

# *Intro to* **INSURANCE**

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THING®**

# *Insurance is a contract*

that offers full or partial financial compensation for loss or damage caused by an uncontrollable event. In exchange, the insured individual pays a sum of money known as a premium.



# THERE'S INSURANCE FOR ALMOST ANYTHING!



AUTO



BUSINESS



CONTENTS



FLOOD



HEALTH



HOME



LIFE



PET



TRAVEL

*Plus many more!*

# HOW DOES INSURANCE WORK?

*By taking out an insurance policy, you are actually paying the insurer to assume your financial risk in the situation specified in your contract*

# HOW DOES INSURANCE WORK?

1

## LET'S LOOK AT PET INSURANCE

The pet owner pays \$20 a month to have her cat insured against accidents and illnesses, thus transferring her personal financial risk, should her cat need medical attention



# HOW DOES INSURANCE WORK?

2

## LET'S LOOK AT PET INSURANCE

Unfortunately, the insured cat suffers a broken leg and the pet owner incurs \$2,000 in vet bills for visits, X-rays and treatment



# HOW DOES INSURANCE WORK?

3

## LET'S LOOK AT PET INSURANCE

Thankfully, the pet insurance policy covers broken bones, so the insurance provider reimburses the pet owner for the medical expenses after she files a claim



# HOW DO INSURANCE PROVIDERS MAKE MONEY?

*Insurance providers operate by pooling the risk of a large number of policyholders*



# HOW DO INSURANCE PROVIDERS MAKE MONEY?



A policyholder is just one of many people paying premiums on an ongoing basis



Over the lifetime of an insurance policy, some policyholders will make claims, but most will not



The premiums of many are pooled to pay for the claims of a few

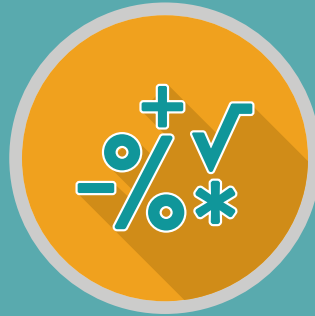
# DOES EVERYONE PAY THE SAME PREMIUM?

*No, insurance providers set premiums that allow the system to function and generate a profit*

## PREMIUMS ARE BASED ON MANY FACTORS



If premiums are set too low, if emergency costs are higher than anticipated or if more individuals make claims than expected, the insurance provider will lose money



Insurance providers apply statistics to understand the amount of risk their policyholders represent, and then adjust their premiums accordingly



It's why your age or gender can influence your car insurance rates, or why your family medical history or lifestyle can influence your life insurance premiums



**What can I do to make sure that I have enough insurance?**

A.

Your insurance broker should assess your needs based on the details you provide about your situation.

In the case of home insurance, a complete inventory of your belongings will help you get the right coverage and make it easier to file a claim.



## **What is replacement cost?**

A.

Replacement cost is the total cost that your insurance company would pay to fully reconstruct your home or replace your car or other possession if it were destroyed.

For a home, replacement costs include things that may not be included in the resale value, like the cost and availability of skilled labor, debris removal, extra expense due to more stringent building codes, and more.



## What is a deductible?

A.

A deductible is the portion you are responsible for paying in the event of a claim.

For example, if your home insurance policy has a \$1,000 deductible and there are \$5,000 in damages, you will pay the first \$1,000 and the insurance company will pay the remaining \$4,000.



**How can I  
lower my  
insurance  
costs?**

A.

You can lower your insurance premiums by reducing your coverage or by increasing your deductible.

Discuss your options with your insurance broker.

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