

Why Is Insurance Important?

Insurance can protect you and your financial well-being.



What Is Insurance?

Insurance is protection from a specified loss in return for a fee. It allows someone to transfer the risk of loss to another party, such as an insurance company.

Insurance Lingo

- An **insurance policy** is a written contract that transfers risk from a person to a company.
- A **premium** is the fee paid for insurance protection.
- **Coverage** is the amount of risk or liability protected by an insurance policy.
- A **deductible** is the portion of a loss that the insured must pay. The deductible amount is specified in the insurance policy.

Types of Personal Insurance

Health Insurance

Transfers the risk of liability for medical expenses related to an injury or illness from a person to an insurance company.



Protection Plan

Transfers the risk of loss of or damage to a specific product, such as a cell phone or computer, from the owner to an insurance company.

These plans go beyond standard product warranties.



Property Insurance

Transfers the risk of loss from the owner or occupant of a dwelling to an insurance company.

The loss of a dwelling or its contents can come from fire, theft, storms, and other causes.



Auto Insurance

Transfers the risk of loss when your car is damaged or when your car damages something else or injures someone else.



Life Insurance

Provides a payment to designated beneficiaries, the person(s) designated to receive benefits, when the insured person dies, in exchange for premium payments.



Insurance Policy



Tips for Buying Insurance



Plan and budget for insurance.



Check your credit score. It can affect your eligibility and cost for insurance.



Research different types of coverage.



Lower your premium through loss-control programs and other discounts.



Review your policy. Know your coverage limits and deductibles.

Sources: <https://www.stlouisfed.org/education/glossary>
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