



Insurance Key Terms

Financial Literacy - Insurance

What is Insurance?

A contract between an individual and an insurance company to provide financial protection against potential risks or losses.

Premiums

Premiums are determined by the insurance company based on various factors such as the type of coverage, level of risk, and the insured person's circumstances.

Factors to Consider:

- Age
- Gender
- Location
- Coverage

Making a claim can sometimes result in an increase in premiums.

Deductibles

The amount an insured person must pay out of pocket before the insurance coverage kicks in.

- When a claim is made, the deductible is the portion of the loss or damage that the policyholder is responsible for paying.

Auto Insurance: If you have a \$500 deductible and file a claim for \$3,000 in damages, you would pay the first \$500, and the insurance company would cover the remaining \$2,500.

Coverage Limit

The maximum amount an insurance company will pay for a covered loss.

- The maximum amount an insurance company will pay for a covered loss.

For example, if your home insurance policy has a coverage limit of \$250,000 for the structure, and your home is damaged in a fire resulting in \$300,000 in repairs, the insurance company will only cover up to the policy's \$250,000 limit.

Policy Documents

Policy documents refer to the written contract that outlines the terms, conditions, and coverage details of an insurance policy.

- In case of any confusion or questions, it is recommended to reach out to your insurance agent or contact the insurance company directly for clarification.

Insurance Claim

An insurance claim is a formal request made by the policyholder to the insurance company for compensation or coverage for a loss or damage that falls within the scope of the policy.

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More Resources

[Important Insurance Terms | Insurance Explained
\(internationalstudentinsurance.com\)](https://internationalstudentinsurance.com)

[Common Insurance Terms | rsagroup.ca](https://rsagroup.ca)

[Glossary of Insurance Terms \(ca.gov\)](https://ca.gov)

[Insurance definitions: 45 basic insurance terms EVERYONE should know
\(germaniainsurance.com\)](https://germaniainsurance.com)