



# Determining the Cost of Insurance

Besides the type of policy and amount of coverage, there are many other factors that contribute to the cost of your insurance policy. Insurance companies refer to the cost of your insurance policy as the **premium**.

## **DEDUCTIBLES:**

Selecting the size of your deductibles can have a significant effect on the cost of your insurance. A **deductible** is a pre-determined amount of money that you agree to pay before the insurance company will pay a claim. For instance, if you have a deductible of \$500 and are in an accident whereby you cause \$2,000 in damage to your car, in order to fix your car, you must pay \$500 out of your pocket and then the insurance company will pay \$1,500. The higher your deductible(s), the lower your premium or cost of insurance.

## **DRIVING RECORD, AGE, AND GENDER:**

Your driving record has a major impact on the price of your insurance. Any driving tickets, accidents and/or claims within recent years will increase your premium. These are considered “red marks” and make you more of a risk to insurance companies. Your age and gender also play a role on your insurance cost. Younger drivers are more likely to be involved in car accidents, thus, pay a higher rate for insurance. Also, males are considered more of a risk and often will have to pay higher premiums than females.

## **USAGE, TYPE OF CAR, AND ZIP CODE:**

The number of miles you drive per year is very important to insurance companies when determining your rate. The more you drive, the more you are exposed to the risk of an accident. The type of vehicle can effect cost as well. Some cars are more expensive to repair or replace, or are considered less safe than others. Where you live can affect your premiums; urban drivers typically pay more than rural drivers.

These are some of main factors that may have an effect on your insurance rate, but there are others such as credit score, marital status, and income. Because so many factors can affect your insurance rate, it is important to shop around for your insurance. Rates can vary significantly from company to company.

***Answer each question with a complete sentence on a separate piece of paper.***

- 1. What does premium mean?**
- 2. What is a deductible?**
- 3. What does having a higher deductible do?**
- 4. When it comes to your driving record, what things can increase your premium?**
- 5. How can age and gender affect the cost of a premium?**
- 6. How does usage or number of miles you drive affect the cost of insurance?**
- 7. What two other factors can affect the cost of your insurance?**

# Auto Insurance Quote

## Term: 1 year



Prepared by ZZ Auto Insurance Co. for Mr. Steve Driver

**Type of Vehicle:** Toyota Camry, 2012

**Zip Code:** 92340

**Miles Driven Per Year:** 11,000

**Driver's Record:** No-accidents, No driving tickets

**Quote: Premium: \$1,200**

Coverage Type	Limits
<b>LIABILITY COVERAGE</b>	
-Bodily injury liability	\$50,000 per person /\$200,000 max per accident
- Property damage liability	\$100,000
Personal injury protection coverage	\$20,000
Comprehensive coverage	\$500 deductible
Collision coverage	\$500 deductible
Uninsured/underinsured motorist coverage	\$50,000 per person /\$200,000 per occurrence
Stacked/non-stacked	
Medical payments	\$2,000
Emergency road service	
Car rental	\$30/day, \$900 max per claim

**Use the information above to answer the following questions:**

- 1) What does the document above show?
- 2) Who is the insurance quote for?
- 3) How many miles does the driver plan to drive per year?
- 4) How is Steve Driver's driving record?
- 5) What are the two types of liability insurance coverages shown in the quote?
- 6) If Steve is in a car accident, what is the limit or maximum amount that the insurance company will pay to those that have bodily injuries?
  - a. What is the maximum the insurance company will pay per accident?
- 7) How much personal injury protection coverage is provided for Steve in this quote?
- 8) What is the size of Steve's deductibles for Comprehensive and Collision coverage?
- 9) Does this quote for Steve offer insurance coverage that would protect him if he is hit by a person that doesn't have insurance? If so, what is it called and how much coverage would he have?
- 10) What is the price of this insurance policy?