items? You need renters insurance. The government insures the building but may not always cover your losses. Check with the base housing office to find out what is covered. Talk with your insurance company to make sure your possessions are covered while residing in the barracks. Those who fail to purchase renters insurance can face a double problem. Not only do they lose their possessions, but the creditor will expect the payments to continue.

Renters insurance is relatively inexpensive, usually less than $25 a month depending on coverage. Once you have your property insured, take an inventory and keep a copy of the list somewhere safe (not at home). Photographs or video of your property may help in getting a full value settlement. As you are evaluating renters insurance policies, a few factors to keep in mind are:

- **Replacement cost coverage:** Replacement cost coverage will pay fully to replace lost items. Actual cash value will only pay the depreciated value of the items. Always ask for replacement cost coverage!
- **High-value and specialty items:** Some personal property, particularly high-cost items like jewelry, guns, collectibles, sporting gear or computer equipment, is usually not fully covered under a standard policy; you may need a special rider or even a separate policy. If your personal property is not adequately covered, purchase a rider to an existing policy or a separate personal property policy. (A rider is like a mini policy added to a bigger policy to cover specific items.) Make sure you know what is and is not covered and the policy limits. This is the case with both homeowners and renters policies.
- **Personal liability and medical payments to others:** Personal liability insurance covers you when you are held responsible for the losses of others arising from your own negligence or accident such as a fall in your residence. This is included in renters insurance policies and can be increased if needed. Medical payments pay for medical expenses for those injured while visiting your home.
- **Lowering costs:** There are various ways to lower the cost of renters insurance. You can carry a higher deductible or take advantage of other discounts such as military, multi-policy, security system, fire extinguishers, etc. Talk with your agent for more information.

SLIDE 24: MOVING OFF BASE



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

"I commute to work with a friend, and I am just buying some furniture on credit. Since I don't have much, I don't need insurance to cover it."

Insurance Needs:

Renters insurance: Renters insurance is necessary to replace your possessions. Without it, you could end up continuing to make payments on that new furniture that was lost in a fire, as well as trying to replace it with newly purchased items.

Keep in mind that if you are going to be stationed overseas, different countries have different insurance requirements, some of which can be expensive. The insurance you have stateside may not transfer or be sufficient for the overseas requirement. Prior to transferring overseas, check the appropriate *Military Installation* booklet on Military Homefront (www.militaryhomefront.dod.mil) for insurance requirements and information.

The lender may try to sell you insurance on the property you bought and have a loan on; however, lender insurance is very expensive so price around.

SLIDE 25: BUYING A CAR

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

"I am buying a car with a big monthly payment; there's no way I can afford insurance. I'll just take my chances."

Insurance Needs:

Auto insurance: Required for driving on installation. Required by state law at set minimums.

- **Liability:** Refers to your responsibility for other people's losses, both property damage and bodily injury. It is written as three numbers. For example: 100/300/50 means $100,000 in bodily injury coverage per person, $300,000 in bodily injury coverage per accident and $50,000 in property damage coverage per accident.

Most states require drivers to purchase automobile liability insurance, and most young military drivers purchase only the minimum coverage required. However, those with assets to protect should seriously consider increasing their level of protection. If you want to protect yourself from big repairs or a possible lawsuit, you will want to buy more than what is required.

- **Collision and comprehensive coverage (physical damage):** If you cause an accident, collision will pay to repair your vehicle (the actual cash value, not the replacement cost). Comprehensive pays for damages to your car not caused by an accident such as fire, tree fall, theft, etc. Your insurer will only pay as much as the car was worth when the event occurred, not the cost of a new car. If your car is financed, your lender will require that you maintain full coverage (liability and collision and comprehensive) for the vehicle. This protects both you and the lender. The lender will be paid by the insurance company and you will not be stuck with two car payments (damaged car and replacement vehicle).
- **Uninsured/underinsured motorist coverage:** Protects you if you are in an accident with a hit-and-run driver or someone that is uninsured or underinsured. This is an important coverage and mandatory in some states. Despite laws requiring auto insurance, many drivers chose to go without.
- **Medical payments:** Covers you and your passengers for injuries, no matter who is at fault. In no-fault states, medical payment provisions are often referred to as personal injury protection (PIP).
- **Optional features include:** Rental car reimbursement, towing and labor, gap coverage (pays the difference between the actual cash value and the amount left on your loan if your vehicle is totaled, usually used with leased vehicles).

- **Subrogation rights:** These allow an insurer to take action against a negligent third party (and that party's insurance company) for reimbursement for payments made to an insured. These rights are limited in no-fault states.

Auto insurance in foreign countries: Not only do insurance requirements vary from state to state, they vary from country to country. Prior to transferring overseas you will want to research the requirements and military recommendations for obtaining this coverage. This information can typically be found in your *Military Installation Guide* on the Military Homefront website.

Purchasing auto insurance from a dealer is generally not recommended. This insurance is typically collision coverage only and protects only the lender's interest in the car. You will still need liability coverage to register the car on base. Usually, the best solution is to investigate insurance coverage from several companies before going to purchase the vehicle. And since premiums can vary greatly from company to company, checking out several companies will help you find the best insurance at the best price.

SLIDE 26: WAYS TO SAVE ON CAR INSURANCE

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Ways to save:

- Take advantage of family benefits. Many young people find that they can get their best rates if they can be included in a family policy with their parents. Or, if they are currently insured on a family plan but are looking at obtaining their own individual coverage, they may be able to be "spun off" their family plan and still maintain some of the "family" discounts. When comparison shopping, it can definitely pay to look into these options.

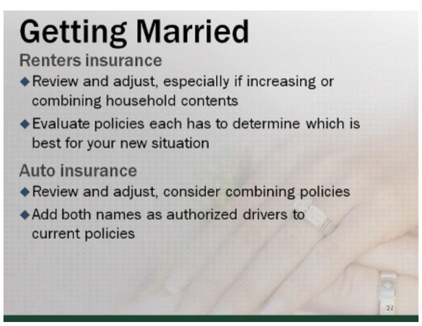
- Select higher collision and comprehensive deductibles. This is the out-of-pocket expense you will pay for repairs. Many consumers find a deductible of $500 to $1,000 to be more cost-effective. Call and find out what savings will be at varying levels. When opting for higher deductibles, make sure you have emergency funds to cover potential repair costs. Remember that the higher your deductible, the more cars you have, the chances of more than one accident in a year increases so make sure you have set funds away to cover at least two deductible incidents.

- If you have a second car or an older vehicle that is paid for and has a low value and you could afford to replace it or to do without it for a while, you may wish to drop collision and comprehensive coverage on that car entirely. Compare the actual cash value (ACV) of your vehicle to the premium cost of collision and comprehensive to help you decide.
- A safe driving record helps to minimize insurance costs. Also, some companies offer "accident forgiveness," a type of reward which takes into accounts a history of good driving in the event of an accident to prevent premiums from increasing.
- Other factors that influence the cost of insurance are the type of vehicle you drive (SUVs and sports car are more expensive to insure than sedans) as well as the type of use (commuting, business, leisure) and average daily/weekly mileage.
- Drivers should be selective when lending their cars. Your insurance may or may not cover another individual driving your vehicle, and if the driver does not have insurance, they are essentially an "uninsured" driver. If the car is damaged or they are in an accident, both of you could be held personally liable for all damages. If you have a person that has your permission to drive the car whenever they wish the insurance company could deny any claim since they were not on the policy and had freedom to drive the car.
- Maintain coverage while on deployment. Some companies will allow continued coverage at a reduced rate while deployed. Contact them and let them know your car will be "off the road." If you drop coverage, your rates will likely go up when you reinstate it; however, check with your insurance company as some

work with the military. If you still owe money on the vehicle, the creditor will require you to maintain coverage. Also, many states will charge a fine for a vehicle being "uninsured," even if it is not being driven or have other penalties.

- Coordinate coverage. Many companies give discounts to customers who buy multiple policies.
- Ask about discounts. Companies may offer a military discount or discount based on another profession (educator, police officer, firefighter, EMT, doctor) as well as discounts for a consistent history with the company. Many insurers will give discounts for added safety features, such as antilock brakes, side air bags, alarms, etched windows and other anti-theft devices.
- Check your credit report. Insurance companies use credit scores in determining your rates. Make sure your credit report is accurate.

SLIDE 27: GETTING MARRIED



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

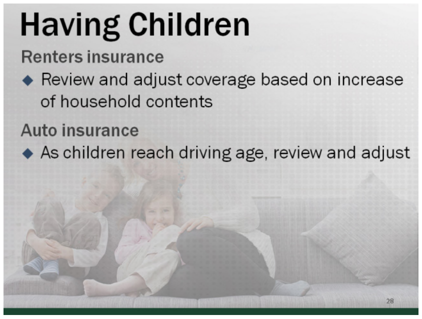
"Wow, this is such a big step, with so many things to consider. I don't want to think about those negative things right now."

Insurance Needs:

Renters insurance: Review and adjust as necessary. You are most likely increasing your household contents as well as adding any from your spouse's previous household and may have items such as jewelry that need to be added. If you both had renters insurance previously, you will want to evaluate both policies with regard to coverage and costs to determine which is best for your new situation.

Auto insurance: Review and adjust as necessary. Some factors to consider are to combine your auto insurance into one policy or with one provider. If you both have vehicles, you also will need to add each other as authorized drivers on existing policies.

SLIDE 28: HAVING CHILDREN



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

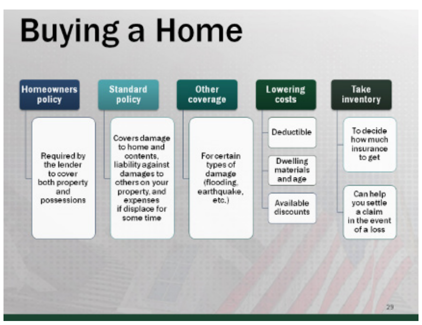
"My children are reaching driving age. What adjustments do I need to make?"

Insurance Needs:

Renters insurance: Review and adjust if needed based on household contents, especially if you have moved into a bigger residence due to your expanding family.

Auto insurance: As children reach driving age, policies should be reviewed and revised as needed to include the new drivers. Review and adjust as needed. Are your coverage levels still adequate, especially with regard to medical payments? Ask your insurance company how they will rate the addition of your teenager. Some companies will rate them based on the most expensive car, which will dramatically increase your premiums. If your teenager has a high GPA this may help with the insurance premiums along with if they have passed a driver's education class.

SLIDE 29: BUYING A HOME



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

"I've just made the biggest purchase of my life. Now I want to protect my investment and find a way to pay off this debt if something happens to me."

Insurance Needs:

Homeowners insurance: Required by your lender to cover both the property and your personal possessions. This includes the liability coverage for someone injured on your property.

When shopping for home insurance, there is much more to consider than how much your coverage will cost. You need to buy the right type of policy. You need the proper level of protection, plus special provisions for valuables such as jewelry, computer equipment and other possessions. You might also need additional coverage for such things as earthquakes, hurricanes, landslides, or flood damage. When selecting coverage levels make sure you subtract the land value from the purchase price as land itself is not insurable.

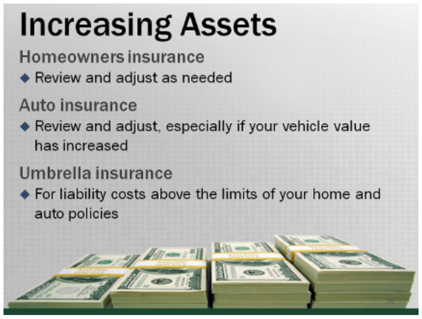
Standard policy: Most homeowners purchase an "all risks" policy. This covers property damage to the home, damage to its contents, liability against damages to others while on your property, and expenses if you are displaced for some time. Although fairly similar, not all policies are the same. Therefore, when comparing companies and policies make sure you review and understand all of the aspects of each policy. Like renters, homeowners should buy replacement cost coverage, not actual cash value.

Other coverage: Homeowners insurance does not cover certain types of damage (including earth movement, neglect, war, nuclear accident or intentional damage.) Many of these perils can be covered by a separate policy specific to that issue, such as earthquake insurance. Water damage — flooding — is the most common of these other damages. Insurance against damage due to flooding is required (and expensive) in high-risk areas. However, it is generally inexpensive elsewhere and often a wise purchase. Flood insurance is offered under the Federal Flood Insurance Program. Even though it is sold through commercial companies, the cost will be the same regardless of which company you buy from; it is the one type of insurance for which comparison shopping does no good.

Lowering costs: Just like all other lines of insurance, there are many factors that can impact the cost of homeowners insurance. The deductible you choose, your past claim history, the neighborhood crime history, your credit rating, the building materials and age of the dwelling all impact the premium. Additionally, you should consider discounts you may be eligible for such a military, multi-policy, security system, etc.

Take inventory: Once you have your property insured, take an inventory and keep a copy of the list somewhere safe. Photos or videos of each room and its contents will help you to settle a claim in the event of a loss. Do not wait until the fire to find out if you have enough coverage. Take an inventory to help you decide how much insurance you need.

SLIDE 30: INCREASING ASSETS



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

"I am finally starting to accumulate some possessions and put money aside in investments. Now I worry about how to protect these assets."

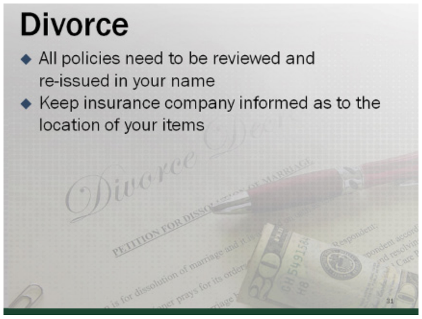
Insurance Needs:

Homeowners insurance: Review and adjust as needed. Your insurance company may require proof of value such a purchase receipts and/or appraisals, especially if a policy rider is needed.

Auto insurance: Review and adjust as needed. You may have "traded up" to more expensive vehicles As your personal vehicles increase in value, minimum auto insurance coverage may not be sufficient.

Umbrella insurance: This is in addition to your homeowners and auto insurance. It covers you above the limits of these policies for your liability in a lawsuit. It also protects against loss in the event of a large damage award in a lawsuit, over and above the limits of an auto or homeowners liability policy. Those with substantial assets to protect should consider an umbrella policy, as should anyone who may face particular risks. This could include owning an in-ground swimming pool, having a potentially dangerous dog for a pet or regularly transporting other neighborhood children in your van. You usually are required to have $300,000 to $500,000 of insurance coverage on your regular policies before qualifying for an umbrella policy. In addition, insurers require that you have both your homeowners and auto policies with them. A $1 million umbrella policy can often be purchased at a relatively low cost (under $150 per year), and could prevent someone from taking years of your future income in a judgment. Members with few assets to protect probably do not need an umbrella policy.

SLIDE 31: DIVORCE



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

"My spouse said she would continue to cover me on the auto insurance policy, but now it's been canceled. What should I do?"

Insurance Needs:

All policies need to be reviewed. Be certain to have your own policies, in your own name, for all lines of insurance. Keep your insurance company informed of different locations of your items.

SLIDE 32: RETIREMENT/SEPARATION

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

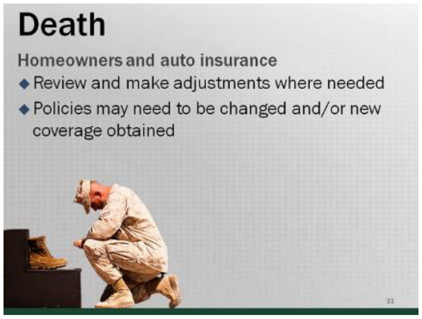
"I am getting out of the military in a few months. Will my insurance needs change?"

Insurance Needs:

Homeowners insurance: All policies will need to be reviewed with regard to your residence. Are you moving? Will your coverage needs change based on location? Will any military discounts be expiring?

Auto insurance: Review and adjust as needed. Things such as daily/weekly mileage may be different due to a new job location. One feature in particular to review is the medical payments. Depending on your regular medical insurance, you may want to increase your coverage in the event of auto accident, including loss of income due to accident/injury.

SLIDE 33: DEATH



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

"My spouse just passed away. What do I need to do with my Homeowners and Auto policy?

Insurance Needs:

Homeowners insurance: Review and adjust as needed. The insurance may need to be switched to the surviving-spouse only or if the home is left as an asset to another, the new owner will need to obtain coverage. Certain discounts may not apply.

Auto insurance: Review and adjust as needed. You may need to change policies into the name of the surviving spouse, remove the deceased spouse as a driver, change and re-evaluate coverage if you decrease the number of vehicles in the household, etc. The mileage of the remaining vehicles may change.

SLIDE 34: SHOPPING FOR INSURANCE

INSTRUCTOR NOTES:

1. Distribute the "Shopping Tips for Insurance" handout to participants.
2. Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

The handout "Shopping Tips for Insurance" offers many ideas on keeping insurance costs down.

- **Know what you need.** Do not automatically rely on what an agent says you need.
- **Comparison shop.** Look at the costs and benefits of several different policies and types of policies.
- **Understand your policy.** Ask the agent lots of questions. Read the fine print!
- **Do your homework.** Research the company and the agent using the Better Business Bureau and your state insurance regulatory agency. Make sure you know who you are doing business with.
- **Don't be talked into anything.** Wait a few days to make a final decision. Avoid purchasing more than you need or purchasing a product you do not understand.

Remember, it is your money!

SLIDE 35: FILING A CLAIM

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Whether an auto insurance claim, property insurance claim or liability insurance claim, each company will have its own process and forms to be completed, but the basic steps and information are the same.

Contact your agent/company: Your agent or company representative will be able to provide you with the correct forms and assistance/direction for their completion.

Documentation: Have copies of all official and unofficial documentation available. Police reports, eyewitness statements, medical records, photos or videos are all key to supporting your claim.

File promptly: File all claims and paperwork promptly. Be prepared to file follow-up paperwork and/or answer questions regarding the incident and damages.

SLIDE 36: GOLDEN RULES OF RISK MANAGEMENT

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

There are several rules regarding property and casualty insurance that, if followed, will serve you well no matter what stage of life you are in:

- Conduct an annual review of your insurance needs and current policies.
- Never drive without adequate insurance or live in a home without the same.
- Make sure liability limits cover your assets; if not, consider buying an umbrella policy.
- Never be exposed to potential loss that you cannot afford just to save some premium dollars.
- Assume those risks you can afford; e.g., forego rental car insurance if your auto policy covers rental cars.
- Maintain coverage while on deployment.
- Coordinate coverage with the same insurance company where possible.
- Ask for discounts.

- Check your credit report.
- Do not buy automobile insurance from an auto dealership.
- Comparison shop: Check at least three companies and check complaints and ratings.
- Increase deductibles when possible, keeping in mind the need to have the funds readily available to pay these deductibles.
- Maintain a good driving record. Tickets, claims and accidents make a big difference in the cost of premiums.
- Be careful when lending your car.

SLIDE 37: LIFE INSURANCE

INSTRUCTOR NOTES:

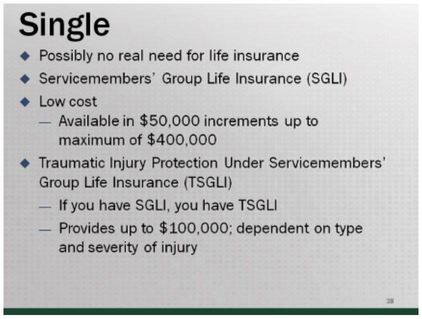
1. Use the information in the column to the right to introduce this section of the program.
2. If you have not already done so, distribute the "Life-Cycle Approach to Insurance Needs" handout to participants.

SECTION BACKGROUND INFORMATION

The purpose of insurance is to protect against loss. Some people claim that life insurance is an oxymoron: You cannot prevent death. However, the actual purpose of life insurance is to protect the financial stability of those left behind. Life insurance can be used to replace the normal income stream from a wage earner, to pay for final expenses (for example medical bills, burial costs, taxes), as readjustment income, for debt repayment, to provide for college expenses, and other additional needs.

Again, let's use the life-cycle approach to discuss the various aspects and features of life insurance.

SLIDE 38: SINGLE



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

"I don't need any insurance. I live in government quarters. I don't even have a car. I don't have a lot of financial obligations and no one is dependent upon me for income."

Life Insurance Needs:

Single, no dependents: Nobody suffers any real financial consequences; therefore the need is not present (beyond covering one-time expenses such as burial costs and any outstanding debts). However, most Marines are covered by Servicemembers' Group Life Insurance (SGLI).

Servicemembers' Group Life Insurance (SGLI): A program of low-cost group life insurance for service members on active duty, Ready Reservists, members of the National Guard, members of the Commissioned Corps of the National Oceanic and Atmospheric Administration and the Public Health Service, cadets and midshipmen of the four service academies, and members of the Reserve Officer Training Corps. SGLI coverage is available in $50,000 increments up to the maximum of $400,000. Because the policy is issued as part of a large group, the costs to the individual are very low. Premiums are currently 6.5 cents per $1,000 of insurance, $26 per month for full coverage, regardless of the member's age.

Traumatic Injury Protection Under Servicemembers' Group Life Insurance (TSGLI): Every member who has SGLI also has TSGLI effective Dec. 1, 2005. This coverage applies to active-duty members, Reservists, National Guard members, funeral honor duty and one-day muster duty. TSGLI provides up to $100,000 of insurance dependent upon the type and severity of the injury sustained. Additional information on SGLI and TSGLI can be obtained at http://www.insurance.va.gov/sglisite/.

SLIDE 39: BUYING A CAR

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

"I am buying a car with a big monthly payment."

Life Insurance Needs:

Life: Review and adjust as necessary. Do you have enough SGLI coverage to cover the pay-off of your vehicle as well as any other debts? If you want to Will your personal items to family or friends they will be responsible for the remaining balance on any loans on those items which could place them in a financial situation. The loan companies could place leans on your assets such as the items, checking, savings, etc or even repossess the items.

SLIDE 40: GETTING MARRIED

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

"Wow, this is such a big step, with so many things to consider. I don't want to think about those negative things right now."

Life Insurance Needs:

If someone depends on your income, review your plan and determine your needs. Family Servicemembers' Group Life Insurance (FSGLI) offers inexpensive spousal coverage. Do you need more insurance (SGLI or additional coverage from another insurer) at this point? That depends on your family situation.

The purpose of life insurance is to protect those who depend upon you financially should you die. The single most important reason to have life insurance is to replace one's income. It can also provide funds to pay off a mortgage, eliminate debts, pay educational costs or any other financial need. If you have dependents or expect to acquire them, you probably need life insurance.

Married, one income, no children: One spouse is financially dependent on the other. Insurance would be needed to provide for the non-working/unemployed spouse during an adjustment period and possibly longer depending on education, employment potential and health.

Married, dual income, no children: In this situation, since both spouses are working, the major consideration will be providing money to pay off debts they share and final expenses such as medical and funeral costs. Dual-income couples often have more debts as well as more money.

Beneficiary: One thing you must remember is that all insurance policies have a beneficiary designation form. The death benefit will be paid to the person specified on the form. It is important to change your beneficiary form for your SGLI if you want your current spouse to receive the money when you pass away.

Cost: The monthly premiums for coverage for a spouse are based on the spouse's 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.

Current Spousal Premium Rates Per $1,000 of Coverage (July 2010):

Age of Spouse:

Under 35 … $0.05

35-39 …….. $0.065

40-44 …….. $0.085

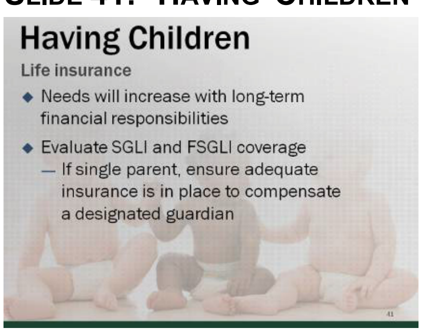
45-49 …….. $0.13

50-54 …….. $0.25

55-59 …….. $0.37

60 & Over... $0.50

SLIDE 41: HAVING CHILDREN



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

"I have a new baby. I'm supposed to be responsible, but I don't even know where to begin."

Life Insurance Needs:

Your needs will increase with the long-term financial responsibility of raising children. In addition, insure the other parent. You will want to evaluate if your SGLI and FSGLI policies are adequate or if additional coverage is needed based on your situation. Consider a few of these situations:

Married with children: This is the time of greatest need for life insurance. Regardless of employment status, the surviving spouse is generally going to have a significant need for additional funds to offset the loss of the other spouse's income while the children are living at home or are in college. Serious insurance planning is needed for both spouses, even if one is not currently employed. Consider the costs of child care that the surviving spouse would have to pay. When the spouse is nonmilitary, there could be a need for additional life insurance, because FSGLI benefits alone may not be sufficient.

Single parents: Single parents will want to consider who will take care of the children, if they (the parent) die. A significant consideration when designating a guardian should be the guardian's ability to provide for the children's financial needs. Adequate insurance should be in place to compensate the guardian for the additional expenses of raising the children.

Children: Unless your child provides significant income to the home, the financial consequence of their death would be medical and burial expenses only. FSGLI provides $10,000 per child at no cost to you.

SGLI Family coverage (FSGLI): SGLI Family coverage is available for the spouses and children of active-duty Marines. Spousal coverage is available in $10,000 increments up to $100,000 and cannot be greater than the Marine's coverage. Premiums for spousal coverage are deducted from the Marine's monthly pay. Any dependent child under the age of 18 is automatically covered under family insurance which is limited to $10,000. In addition, children between the ages of 18 and 23 who are full-time students are covered.

SLIDE 42: BUYING A HOME

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

"I've just made the biggest purchase of my life. Now I want to protect my investment and find a way to pay off this debt if something happens to me."

Life Insurance Needs:

Needs increase again based on the mortgage you are carrying. To pay off the mortgage in the event of your demise, you will need to carry more insurance. Life insurance specifically tied to paying off a mortgage is a form of "credit life" insurance. Things you will want to research and possibly discuss with your financial advisor are: the cost of "credit life" insurance as compared with regular life insurance, and the Will to be used to pay off your home.

SLIDE 43: INCREASING ASSETS

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

"I am finally starting to accumulate some possessions and put money aside in investments. Now I worry about how to protect these assets."

Life Insurance Needs:

Review and adjust as needed. Ensure that your coverage is still adequate in relationship to liabilities and long-term plans, such as college education for children.

SLIDE 44: DIVORCE

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

"My spouse said she would continue to cover me on the insurance policy, but now it's been canceled. What should I do?"

Life Insurance Needs:

All policies need to be reviewed. It is time to re-evaluate how much you need. What expenses are you required to cover and what plans have you made for any children? Review and update beneficiary designation.

FSGLI: 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.

Your spouse can, however, convert coverage to a permanent policy with a commercial company.

SLIDE 45: RETIREMENT/SEPARATION

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

"I am getting out of the military in a few months. Will my insurance needs change?"

Many of the benefits you have had at little or no cost through the military now must be covered on your own. Your new employer may provide some benefits if you continue to work. However, in most cases you will have a cost share.

Life Insurance Needs:

You have three options:

1. SGLI can be converted to VGLI (Veterans Group Life Insurance) at a much higher price.

2. You can convert your SGLI to permanent insurance on a guaranteed basis with one of 54 different commercial companies listed at http://www.va.gov or, if you are in good health, you can apply for new insurance with any commercial company of Navy Mutual Aid Association (NMAA) or Army and Air Force Mutual Aid Association (AAFMAA).
3. FSGLI also can be converted to a commercial whole life policy without proof of good health within 120 days of a termination event (separation from the military, divorce, Marine's death) with a participating company.

   FSGLI overage will continue, at no extra cost to you, for 120 days following your separation from service.

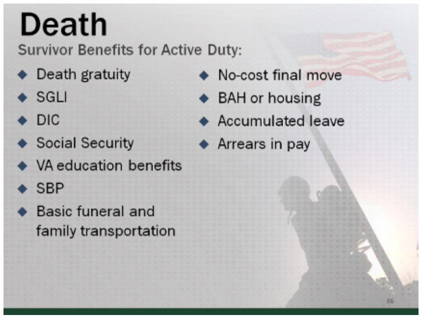
   You will pay no premiums for your children, since coverage for them is free. Coverage for your children ends 120 days after any of the following events:

   - 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.

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

   More information is available at the Veterans Affairs website.

SLIDE 46: DEATH



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

"My spouse just passed away. What can I expect financially now?"

Survivor benefits for active duty: Active duty Marines have a number of benefits provided by the government. These must be included in any consideration of insurance needs:

Death Gratuity: $100,000 paid within 36 hours.

SGLI: Standard $400,000. This coverage can be decreased or even declined entirely by the Marine. It could be difficult to find a better deal elsewhere though. Military occupations are considered "high risk," which means that a traditional policy may not cover you even if you die in a manner not directly related to your military service, such as an accident (see War Clause under Common Life Insurance Language). Remember that the beneficiary of the policy, the one who will get the money, is determined by you. This is separate from your will.

Dependency and Indemnity Compensation (DIC) provided by the Department of Veterans Affairs: This is $1,154 (2011) per month, payable to a surviving spouse. DIC is adjusted annually in accordance with the cost of living and is income tax free. An additional benefit of $286 will be paid monthly for each child (2011). These benefits must be applied for.

Social Security: $255 lump-sum 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. The benefit amount depends on the worker's earnings history. Individuals receive an estimate of Social Security benefits yearly.

Supplemental VA educational benefits: Educational benefits are available to a surviving spouse for up to 20 years after the Marine dies. Children are also eligible to use these benefits between ages 18 and 26.

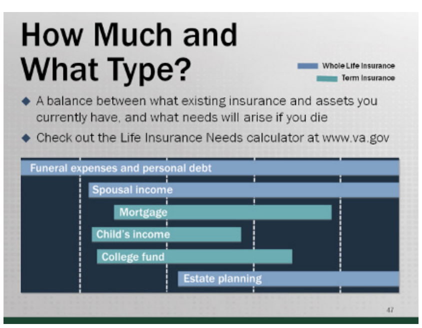
SBP: This is like insurance on your retirement pay. It is provided at no cost while on active duty but must be paid for at retirement. The amount you receive is based on your retirement pay and the benefit amount chosen. Any SBP payment to the spouse will be offset by the amount of DIC received. Child DIC payments do not affect SBP payments.

Other benefits: The military will pay the cost of a basic funeral and provide transportation for family members. The family will be provided a no-cost final move and receive basic allowance for housing (BAH) or permission to live in housing for 12 months, and be paid for any accumulated leave or arrears in pay. Additionally, the family will retain TRICARE benefits as well as other benefits such as commissary and exchange privileges and base legal assistance.

All of the above taken together provide the foundation for a sizable estate for the average Marine. In fact, the U.S. government is often said to be the best benefit-paying corporation in the world (if a member dies on active duty)!

Separatees must depend on the policies they have put in place. Retirees will have burial benefits, Social Security and SBP (if elected) as well as their own policies.

SLIDE 47: HOW MUCH AND WHAT TYPE?



INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. After the discussion, conduct the activity described below.

SECTION BACKGROUND INFORMATION

How much and what type?

As we have seen, life insurance needs vary during your life. Some needs will be short-term (covering funeral expenses and personal debt) and some long-term (provide income until children graduate). In young adulthood, the need for life insurance is minimal if you have no dependents. When you marry, and after your children have grown up and are independent and you have acquired other assets, the need for life insurance declines and possibly disappears.

Figuring how much life insurance to purchase (if any) is relatively easy to determine with the many needs calculators available on the Internet. The VA provides an excellent calculator specifically designed with the Marine in mind. These calculators look at existing assets, employer-provided benefits and insurance you currently

Learner Activity: The Life Insurance Needs Calculator

Purpose: To illustrate the use of a life insurance calculator to determine an appropriate level of life insurance.

Time: 20 minutes

Materials: Internet connection, pencils, and the following handouts:

- "Instructor's Key: Life Insurance Needs Calculator"
- "Life Insurance Needs Calculator" (If no classroom internet available.)
- "Life Insurance Needs Calculator Case Study"
- "Summary of Assets and Financial Obligations for Staff Sergeant Flier"

Procedure: Choose your presentation method below.

Internet method: Ideally, an Internet connection is available in the classroom so you can give a live demonstration of the calculator. Go to www.insurance.va.gov. Click on the "Insurance Needs Calculator" on the left, and then click on "Life Insurance Needs Calculator." Use the Staff Sergeant Flier case study to explain the use of the calculator and determine this hypothetical Marine's life insurance needs. Once you have calculated the need, click on the view summary

have, and determine whether they will cover the financial needs that will result from your death. If they do, you do not need additional insurance. If they do not, the calculators will tell you how much additional insurance you need to purchase. Your next decision, then, is which type of policy will best meet your own needs.

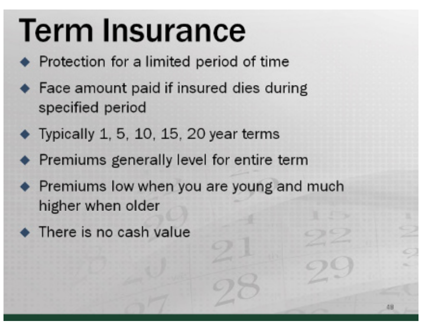
There are many different life insurance products. Some are perfect for short-term needs (needs that have a beginning and an end) and some are perfect for perpetual needs (providing a stream of income for a spouse or providing for burial needs). By considering your position in the life cycle and the specific need you want covered, you can zero in on the most appropriate product to use.

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 if you use the numbers in the case study, the results show that Staff Sergeant Flier currently has adequate coverage.

Handout method: Provide each learner with the blank "Life Insurance Needs Calculator" and case study handouts. Have each participant determine the life insurance needs of Staff Sergeant George Flier. Participants can work individually or 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's Key: Life Insurance Needs Calculator" handout.

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. Encourage all participants to spend some time putting their personal information into the calculator and assessing their own need for additional life insurance coverage.

SLIDE 48: TERM INSURANCE



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Term insurance provides protection for a limited period of time (the term of the policy). The face amount will be paid if the insured dies during the specified period. Nothing is paid if the insured survives. Term insurance is purchased for one-, five-, 10-, 15-, 20- and even 30-year periods.

Premiums for one-year term plans increase annually. For five-, 10-, 15-, 20- and 30-year plans, the premiums generally remain level for the entire term (level premium). Some term plans allow you to renew for an additional term (guaranteed renewable). You may also be able to convert your term policy to a permanent insurance plan sometime in the future on a guaranteed basis (convertible term). Make sure you understand the options. Term insurance is referred to as “pure” insurance; you pay only for the cost of insurance, no frills.

Other forms of term life insurance include decreasing term insurance. An example of this is “mortgage life” insurance where the face value of the policy coincides with the decreasing principal balance on the mortgage. The beneficiary on these types of policies often is the lien holder for the mortgage.

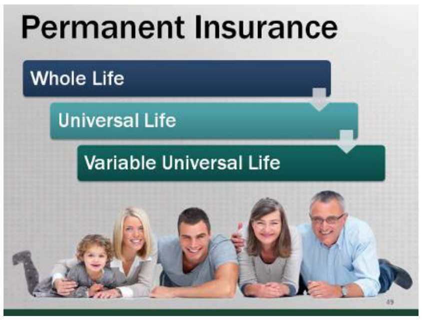
Another variation on term insurance is credit term life insurance. This is a term policy tied to a credit instrument such as a car loan. The enticement for this type of product (which is typically comparatively expensive to other forms of term insurance) is that the survivor would have the insurance proceeds to pay off the balance on the credit account.

Example: Statistics tell us that 1.07 percent of 21-year-old women will die. If we have a group of 100,000 21-year-old women and want to provide each of them with $1,000 of life insurance for the year, we need to collect $1.07 from each to cover the 107 ($107,000) deaths in the year. At age 25, as the percentage of deaths increase, we need to collect $1.16 from each member to provide the $1,000. At age 40 the cost increases to $2.42. At age 50 it is up to $4.96. When the members of this group are age 70 the cost has reached $22.11! It is easy to see that term insurance becomes prohibitively expensive when death becomes more likely to occur.

Term insurance is a good way to provide much-needed protection when you are young and have financial obligations. It is also a good buy if you want permanent insurance but cannot yet afford it. SGLI and FSGLI are both term insurance, more specifically group term insurance, where prices are discounted because the risk of individual death is spread out over a large group. If you die during the term, the face amount is paid to your beneficiary.

Many people use the phrase “buy term and invest the difference” as part of their long-term financial planning strategy. This can be a great tenet to follow as long as you do not have a need for permanent insurance.

SLIDE 49: PERMANENT INSURANCE



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Unlike term insurance, which covers you for a certain time period, permanent insurance covers you whenever you die. There are many types and variations of permanent insurance. All feature a cash value component. The three most common are whole life, universal life and variable universal life.

Whole life: Premiums for whole life insurance are much higher than term. The higher premiums are used to cover the amount needed for "pure insurance," (also known as mortality charges), administrative costs and profit for the insurance company. The rest is set aside in reserve to offset future increases in costs. This reserve money (cash value), which can be difficult to determine, is invested conservatively and belongs to the insurance company until the insured surrenders the policy, borrows it or dies.

Whole life may be recommended for wealthy individuals or for estate planning and maybe for individuals in their late 40s or early 50s but as a result of the high costs and low return on the "cash value" you have to determine the rate of return after all fees and charges to see if it is worthwhile as a result of high fees, up-front commissions, and a percentage that is deducted on the annual returns. Taking the difference between the term life insurance and investing it may be another alternative. It is highly recommended to locate a reputable and qualified individual to discuss your thoughts.

Universal life: Universal life became popular in the 1980s. It offers more flexibility to the policy owner in setting premium amounts and death benefit options. Another feature of universal life is that all policy costs are fully disclosed, offering a transparency not available with other forms of insurance.

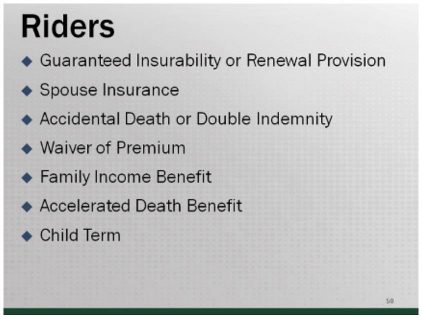
The premium is deposited into an interest-sensitive fund (accumulation fund). The insurance company periodically withdraws money from the fund to cover term insurance costs, company expenses and any other policy-related fees. The excess premium dollars continue to earn interest. Similar to whole life, the accumulated money can be borrowed or withdrawn at the discretion of the policy owner. As long as enough money remains in the fund to cover term insurance charges and company expenses, the policy stays in force. Of course, it is important to understand your policy, as each company has its own unique rules and requirements. Universal life also allows the insured to increase (with company approval) or reduce the policy face amount as needs change.

Variable universal life: Variable universal life is similar to universal life except that, in addition to an interest-sensitive fund, it offers the policy owner the option to invest in mutual fund sub-accounts to achieve a potentially higher return than whole or universal life. This type of policy carries higher risk because it is subject to market fluctuations. Potential buyers should be mindful of fees relating to the investment accounts and if it outweighs the interest earned. Make sure to ask for a prospectus. Insurance agents selling variable universal life must be securities licensed.

There are many variations in the permanent life insurance world with different purposes, rules, and costs, such as:

- Limited pay life: All premiums are paid over a specific period after which no more premiums are due to maintain the coverage.
- Adjustable life: Combines features of term and whole life coverage, giving holders the option to change the characteristics of their policies as their needs change over time.
- Modified life: Has lower premiums over a specific number of years early in the policy life with higher premiums later in the policy life.
- Endowment life: Designed to pay a lump sum on a specific date or earlier in the event of death.
- Interest-sensitive life: Cash value and potentially the face value of the policy can increase beyond stated minimums based on the economic conditions.
- Equity-indexed universal life: Permanent life insurance policy that allows policyholders to tie accumulation values to a stock market index.

SLIDE 50: RIDERS



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Policy riders can be an economical way to obtain specific coverage or a type of coverage only needed for a certain timeframe. Riders are additional benefits that can be added to a basic insurance policy at an additional cost. Some common riders are:

Guaranteed Insurability Rider or Renewal Provision: Allows you to purchase additional insurance coverage along with your base policy in the stated period without the need for further medical examination. This rider is most beneficial when there has been a significant change in your life circumstances, such as the birth of your child, marriage, or an increase in your income. Another advantage is that in case your health declines with increasing age, you will be able to apply for extra coverage without giving any evidence of insurability.

Spouse Insurance Rider: Offers term insurance for your spouse for an additional premium.

Accidental Death or Double Indemnity Rider: An additional amount of death benefit if the insured dies as a result of an accident. Normally, the additional benefit paid out upon death due to accident is equivalent to the face amount of the original policy, which doubles the benefit. Therefore, upon death due to accidental bodily injury, the insured's family gets twice the amount of the policy. That's why this rider is called a double indemnity rider. Just make sure that you understand the restrictions on this rider, because many insurance companies limit the meaning of the term “accident.” If you are the sole income provider for your family, this rider is ideal for you because the double benefit will take good care of your surviving family's expenses in your absence.

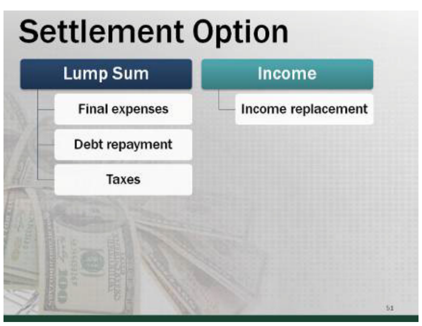
Waiver of Premium Rider: Future premiums are waived if the insured becomes permanently disabled or loses income as a result of injury or illness prior to a specified age. Disability of the main income earner can have the most crippling effect on a family. In these circumstances, this rider exempts the insured from paying the premium due on the base policy until he or she is ready to work again.

Family Income Benefit Rider: In case the insured dies, this rider will provide a steady flow of income to family members. When buying this rider, you need to determine the number of years your family is going to receive this income benefit.

Accelerated Death Benefit Rider: An insured person can use the death benefits under this rider if he or she is diagnosed with a terminal illness that will considerably shorten the insured's lifespan. On the whole, insurers may advance 25 percent to 40 percent of the death benefit of the base policy to the insured. At this juncture, you need to know that insurance companies may subtract the amount you receive, plus interest, from what your beneficiaries may receive on your death. This may eventually reduce the death benefit under the policy.

Child Term Rider: Provides a death benefit in case a child dies before a specified age. After the child attains maturity, the term plan can be converted into permanent insurance with coverage multiplying up to five times the original face amount without the need for medical exams.

SLIDE 51: SETTLEMENT OPTION

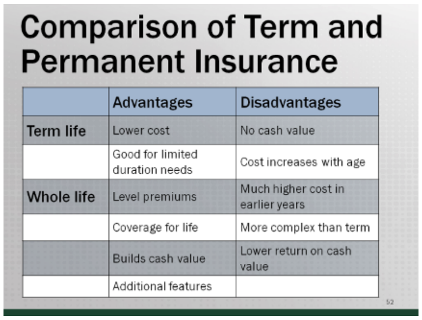


INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Whether term or permanent insurance, a key factor to consider is the settlement option of the policy. The settlement option is the method of payment of the proceeds: lump sum or income option. The settlement option should be tied to the purpose of the policy. Lump-sum settlement is a good option if the purpose of the policy is for final expenses, debt repayment or taxes. The income option is better if the purpose is income replacement.

SLIDE 52: COMPARISON OF TERM AND PERMANENT INSURANCE



Comparison of Term and Permanent Insurance

	Advantages	Disadvantages
Term life	Lower cost	No cash value
	Good for limited duration needs	Cost increases with age
Whole life	Level premiums	Much higher cost in earlier years
	Coverage for life	More complex than term
	Builds cash value	Lower return on cash value
	Additional features	

52

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Term life insurance advantages:

- Less costly, particularly in the early years, when the purchaser is young.
- This is the time when the need for the insurance is normally the greatest.
- Useful for limited-duration needs such as a mortgage or education expenses.

Term life insurance disadvantages:

- Cost increases steadily with age.
- There is no cash value buildup.

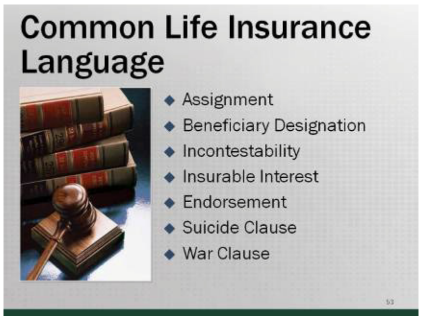
Whole life insurance advantages:

- Premiums remain level.
- Coverage is for life as long as premiums are paid.
- Builds cash value, which may be used later.
- Loans can be taken against the cash value at a low interest rate, but this option will reduce the death benefit by the amount of the loan.
- Often, additional insurance may be purchased without evidence of insurability.
- Cost-effective way to purchase insurance you intend to keep long-term.

Whole life insurance disadvantages:

- Far more expensive than term policies, particularly when an individual is young.
- Since insurance and savings are “bundled” together, it is often difficult to accurately compare policies.
- The actual return on the cash value buildup can be low; it is difficult to accurately estimate future cash values; other than a low guaranteed minimum (normally based on a 3.5 percent or 4 percent rate of return) there are no assurances of any dollar amount available in the future. Computer projections may or may not be realistic.
- Initial expenses generally mean there is little or no cash buildup in the early years of the policy. Some surrender charges are in effect for the first 10 to 20 years.

SLIDE 53: COMMON LIFE INSURANCE LANGUAGE



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Like so many other specialized fields, life insurance has some specific language with which you should be familiar:

- **Assignment:** Transfer of ownership of a life insurance policy to someone other than the insured.
- **Beneficiary designation:** The assignment of the proceeds of the life insurance policy to specifically-named individual or individuals.
- **Incontestability:** Places a time limit, typically two years after the date of issuance, on the right of the insurance company to deny a claim.
- **Insurable interest:** A vested interest in the maintenance of the health or well-being of the insured.
- **Endorsement:** Amendments or additions to the basic policy that can expand or limit coverage to accommodate special needs; also called riders.
- **Suicide clause:** Allows the life insurance company to deny coverage if the insured commits suicide within the first few years (or as stated in the policy).
- **War clause:** If you are the victim of war or a training incident, the insurance company will not pay out the benefits of your policy; they will return all premiums paid. This particular clause is important to Marines as the United States has been at war for a number of years and, even if not actively in combat, the war clause can be implemented simply by virtue of serving on active duty.

SLIDE 54: LIFE INSURANCE FEATURES

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

When shopping for new insurance or when considering replacing an existing policy, you must compare the 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 coverage 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, 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 65 years old, you should consider only those policies that guarantee protection through that age.

As an active-duty Marine, you should ensure that any policy you purchase contains no war clause (an exclusion of coverage due to combat or any combat-related activity). Many companies have suspended or eliminated war clauses. Ask for a specimen policy to review. Do not 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 aa 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 buildup 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 percent of premiums in Year 1), 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 Marines also should check with the Navy Mutual Aid Association for an additional comparison. (The association is nonprofit and has no sales agents.)

SLIDE 55: WHEN TO REPLACE YOUR POLICY

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Should you replace your old policy?
Warning! Marines 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, consider replacing an old policy if:

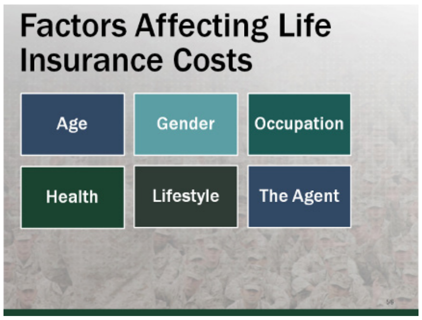
- You are healthy (insurable).
- You can significantly lower your cost per $1,000 of coverage.
- You currently hold several policies. (Each policy typically has an annual administrative fee of $25 to $50. For someone with five different policies, that could be as much as $250 a year that could better be applied toward the premium 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 do not plan to save the difference between the old and new premiums.
- You do not 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 to receive a good rate of return.

SLIDE 56: FACTORS AFFECTING LIFE INSURANCE COSTS



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

There are several factors that can affect 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, women's 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 also can be affected in the same way.

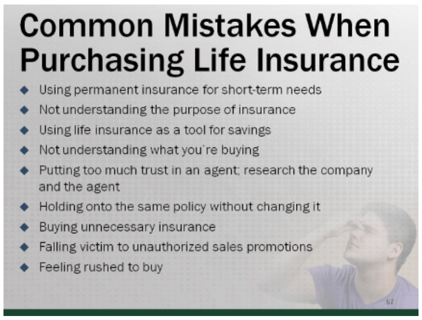
Health: Your state of health determines not only your costs but in some instances will determine if you are even insurable! Those with chronic health problems will face higher insurance premiums.

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 12 months. Once a smoker quits, the rate for insurance will normally be reduced to the non-smoker rates after 12 or more months.

Selecting an agent: Interview a number of agents that specialize in the type of insurance you need. The person that handles your auto and homeowners 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 certified financial planner (CFP®), chartered life underwriter (CLU®), or chartered financial consultant (ChFC®).

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

SLIDE 57: COMMON MISTAKES WHEN PURCHASING LIFE INSURANCE



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Some common mistakes when purchasing life insurance:

- Using permanent insurance for short-term needs.
- Not understanding the true purpose of insurance. Buy life insurance to protect your loved ones from a catastrophic loss of income.
- Using life insurance purely as a savings vehicle. These policies offer protection with cash value, which adds to the cost and reduces returns. An individual retirement account (IRA), Thrift Savings Plan (TSP) and/or 401(k) are excellent options for savings.
- Not understanding what you are buying.
- Putting too much trust in an agent. Do your homework and do not rely on your agent exclusively to tell you what is best. Remember, they usually work on commission, and their advice may be slanted. Let the life-cycle event determine the need, not the salesperson. Do your research on the company and the agent.
- Holding onto a policy forever. Your needs change as your life changes. Stay up to date and change your insurance, too.
- Buying unnecessary insurance.
- Non-authorized life insurance product sales promotions. In 2008, SECNAV Instruction 1740.2E was issued to prevent insurance salespersons from soliciting service members on base, in their barracks or at meeting or functions that service members are required to attend. Additionally, in January 2011, the Commandant of the Marine Corps released MARADMIN 035/11, “Personal Commercial Solicitation and Financial Education Classes,” which reinforces DoD Instruction 1344.07 and SECNAV Instruction 1740.2E regarding insurance and investment sales solicitations on board military installations.

- Feeling rushed. Take your time; give yourself at least a 24 hour cooling-off period just as you should before making any other big-dollar purchase decision. Be aware that you have at least 10 days after delivery to return a life insurance policy for a full refund if you change your mind.

SLIDE 58: ANNUITIES AS INVESTMENTS

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

An annuity is an insurance product that provides a payment or payments while you live, versus after you die, like standard insurance products. Purchase dollars are usually put in a mutual fund to grow until payments to the beneficiary start. Although there is some guarantee of payments, these products usually carry high fees and expenses including fees for cashing them in before age 59 1/2. Taxes also tend to be high on annuities. They are sometimes sold in misleading ways, promising high returns that rarely become a reality.

Like so many other financial and insurance products, there are many variations in the annuity world. Immediate annuities have at least a portion of the premium going to the beneficiary immediately. Deferred annuities are set up for the payment stream (typically monthly payments) to start at a pre-determined time in the future. Payments into the annuity fund can be fixed, flexible, or a single (lump sum) payment. The underlying investment return can be fixed, variable or tied to an equity index (e.g. the S&P 500).

Annuity products pay high commissions to the brokers who sell them. This often provides the motivation to “push” these products and solicit individuals with little knowledge of financial products. Young Marines, especially those in the early stages of their careers, may be targeted by these brokers and in fact are the least likely to need this product.

As a general rule, do not buy an annuity product that is being touted as a great investment without checking with your Command Financial Specialist, Marine Corps Community Service Center financial educator or other trusted, neutral professional who can help you unravel the sales hype and the details of the product and help you figure out if it is a good fit with your insurance needs.

SLIDE 59: ORGANIZING YOUR RECORDS

INSTRUCTOR NOTES:

1. Distribute the "Your Insurance Needs: Organizing Your Records" handout to participants.
2. Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

The "Your Insurance Needs: Organizing Your Records" handout provides important suggestions for keeping all of your life insurance policies in order. Ensure that your beneficiaries will be able to locate and submit a claim on your life insurance quickly and efficiently by having copies of your life insurance records in at least two places. This will make it less likely that you will lose them and more likely that, after your death, your beneficiaries will find them.

SLIDE 60: GOLDEN RULES OF LIFE INSURANCE

INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

If other people depend on you for their financial well-being, then not having an insurance plan, or being underinsured, can be a costly mistake.

Be sure to:

- Calculate life insurance needs today and every three years or when major life events occur, such as the birth of a child.
- Review and update your beneficiary forms with major life events, such as marriage, the birth of a child, divorce or death.
- Avoid being persuaded to buy life insurance before you take on financial responsibility for others.
- Shop around for the best deal.
- Buy insurance; do not let it be "sold" to you.

- Employ the principle of "buy term life insurance and invest the rest" with guaranteed renewable or level-premium term life insurance, and then contribute as much as possible to a tax-qualified retirement plan (TSP, Roth IRA, Traditional IRA, 401(k)).
- Solve the "dying too soon" problem with adequate term life insurance and the "living too long" problem with well diversified investments.
- If you decide that you need a cash value (permanent) life insurance policy, research a guaranteed insurability option.
- Check out military organizations such as the Navy Mutual Aid Association (NMAA) or Army and Air Force Mutual Aid Association (AAFMAA) and other groups that offer term life insurance policies and permanent life insurance policies.
- Use the VA's Life Insurance Needs calculator.
- Organize your insurance records.

By using the basic information, handouts and calculator information in this program, not only will you be sure to purchase the best insurance for your needs, you will also have purchased tremendous peace of mind.

SLIDE 61: CIVILIAN HEALTH INSURANCE

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

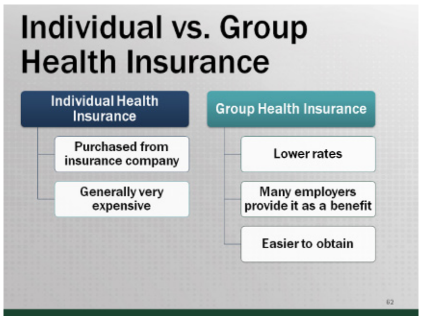
SECTION BACKGROUND INFORMATION

While in the Marine Corps you may not give a lot of thought to health insurance, either for yourself or your dependents. TRICARE is a benefit of service.

In the civilian world, however, health care can be a major cost for an individual or a family.

Health care insurance is a tool to minimize financial loss due to injury or illness. Most people only think about the cost of the actual care associated with injury or illness, but two other types of loss to consider are losses resulting from the need for recuperative care and income lost while unable to work. We will spend some time reviewing typical health care insurance and focus later on disability income insurance and long-term care insurance.

SLIDE 62: INDIVIDUAL VS. GROUP HEALTH INSURANCE



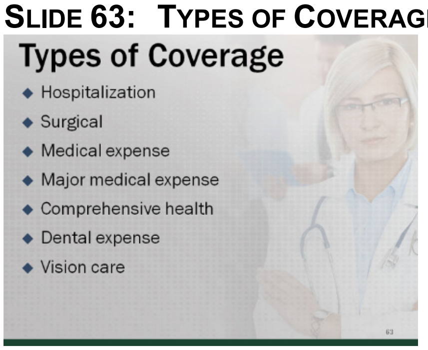
INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Civilian health care coverage can be purchased two different ways: Either as an individual or as part of a group. Individual health care plans can be purchased from insurance companies; however, they are generally very expensive. For most people, a group health care plan is arranged by an employer, but there can be options for an individual to participate in a group plan based on membership in a non-employer group such as AARP or a union. The benefits of group health care coverage are lower rates, many employers provide it as a benefit for their workers, and those with existing health problems may find it easier to obtain group coverage because the eligibility determination is based on the overall group not just the single individual.

Traditional health insurance or health care plans are based on the concept of reimbursement for medical costs. These are termed indemnity plans. This traditional and more commonly familiar fee-for-service health care plan has gradually become less prevalent as managed care becomes more and more popular. However, if you value flexibility in your health care and don't mind spending a little extra money for full coverage, it may be the best policy for you.

SLIDE 63: TYPES OF COVERAGE



INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.
2. Distribute the "Types of Health Insurance Comparison" handout.

SECTION BACKGROUND INFORMATION

Health care plans can be very specific or very broad, but it is unusual for a single plan to cover absolutely everything. In some ways, selected health care plan coverage is like dining "a la carte," in that you choose from the options those that you think you will need and that you can afford. When factoring in the cost of health insurance, keep in mind that, in addition to premiums, many health insurance policies have deductibles (a minimum threshold of costs that must be paid by the patient before the insurance company will start paying), co-insurance or co-pays (a percentage or flat dollar amount of the allowed charges that the patient pays), and maximum dollar amounts allowed based on procedure and policy limits.

Some typical health care plan basics include:

- **Hospitalization coverage:** Includes the costs associated with a stay in the hospital such as room and board, routine laboratory charges, general nursing, basic supplies and drugs.
- **Surgical coverage:** Accounts for the expenses of surgical procedures, typically the surgeon, anesthesiologist, the hospital and others directly involved in the procedure.
- **Medical expense coverage:** Reimbursement for physician and medical services other than those directly connected to surgery. Examples: nonsurgical outpatient procedures, X-rays, doctor visits and prescription drugs.

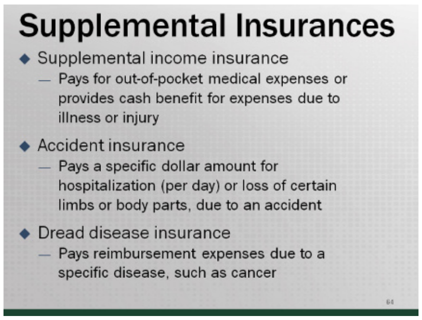
These three options provide the first line of financial defense, the "first dollar" protection. These three alone would reimburse you for small losses, but you still could be at risk due to a serious illness that exceeded the limitations of these protections. This greater risk can be addressed by:

- **Major medical expense coverage:** Provides reimbursement for a broad range of medical expenses; has high policy limits as well as a fairly high annual deductible. Often is used to supplement hospitalization, surgical and medical expense coverage. Can be treated as an annual "stop-loss" for family.
- **Comprehensive health insurance:** Combines the protection of hospitalization, surgical, medical expense and major medical coverage in one policy. Covers both basic needs and major medical situations without the patient having to determine which coverage should be used. Many employers that want to offer full-spectrum health insurance offer one comprehensive policy.

Like so many other insurance areas, health insurance also features some specialized policies.

- **Dental expense:** Provides reimbursement for dental care expenses; typically includes a deductible, co-insurance, maximum procedural payments and policy limits.
- **Vision care:** Reimbursement for eye exams and testing, and the purchase and fitting of glasses and contact lenses.

SLIDE 64: SUPPLEMENTAL INSURANCES



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

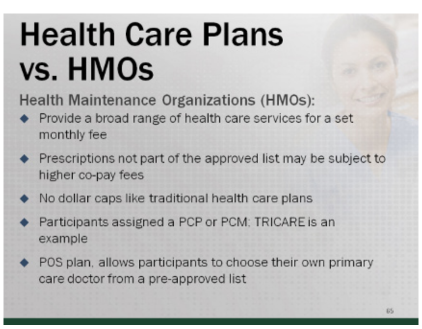
SECTION BACKGROUND INFORMATION

There are also supplemental forms of health insurance designed to fill in the gaps in standard health care plans or provide additional reimbursement that your regular insurance does not cover.

- **Supplemental income insurance:** Pays for out-of-pocket medical expenses, such as deductibles, co-payments, and co-insurance or may provide you with a cash benefit paid out over a period of time or given to you in one lump sum. The cash can be used to cover lost wages, transportation related to your health condition, or used to pay for food, medication, and other unexpected expenses you have due to an illness or injury.
- **Accident insurance:** Pays a specific amount per day of hospitalization due to an accident or a specific amount due to the loss of certain limbs or body parts; typically excludes the first seven days of hospitalization.
- **Dread disease insurance:** Reimburses medical expenses due to a specific disease, such as cancer.

Like supplemental insurance in other arenas, a careful cost-benefit analysis should be applied before signing up for these very limited insurances. It may be more beneficial to apply the funds for these policies toward the purchase of a better major medical or comprehensive plan.

SLIDE 65: HEALTH CARE PLANS VS. HMOS



SECTION BACKGROUND INFORMATION

We've looked at health care plans (either individual or group) in depth. Now let's discuss another tool for minimizing the financial impact of health care costs, the health maintenance organization (HMO). HMOs represent pre-paid health care: a broad range of health care services offered to members for a set monthly fee. In addition to the monthly fee, there may be a small set fee assessed at each office visit or per prescription. Prescription drugs that are not part of the plan's approved formulary may be subject to higher co-pay fees or may not be covered at all unless specifically approved based on advice from the physician explaining why the patient cannot take an equivalent drug

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

on the formulary list. Services include hospitalization and surgical care as well as preventive medical care. In fact, the goal of HMOs is to avoid major medical issues through preventive care and early intervention, thus alleviating the much larger costs of serious illness.

The monthly fee associated with the HMO is based on the medical services the typical plan participant uses. There are no dollar caps like in traditional health care plans. The way the HMO manages costs is by managing the care. This is accomplished in a number of ways, such as a preapproval requirement for hospitalization or specific procedures or restrictions on which doctor or hospitals can be used.

HMO participants are assigned a primary care physician (PCP) or primary care manager (PCM). This individual coordinates any care with specialists (both inside and outside the HMO). TRICARE Prime is an example of an HMO plan.

An alternative in the HMO realm is the point of service (POS) plan. In a POS plan, the individual chooses their primary care doctor from a list of approved providers. This primary care doctor either provides treatment or refers the patient to an approved specialist. The trade-off for the privilege of choice of doctor is higher deductibles and co-pays. TRICARE Standard is an example of a POS plan.

SLIDE 66: MANAGED CARE IN HEALTH CARE PLANS

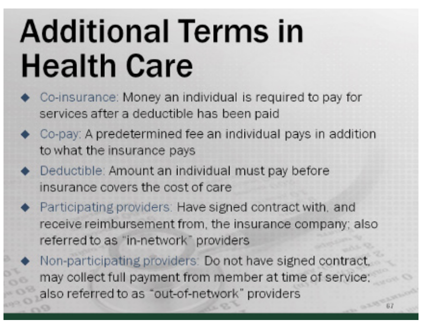
SECTION BACKGROUND INFORMATION

Managed care is not only a function of HMOs. Many health care plans offer versions of managed care to decrease the costs of the program. By working within the structure of a managed care plan, participating doctors accept the "allowable" (pre-contracted) payment versus the billed amount from the insurance company and do not bill the patient for the difference. However, if you use a non-participating doctor or facility, you will be responsible for payment in full for the difference between the billed amount and what the insurance company is willing to pay which can be a significant out-of-pocket expense. There is quite a bit of discussion about financial advantages and disadvantages in managed health care plans at www.healthinsuranceindepth.com.

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

- **Preferred Provider Organizations (PPOs):** A group of medical care providers (doctors, hospitals, etc.) who contract with a health insurance company to provide services at a discount; the discount is passed on to the policyholders by the reduction or elimination of deductibles and co-insurance as long as they use a PPO provider for their care. TRICARE Extra is an example of a PPO.
- **Provider Sponsored Network (PSN):** A group of doctors and hospitals who band together to cover health insurance contracts; typically in rural areas where HMOs may be limited.

SLIDE 67: ADDITIONAL TERMS IN HEALTH CARE



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

When considering health care, here are few more terms with which you should be familiar:

Co-insurance: Money an individual is required to pay for services after a deductible has been paid. Often quoted as a number combination such as 80/20 which means that the individual pays 20% toward the charges and the insurance company pays the other 80%.

Co-payment (co-pay): A predetermined fee (dollar amount rather than a percentage) that an individual pays for health care services in addition to what the insurance covers (e.g., $15 co-pay per office visit, $4 co-pay per prescription.

Deductible: Amount an individual must pay for health care expenses before insurance covers the costs. Usually quoted as a yearly amount.

Participating providers: Have a signed contract with the health insurance company and receive reimbursement of eligible charges directly from the health insurance company. The member is responsible, as applicable, for co-payment, co-insurance, and payment for non-covered items (if any) at the time of service. Also referred to as in-network providers.

Non-participating providers: Do not have a signed contract with the health insurance company. Non-participating providers may collect their full charge(s) from the member at the time of service. Also referred to as out-of-network providers.

SLIDE 68: CASH CUSTOMERS

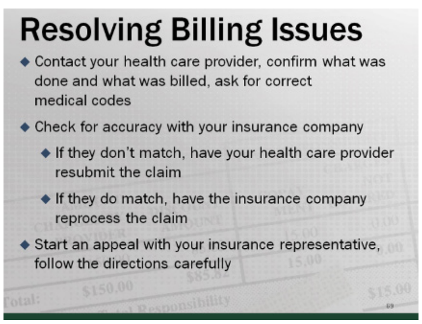
INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Some people for various reasons choose to not have health insurance of any kind. If they require medical treatment of any kind, they pay for the service outright. In the medical world, they are referred to as a cash customer.

Even for an individual in good overall health, this can be a very risky proposition. One illness or accident and they could be jeopardizing their financial future due to extraordinarily large medical debts and loss in income.

SLIDE 69: RESOLVING BILLING ISSUES



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

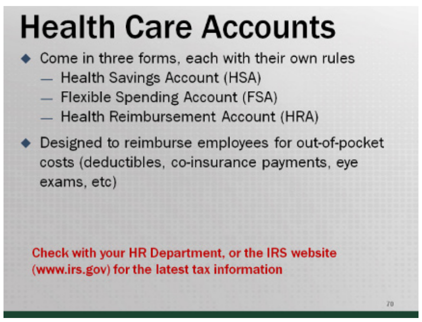
SECTION BACKGROUND INFORMATION

Health insurance billing errors can result in you receiving a bill from your doctor due to a claim being denied by the insurance company. This is typically due to confusion between the procedures done, what was billed and what was actually paid. To resolve a health care billing issue:

- Contact your health care provider to confirm what services were done and what were billed. If there is a discrepancy, ask the office manager to look into the matter. If the doctor's office billed the insurance company for the wrong procedure or for extra procedures, ask it to send a new claim to the insurance company.
- Ask your health care provider for the medical codes that should have been billed. Write down the numbers you are given. Check your explanation of benefits from the insurance company to see if the numbers match. If they do not, ask the office to resubmit the claim to your insurance company with the correct codes.
- Call your insurance company and confirm that the codes that you have from your provider are the same codes that were on the bill sent to the insurance company. If they were, but your explanation of benefits shows otherwise, ask them to reprocess the claim.

- Start an appeal. In many cases, an appeal must be presented in writing within a certain time. Ask your insurance representative how to appeal and follow the directions carefully.

SLIDE 70: HEALTH CARE ACCOUNTS



INSTRUCTOR NOTES:

Discuss the points on the slide using the information in the column to the right.

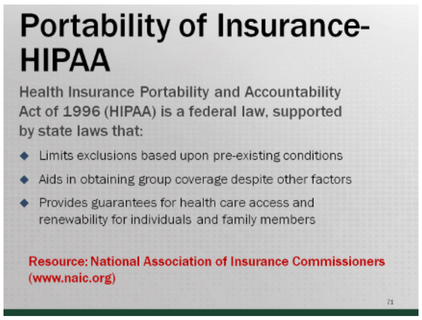
SECTION BACKGROUND INFORMATION

Another tool available through an employer to help make health care more affordable is the health care account. Health care accounts come in three forms, each with their own rules. They are designed to reimburse employees for out-of-pocket costs such as deductibles, co-payments, co-insurance payments, eye examinations, glasses, contact lenses, etc.

- **Health Savings Account (HSA):** Employer-sponsored, must have a high-deductible health care plan, employer and employee funded, owned by employee, no “use or lose” provision, money can be used for non-health expenses, and reduces taxable income.
- **Flexible Spending Account (FSA):** Employer-sponsored, and funded and owned by employee. Has “use or lose” provision based on plan year, money cannot be used for non-health expenses, and it reduces taxable income.
- **Health Reimbursement Account (HRA):** Sponsored, funded, and owned by employer. No “use or lose” provision, money can be used for non-health expenses, and is excluded from income for tax purposes (tax free).

As tax laws are always changing, check with the Human Resources department at your employer or on the IRS website (www.irs.gov) for the latest tax information.

Slide 71: Portability of Insurance - HIPAA



Instructor Notes:

Discuss the points on the slide using the information in the column to the right.

Section Background Information

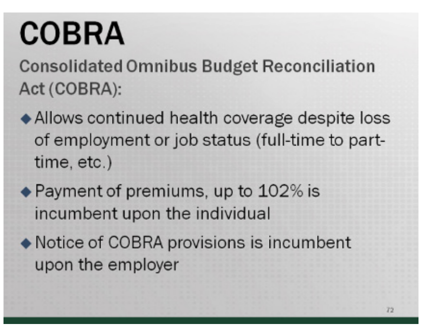
The Health Insurance Portability and Accountability Act (HIPAA) of 1996 is a federal law that:

- Limits the ability of a new employer plan to exclude coverage for pre-existing conditions.
- Provides additional opportunities to enroll in a group health plan if you lose other coverage or experience certain life events.
- Prohibits discrimination against employees and their dependent family members based on any health factors they may have, including prior medical conditions, previous claims experience, and genetic information.
- Guarantees that certain individuals will have access to, and can renew, individual health insurance policies.

HIPAA is complemented by state laws that, while similar, may offer more generous protections. A good resource is the National Association of Insurance Commissioners at www.naic.org.

One of the most important protections under HIPAA is that it helps those with pre-existing conditions get health coverage. In the past, some employers' group health plans limited, or even denied, coverage if a new employee had such a condition before enrolling in the plan. Under HIPAA, that is not allowed. If the plan generally provides coverage but denies benefits to you because you had a condition before your coverage began, then HIPAA applies.

Slide 72: COBRA



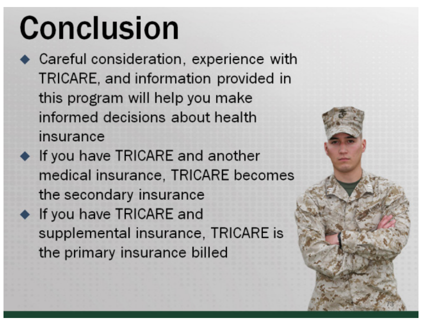
Section Background Information

The Consolidated Omnibus Budget Reconciliation Act (COBRA) gives workers and their families who lose their health benefits the right to choose to continue group health benefits provided by their group health plan for limited periods of time under certain circumstances, such as voluntary or involuntary job loss, a reduction in the hours worked, a transition between jobs, death, divorce, and other life events. Qualified individuals may be required to pay the entire premium for coverage up to 102 percent of the cost to the plan resulting in a family rate costing over a thousand dollars a month.

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

COBRA generally requires that group health plans sponsored by employers with 20 or more employees in the prior year offer employees and their families the opportunity for a temporary extension of health coverage (called continuation coverage) in certain instances where coverage under the plan would otherwise end. COBRA outlines how employees and family members may elect continuation coverage. It also requires employers and plans to provide notice.

SLIDE 73: CONCLUSION



INSTRUCTOR NOTES:
1. Discuss the points on the slide using the information in the column to the right.
2. Distribute the "Health Care Checklist – Active Duty", the "National Guard and Reserve Health Care Checklist" and the "Health Insurance Questions" handouts to participants.

SECTION BACKGROUND INFORMATION

While on active duty with the Marine Corps, TRICARE Prime is the health care insurance you have available to you. Your family has the option of choosing TRICARE Prime, Extra or Standard with their associated rules and regulations.

Once you leave the Marine Corps, health insurance, whether a health care plan or an HMO, can get much more complicated. If you retire from the Marine Corps you will be eligible for TRICARE for life. However, even retirees frequently choose to participate in the health care insurance provided by employer.

It is important to note that if you have other medical insurance through your employer or your spouse's employer, that insurance will be the primary insurance (billed first) and your TRICARE will be the secondary (billed secondary for expenses not covered by the primary).

Many military associations and private companies offer supplemental insurance policies. Unlike other health insurance, which pays first for health care services, supplemental insurance pays after TRICARE pays its portion of the bill, reimbursing you for out-of-pocket medical expenses paid to civilian providers based on the plan's policies.

With some careful consideration, using your experience with TRICARE and the information provided here as a guide, you should be able to make educated and informed health insurance decisions.

SLIDE 74: DISABILITY INCOME INSURANCE

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Disability income insurance is one of the most overlooked of all types of insurance, especially for young workers. This insurance replaces a portion of income lost when you cannot work due to injury or illness. While on active duty, this insurance is not needed due to the inherent military pay model; however, once separated from the Marine Corps, disability income insurance could be very important.

SLIDE 75: LEVEL OF NEED

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

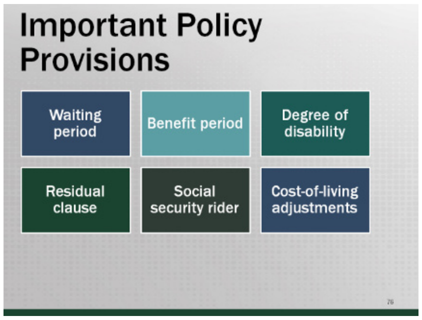
SECTION BACKGROUND INFORMATION

The first piece of the disability income insurance puzzle is to determine how much protection is needed. Disability income policies are either written in dollar figures (usually $100 increments) or as a percentage of after-tax earnings

You must also consider whether potential disability would qualify for Social Security disability income insurance (five-month waiting period, disability expected to last at least 12 full months or until the worker's death) or not.

Finally, you must weigh the cost and availability of short-term and long-term benefits. Short-term disability is typically anything 10-26 weeks in duration. Check with your state insurance regulations for more specifics.

SLIDE 76: IMPORTANT POLICY PROVISIONS



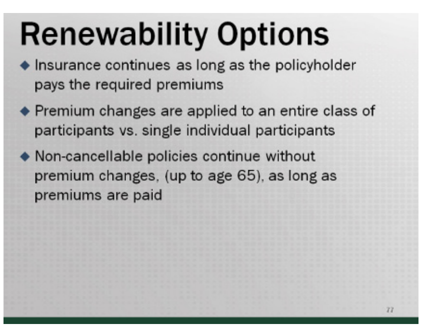
INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Once you have estimated your level of need, you will want to take into account a variety of policy provisions:

- **Waiting period:** Time period between onset of the disability and the date the disability benefit begins; also called elimination period.
- **Benefit period:** Maximum period of time for which benefits will be paid.
- **Degree of disability:** Measured either as "own occupation" or "any occupation;" "own occupation" provides benefits if you can no longer perform the occupation you had at the time you became disabled; "any occupation" will provide benefits only if you cannot perform any occupation.
- **Residual clause:** A feature of own-occupation policies that allows for some reduced level of income benefits for partial rather than full disability.
- **Social Security rider:** Allows for an extra dollar amount of protection should you fail to qualify for Social Security benefits.
- **Cost-of-living adjustments:** Feature that will increase your benefit amount to keep up with inflation.

SLIDE 77: RENEWABILITY OPTIONS



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

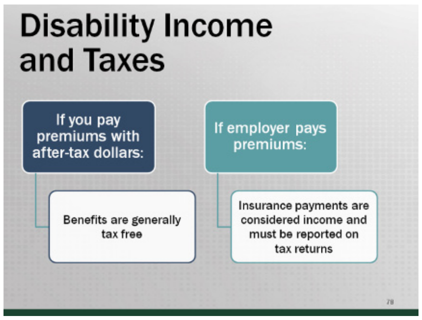
SECTION BACKGROUND INFORMATION

Another factor when evaluating disability income insurance is renewability. All health and disability insurance is renewable annually. If your disability income insurance can be canceled or changed by the insurance company at renewal time, it is considered to be optionally renewable.

Guaranteed renewable policies must continue in force as long as the policyholder pays the required premiums. Premium changes must be applied to an entire class of participants and cannot single out individual participants.

Non-cancelable policies must be continued in force without premium changes up to age 65 as long as the premiums are paid. This is the most desirable form of disability income insurance.

SLIDE 78: DISABILITY INCOME AND TAXES



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

If you purchase an individual disability income insurance policy for yourself and pay premiums with after-tax dollars, the benefits you receive are generally tax free. However, if the policy premiums were paid by your employer, the insurance payments are considered income and will be need to be accounted for on your tax return.

SLIDE 79: LONG-TERM CARE INSURANCE

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Long-term care insurance provides reimbursement for costs associated with intermediate and custodial care in a nursing facility or at home that are not covered by HMOs, health insurance or Medicare as it is not deemed “medically necessary” by these providers.

Individuals who require long-term care are not what we typically think of as “ill.” They do, however, have a chronic illness or disability which could include memory loss, confusion or disorientation that require assistance with activities of daily living such as eating, bathing, dressing, transferring from bed to chair, using a toilet, and walking. Age is not necessarily a factor. Approximately 40 percent of those needing long-term assistance are age 18-64. A person with a chronic illness has been certified by a licensed health care practitioner within the preceding 12-month period as being unable to perform without substantial assistance from another individual at least two out of six activities of daily living for a period of at least 90 days due to loss of functional capacity or requires substantial supervision to protect such individual from threats to health and safety due to cognitive impairment.

SLIDE 80: TYPES OF SKILLED COVERAGE

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Skilled coverage can be broken into seven basic categories:

- **Skilled nursing care:** The highest level of care an individual can receive without being confined to a hospital. It is almost always based in an institution. The insured requires continual medical attention from nurses or other licensed medical professionals who are supervised by a physician. Care must be available on a 24-hour basis. Skilled rehabilitation services such as physical, occupational, and speech therapy are generally included in this definition.
- **Intermediate nursing care:** Occasional nursing and rehabilitative care provided by a medical professional based on a doctor's orders. Care may be provided only by, or under the supervision of, skilled medical personnel. Frequently, a licensed practical nurse or nurse's aide gives this type of care to an individual who has limited functional ability but does not require around-the-clock care. Often, the person needs help with key functions like managing medication. Care is provided on an intermittent rather than a continuous basis — for example, physical therapy.
- **Home health care:** Includes nursing and related personal care such as occupational, physical, respiratory, speech therapy, social worker, home health aide, and homemaker services provided to patients at home by a home health agency.
- **Custodial care:** Care to help individuals meet personal needs such as bathing, dressing, and eating. Someone without professional training may provide care.
- **Assisted living:** Residential living arrangement that provides individualized personal care and health services for people who require assistance with activities of daily living.
- **Adult day care:** Care during the day for adults, usually at senior or community centers.

- **Hospice care:** Care for individuals with terminal illnesses. While individuals receive care, they are typically not receiving the type of care that will bring about recovery or can be expected to improve their medical condition. Hospice care is intended to provide comfort for the terminal patient and support for their families.

SLIDE 81: COSTS OF LONG-TERM CARE

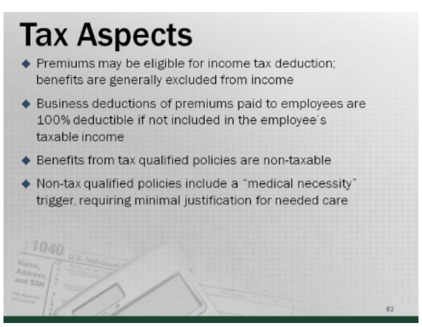
INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Long-term care is expensive and is frequently not fully covered by health care insurance or supplements like Medicaid. Without long-term care insurance, the individual or family will end up paying the costs of the care from their own income. Below is an example of the average costs of care as of 2009, the most recent data from the U.S. Department of Health and Human Services:

- $3,131/month for care in an assisted living facility (for a one-bedroom unit)
- $219/day for a private room in a nursing home
- $198/day for a semi-private room in a nursing home
- $67/day for care in an adult day health care center
- $21/hour for a home health aide
- $19/hour for a homemaker services

SLIDE 82: TAX ASPECTS



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

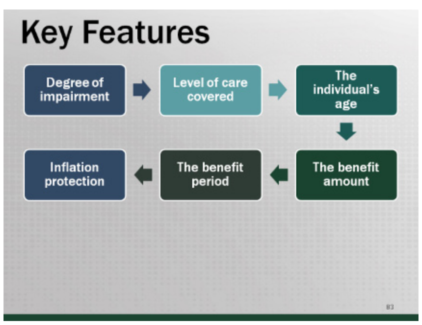
SECTION BACKGROUND INFORMATION

- Premiums paid on a long-term care insurance product may be eligible for an income tax deduction. The amount of the deduction depends on the age of the covered person. Benefits paid from a long-term care contract are generally excluded from income.
- Business deductions of premiums are determined by the type of business. In general, corporations paying premiums for an employee are 100 percent deductible if not included in employee's taxable income.
- Tax-qualified policies are the most common policies offered. These policies require that a person be expected to require care for at least 90 days and be

unable to perform two or more activities of daily living without substantial assistance (hands-on or standby); or for at least 90 days need substantial assistance due to a severe cognitive impairment. In either case, a doctor must provide a plan of care. Benefits from a tax-qualified policy are non-taxable.

- Non-tax qualified policies were formerly called traditional long-term care insurance. It often includes a "trigger" called a "medical necessity" trigger. This means that the patient's own doctor, or that doctor in conjunction with someone from the insurance company, can state that the patient needs care for any medical reason and the policy will pay. These policies include walking as an activity of daily living and usually only require the inability to perform one or more activity of daily living.

SLIDE 83: KEY FEATURES



INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

When comparing long-term care policies there are several key features to take into consideration; be sure you are comparing policies with equivalent features.

- Degree of impairment required for benefits to begin
- Level of care covered
- The person's age
- The benefit amount
- The benefit period
- Inflation protection

These are mostly the same factors that determine the insurance rate as well as the elimination period (waiting period for benefits to begin) and the individual's health rating.

Once a person purchases a policy and is making the premium payments on time, the language cannot be changed by the insurance company and the policy is usually guaranteed renewable for life.

SLIDE 84: WHY BUY NOW?

INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Many of you may be asking yourselves why you should be thinking about long-term health care insurance now. You are young. You are healthy. You are Marines. Those exact reasons are why it is a good time to consider long-term health insurance. You are young and healthy. Your premiums are probably at their lowest level. Although the military does have some long-term care facilities for veterans of service, the demand for these facilities far outstrips the availability. There is a wealth of information from the federal government regarding all aspects of long-term care insurance at the National Clearinghouse for Long-Term Care (http://www.longtermcare.gov/LTC/Main_Site/index.aspx). There are additional resources available for more information and comparison shopping such as the National Association of Insurance Commissioners (http://www.naic.org/) and your state insurance regulators (http://www.consumeraction.gov/insurance.shtml).

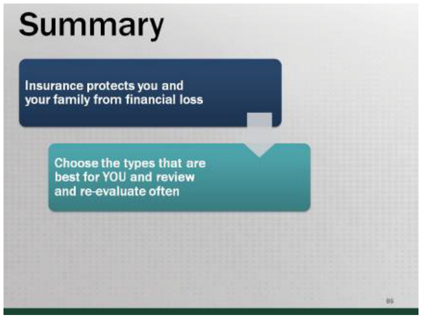
SLIDE 85: RESOURCES

INSTRUCTOR NOTES:
1. Discuss the points on the slide using the information in the column to the right.
2. Refer participants to the resources listed on the handouts that have been provided throughout this program. If time allows, pull up your favorite Internet resource to show participants.

SECTION BACKGROUND INFORMATION

When it comes to the subject of insurance, resources are everywhere, depending on which aspect of insurance you are interested in. While you are still in the Marine Corps, take advantage of the information available from your unit Command Financial Specialist as well as the knowledge and expertise of the financial specialists at your Marine Corps Community Services Center. Both stand ready to assist you with understanding your insurance needs.

SLIDE 86: SUMMARY



INSTRUCTOR NOTES:

1. Distribute the "Session Evaluation" handout to participants. Ask them to complete it and return it to you before they leave.
2. Recap the discussion you have had during the session.
3. Answer any remaining questions the participants may have.

SECTION BACKGROUND INFORMATION

In this program, we have covered a lot of information. We took an in-depth look at the Survivor Benefits Program, evaluated property and casualty insurance in general and from a life-cycle approach. We spent quite a bit of time discussing the ins and outs of life insurance. Civilian health insurance, disability income insurance and long-term health care insurance were probably pretty new to most of you.

The most important point for you take away is that insurance, all insurance, is designed to protect you and your loved ones from the fallout of financial loss. Choose which tools in your insurance toolbox are the best for you at this time, and then periodically review and re-evaluate those choices as well as other options that are available to you, to best protect yourself and your family.