

Erasmus + Personal Finance Programme



MODULE 8: Insurance teacher notes

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Teacher notes

For the teacher

1. What is insurance?

Insurance is a contract between two parties. A reparation is determined to be paid by the insurer to the insuree. Insurance can be taken by both private persons and companies. For example property or assets can be insured.

Finland also has social insurance:

In Finland, parts of social security are arranged by insurance mandated by law. The entity formed by mandatory insurance is called "social insurance". The most important element in the social insurance is employment pension. Industrial accident insurance, health insurance, unemployment benefits and national pension are all based on insurance.

2. Insurance in Finland

The insurance in Finland can be divided into three categories:

- 1) Mandatory social insurance:
Secures one's livelihood when one has children, during unemployment, during illness, at old age.
- 2) Mandatory liability insurance:
Motor liability insurance, insurance against treatment injury and environmental impairment liability insurance (for businesses and NGOs)
- 3) Voluntary insurance:
Households can protect themselves against risks by acquiring voluntary insurance, such as home insurance, travel insurance, and car insurance.

3. What are the voluntary insurance?

Finns have made reasonably good risk assessments. Voluntary insurance is taken in order to prepare for those risks. They are also taken in order to acquire additional security, such as the chance to utilize private health care services.

Insurance is often seen as complicated, and consumers may not be aware of the terms of their insurance. Comparing different insurance products is considered difficult.

At the moment people consider long-term illness the greatest risk. At least a third of all Finns also see an accident, a fire or the responsibility for the care of a next of kin as risks. These are the sort of risks that voluntary insurance protect against.

The most common voluntary insurance in Finland is home insurance. The most damages have been claimed in car insurance, and the second most in different health insurance.

4. Different types of voluntary insurance:

These are the most common types of voluntary insurance:

Home insurance

Insures personal property at home or at a holiday house. Insures real estate, as well as usually all the surfaces at the property (walls, floors). If renting or living in a housing corporation, you only insure personal property.

Travel insurance

It is possible to take a continuous insurance or one for a specific trip. Protects against sickness and accidents. Can include luggage insurance. Your home insurance can also include luggage insurance.

Voluntary health insurance

Private person can take voluntary health insurance for him/herself or next of kin to complement the mandatory health insurance. Entrepreneur can take this for him/herself or his/her employees. Protects against sickness, accidents and death. Gives the chance to use private health care services

Private accident insurance

Provides additional security in case of injuries caused by sudden accidents.

"Kasko" insurance

Car insurance that covers damages to your own vehicle. It does not cover damages to people. Provides additional security to the traffic insurance that is mandated by law.

Liability insurance

Covers damages for which the insured party is liable as ruled by court of law.

Some other common insurance are pet insurance. It is also possible to take health insurance for an unborn baby.

5. Young people and voluntary insurance

You need to think about insurance at the latest when you are moving out to live on your own. Even if you are renting, it is important to insure your personal possessions. Many insurance companies offer young people (age 18-28) home insurance, travel insurance and accident insurance. Youth insurance is more affordable than a standard home insurance.

It is very important to compare different insurance products and companies when thinking about taking insurance. Be sure to compare the cost, terms and possible perks (bonuses, discount) and choose the best option for yourself for the best possible price.

It is advisable to re-evaluate and shop for insurance after a few years.

6. Insurance have excess = deductibles

When damages occur, deductible is the sum which the insured party has to pay him/herself. The insurance company covers the rest of the damages.

Every voluntary insurance has a deductible. For example home insurance has a deductible. If your television is broken, you pay for example 150 euros and the insurance company 400 euros.

When taking an insurance, pay attention to the deductible. The customer can usually decide how big or small the deductible is. A small deductible sum means more expensive insurance. A higher deductible means cheaper insurance.

Tip:

Always check the deductible sum in the documents before confirming the insurance contract.

7. Bad credit record and insurance

If you have a bad credit record, it can cause problems when getting insurance, but bad credit record cannot automatically make you ineligible for insurance. Insurance companies have the right to decline insurance if they estimate that the insured party cannot take care of their payments. In this case the insurance company may demand a year's payments beforehand.

Bad credit record: If your payments are late more than two months, you can receive a note on your record. Usually it only comes after six months. You don't get your record blemished just for a delayed payment or debt. You should get multiple notifications and demands for payments before you get the note in your record. The last demand should be sent at least 21 days before registering the disruption in payments.

Source:

Takuu Säätiö: <https://www.takuusaatio.fi/tietoa-ja-ratkaisuja/maksuhairiomerkinta/milloin-maksuhairiomerkinta-tulee> 11/1 2019

8. Insurance in the European Union

The consumer can shop for insurance within the European Union.

An insurance company **can sell their products to the consumers within the EU at a branch office, either online or through an agent.**

The above only applies to private insurance. It does not apply to social security or employment pension.

EU legislation defines, which information the insurance company must give the consumer before agreeing to an insurance contract.*

Read more: Europa, Insurance in Europe

https://europa.eu/youreurope/citizens/consumers/financial-products-and-services/insurance-products/index_fi.htm

*Before you enter the contract concerning the insurance product, you must have the information regarding the insurance. With the information document you have a better understanding about the product. The document allows you to compare competing insurance products.

9. Checklist

You don't need multiple insurance for the same risks, so check what you already have insured. Luggage can be included in home insurance. Travel insurance for an underage child can be included in home insurance or the guardian's travel insurance (which can be provided by a trade union). EU citizens are entitled to the European health insurance card: When you travel in another EU- or ETA-country or Switzerland, you are entitled to acute medical care (meaning care that cannot wait until after your return). You should always have travel insurance, because care abroad can be very expensive.

10. **Price examples of the cost of medical care abroad**

Link: If vahinkovakuutus,
<https://www.if.fi/henkiloasiakkaat/vakuutukset/matkovakuutus/matkustaminen/korvaako-matkavakuutus>

11. **You can collect bonus from your insurance**

Bonus points collected from insurance is a reward system by the company to a trustworthy customer. When a customer does not have their risks realised, they are good and lucrative customers to the company. It is wise for the company to pay bonuses during the time when there are no damages.

Generally, when there are damages, they diminish the bonus and increase the insurance payments. If there is a long time without damages, the bonus grows and the insurance payments decline. Bonus is especially common in car and traffic insurance.

Note that different companies have different bonus policies.

12. **Insurance companies in Finland**

These are names of some insurance companies that operate in Finland.

If

Pohjola

Tapiola

Fennia

Turva

Läshivakuutus

Tryg

13. **Where can I file complaints about problems with voluntary insurance?**

You can make complaints to the consumer complaint board, but only concerning voluntary insurance that you have taken yourself.

<https://www.kkv.fi/Tietoa-ja-ohjeita/Viat-viivastykset/vakuutusongelmat/>

FINE, The advisory board for insurance and finance, gives advice and solution suggestions in problems related to insurance, banking and investment issues. The service is free of charge.

<https://www.fine.fi/>

14. **Compare insurance**

Comparing insurance takes time, which is something that many consumers complain about. Many see it as difficult.

Each company has their own generator, where you can create products and compare them.

You can compare insurance at:

vertaa.fi –[web page](#)

Vakuutusfakta –[web page](#)

At the Folksam-web page you can use the calculator to generate and compare insurance

<https://www.folksam.fi/asiakaspalvelu/vakuutuslaskurit>

15. Glossary on insurance:

Voluntary insurance

Private people can prepare for risks by taking voluntary insurance, for example home, travel, car insurance

Liability insurance

Mandatory liability insurance in Finland are traffic insurance, patient insurance and insurance for damages to the environment (for companies).

Social insurance

In Finland, parts of social security are arranged by insurance mandated by law. The entity formed by mandatory insurance is called "social insurance".

Excess = Deductible

When damages occur, deductible is the sum which the insured party has to pay him/herself. The insurance company covers the rest of the damages.

16. Sources:

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MODULES

1. Bank Accounts
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5. Budgeting
6. Borrowing Money
7. Mortgages
8. Insurance
9. Investments
10. Pensions



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