

Economic Education for Consumers
Chapter 14 Study Guide
Automobile and Home Insurance: Sharing the Risk

Section 14-1—Insurance Basics

1. Define Risk Management.
2. Define Shared Risk.
3. How do insurance companies determine premiums?
4. What is insurable interest?
5. What are the three types of Insurance?
 - 1.
 - 2.
 - 3.

Section 14-2—Automobile Insurance

1. T or F Most states do not require you to have automobile insurance.
2. T or F Bodily Injury Liability Coverage protects you against financial loss when you are legally responsible for injuring other people in an automobile accident.
3. T or F Property damage liability coverage pays for damage other people cause to your property.
4. T or F Medical payments coverage pays medical expenses for you, your family members and other passengers in your car because of injuries sustained in an accident.
5. T or F Uninsured/underinsured motorist coverage pays medical and damage expenses for anyone involved in an accident when a driver does not have enough insurance to pay damages.
6. T or F Comprehensive coverage pays for damage to your car caused by something other than collision.
7. T or F Collision coverage pays for damages caused by wind and hail.
8. T or F Collision coverage is often the most expensive part of an automobile insurance policy.
9. T or F If you have a \$500 deductible on your car insurance and you sustain covered damages of \$1500.00, you will pay \$1000.00 and the insurance company will pay \$500.00
10. T or F All states set a minimum amount of liability insurance that you must buy.
11. T or F If you have a car worth \$2000.00 and you sustain insurable damages of \$4000.00, your insurance company will pay you \$4000.00.
12. T or F Collision insurance is always worth having.
13. List four causes for the increasing cost of automobile insurance.
 - 1.
 - 2.
 - 3.
 - 4.

14. List four factors that affect your automobile insurance premium.

1.

2.

3.

4.

15. Name three ways to reduce your automobile insurance premiums

1.

2.

3.

Section 14-3: Home Insurance Coverage

1. What type of home insurance policy covers damage to or loss of your house and its contents?
2. What type of home insurance policy covers bodily injury or damage you cause to others while on your property or in other locations?
3. What type of insurance policy provides additional liability protection beyond that included in an automobile or homeowners policy.
4. What type of insurance policy provides the same property and liability coverage as a homeowners policy but doesn't cover the structure itself.
5. What is the eighty (80) percent rule?
6. What three factors affect your homeowners insurance premium?
 - 1.
 - 2.
 - 3.
7. What five steps can you take to reduce your homeowners insurance premium?
 - 1.
 - 2.
 - 3.
 - 4.

5.

Section 14-4 Providers and the Claims Process

1. What is the advantage of an independent insurance agent?
2. How do insurance agents earn their income?
3. What two things can you do to help you choose an insurance company?
 - 1.
 - 2.
4. What must you have to prove a loss on a homeowner's insurance claim?
5. What is the first step in the claims process if you have an automobile accident or loss?
6. How does no-fault insurance speed up claims payments?

Chapter Summary

Match the terms on page 487 of your handout by writing the letter of the term that matches the definition.

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| 1. | 10. |
| 2. | 11. |
| 3. | 12. |
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| 9. | |