

Chapter 34 Vehicle and Property Insurance

Section 34.1 Vehicle Insurance

Reading Activity—Draw Conclusions

Directions Read the excerpts from the textbook, then answer the questions.

Insurance Premiums

The premium an insurance company charges a policyholder covers the policyholder for a limited period of time. The amount of a premium depends on characteristics of the driver and the vehicle, different policy provisions, and other factors. At the end of the period, the policy can usually be renewed. The insurance company may cancel a policy or refuse coverage for someone with a record of accidents.

Deductibles

Most collision insurance has a deductible. A deductible is an amount in damages a policyholder must pay before the insurance company pays a claim. For example, suppose you get into an accident and it costs \$700 to repair the damage to your car. If your deductible is \$200, you must pay \$200 of the damages, and the insurer will pay the other \$500. Deductibles make drivers responsible for small losses. Insurance helps pay for larger losses.

1. Describe the relationship between the amount of the deductible and the amount of the premium.

2. Describe the main advantage and the main disadvantage of a high deductible.
