

## **Chapter 22 – Understanding Insurance**

### **I-Study**

Insurance protects you against the risk of loss. An insurance policy is a contract between the insured and the insurance company. A policy explains your insurance coverage, or the losses for which the insurance company will pay, and the exclusions, losses that are not covered. Insurance costs include the premium, the amount paid for a policy. The deductible is the portion of a loss you pay for out of pocket. You can hold down your insurance costs by shopping around, looking for discounts, increasing your deductible, limiting your claims, and purchasing only the insurance you need.

People commonly purchase property, health, and life insurance. Homeowners and renters insurance covers the home, the contents of the home, and liability. Types of automobile insurance include liability, medical payments, collision, comprehensive, and uninsured/underinsured motorist coverage. Fee-for-service health insurance plans allow you to choose your provider, while managed care health plans offer the most comprehensive coverage. Disability insurance pays you when you are unable to work. Common types of life insurance include term life, cash-value, and whole life insurance.

## I-Quiz

1. A legal contract between an insured person and the insurance company is called an
  - A. insurance policy
  - B. underwriter
  - C. exclusion
  - D. insurance premium
2. What do you submit to your insurance company after an automobile accident?
  - A. a policy
  - B. a claim
  - C. a premium
  - D. a driving record
3. Which type of insurance covers damage or injury caused by you to another person?
  - A. collision insurance
  - B. comprehensive insurance
  - C. liability insurance
  - D. life insurance

**Answer Key**

**1. A**

**2. B**

**3. C**