### Intro to **INSURANCE**



# 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!

Common insurance types include







HOME

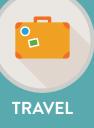


**MORTGAGE** 



**HEALTH** 

Plus many more!



LIFE

**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 The pet owner pays \$20 a month to have her cat insured against accidents



need medical attention Unfortunately, the insured cat suffers a broken leg and the pet owner incurs

and illnesses, thus transferring her personal financial risk, should her cat

X-rays and treatment Thankfully, the pet insurance policy covers broken bones, so the insurance provider reimburses the pet owner for the medical expenses after she

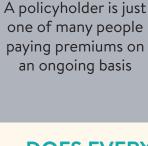
\$2,000 in vet bills for visits,

# of a large number of policyholders

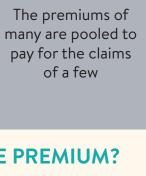
Insurance providers operate by pooling the risk

**HOW DO INSURANCE PROVIDERS MAKE MONEY?** 

files a claim









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



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