Understand insurance costs

Understand basic costs of insurance and be able to compare coverage.

All policies have costs associated with them. One way to reduce the costs of purchasing a policy is by carrying a higher deductible. When you make a claim on your insurance policy, your deductible is what you’ll pay out of pocket before your insurance kicks in. Therefore, you would need to have that deductible readily available in case you need it. A typical deductible for your car insurance might be $500. To lower the overall cost of the policy, however, a careful driver with money in the bank might opt for an increased deductible, perhaps $1,000, to reduce the monthly premium (cost of insurance).

Terms to know

- **Premium**—the cost to maintain the insurance (the bill you receive).
- **Deductible**—your share of the replacement costs.
- **Payment**—the insurance company’s share of the replacement costs.

Consult an insurance professional for more information.

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<th>Type of insurance examples</th>
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| Auto                       | Provides financial assistance from loss due to an accident or other damage to a car, truck, van or SUV | • Collision  
• Liability  
• Comprehensive |
| Disability                 | Provides a percentage of regular income while unable to work; may be provided by employer | • Individual  
• High limit |
| Health                     | Provides payment for certain healthcare costs | • Health  
• Major medical  
• Dental and vision |
| Homeowner’s / Renter’s     | Protects against some financial loss from damage to your home or its contents, as well as injury on the property | • Physical damage  
• Loss or theft  
• Liability |
| Life                       | Provides some financial assistance for your beneficiary in the event of death | • Term  
• Whole  
• Universal |

This is only an example of some types of insurance options and is not a complete list. Consult an insurance professional to fully consider your options.

ABOUT ECMC
Educational Credit Management Corporation (ECMC) is a nonprofit company providing services in support of higher education finance. We work to support college access and success, and we provide students with tools and resources for planning and paying for college. The Financial Awareness Basics (FAB) Series is designed to help you make informed decisions about your financial future.