

# What You Should Know About INSURANCE

Created by The Texas Department of Insurance

# What Is Insurance?

Insurance is a way to *ensure* you are protected from financial loss.

When something bad happens, such as a hurricane or a car accident, your insurance will cover some or all of the costs to fix the damage, depending on your policy.

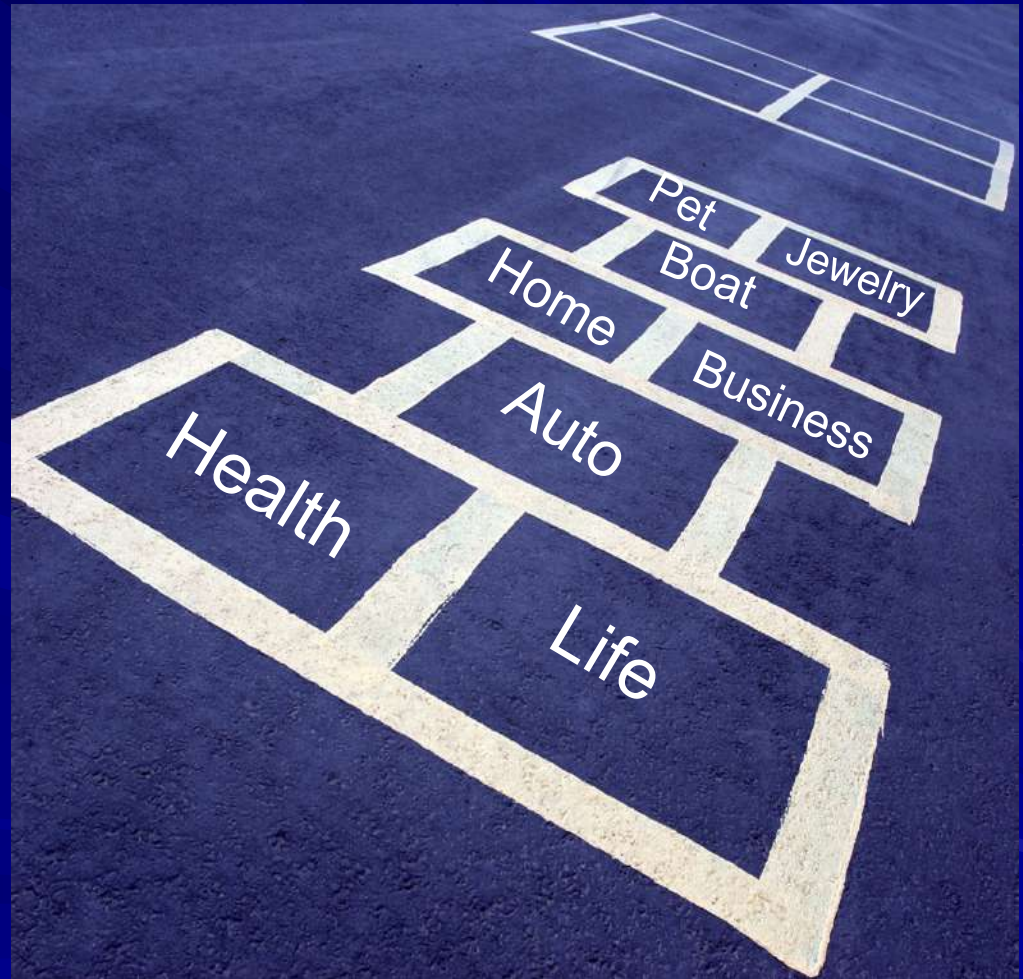
There are many types of insurance – they are called *lines of insurance*.



# Lines of Insurance

Four of the most common lines of insurance are *auto*, *home*, *life*, and *health insurance*.

You can also get insurance for a business, your apartment (*renters insurance*), your boat, your pet, and even your jewelry.



# What's a Policy?

An *policy* is a *contract* between you and your insurance company.

A *contract* is an enforceable promise for something of value.

You promise to pay the insurance company a *premium* and the insurance company promises to pay your *claims* as they arise.



# What's a Premium?

A *premium* is the amount of money you pay every month (or other set time period) for your insurance coverage.

Your premium might be different from the person sitting next to you. The insurance company takes many factors into account before it offers you coverage.

The insurance company determines your premium by deciding what type of *risk* you (or the thing you are insuring) are.

# Who Says I'm a Risk?

A *risk* is the possibility of financial loss.

Depending on the line of insurance, the insurance company will look at many factors to determine what kind of risk you are (high, medium, or low).

In other words, everyone is some kind of risk!





# Auto Insurance Risks

Following are examples of the factors an insurance company will consider before offering coverage:

- The make/model of your vehicle
- Your vehicle's age and mileage
- Your age
- Your driving record (if you don't have one, you are considered a greater risk because the company cannot know what kind of driver you are!)
- How you use your car (for pleasure or to drive to work)
- Where you keep your car at night

The level of your risk will affect your premium. In other words, if you are considered a *high risk*, you will probably pay more.

If you can't find a company to insure you, keep shopping. Companies have different standards, so you might be able to find one willing to accept you.

# Claims, Adjusters, and Deductibles

A *claim* is a demand by a person seeking recovery from a loss.

When you file a claim with your insurance company, a *claims adjuster* will investigate your claim.

The amount of money you will receive from your insurance company depends on your policy. You cannot receive more than your policy allows, and you must pay the *deductible*, if applicable.

A *deductible* is the amount you must pay yourself before the insurance company pays.



# When Should I Get Insurance?

In Texas, you *must* have auto insurance if you drive.

You may be able to stay on your parents' policy until your turn 25 (sometimes older).

It's a good idea to buy other kinds of insurance, even if the law doesn't require it.



# When Should I Buy Other Lines of Insurance?

If you buy a house, you should also buy homeowners insurance.

If you rent a house or apartment/condo, you should buy renters insurance.

If you get married and start a family, you should buy life insurance.

If you start a business, you should buy business insurance to protect your investment and employees.

# How Do I Shop for Insurance?

Do your research! [www.HelpInsure.com](http://www.HelpInsure.com) is a great resource for insurance shopping.

After you decide on a company and a policy that offers the best coverage for the price, find an *agent*.

An *agent* is a person who represents an insurance company. Agents may represent one or several companies.

You can usually contact an agent by:

- Phone
- Internet
- Going to the agent's office

# Why Do I Need Insurance?

If you drive, you *must* have car insurance.

When something unexpected happens, you will be more likely to afford the costs if the insurance company is helping you pay to fix the damage.

Having insurance will give you “peace of mind.”



# Things to Keep in Mind

Insurance can be expensive, but it is usually cheaper than having to pay for all of the cost of accidents or illnesses yourself without any help.



In most cases, insurance will be a monthly charge.

Many employers offer insurance for their employees at affordable prices.



Shop around! Contact several companies. Each insurance company has its own standards, so you might be able to find a better price.

