

Chapter 20

Insurance

Answer Key

Part 1: Content Review

Matching

1. I
2. G
3. E
4. D
5. B
6. F
7. H
8. C
9. J
10. A

Multiple Choice

1. C
2. D
3. A
4. B
5. B
6. B
7. A
8. D
9. C
10. A

Completion

1. risk management
2. premium
3. exclusion
4. coinsurance
5. Comprehensive
6. Medicaid
7. Disability
8. whole life
9. liability protection
10. bodily injury liability

Part 2: Concept Review

Open Response

1. Five types of health insurance plans include regular medical insurance, major medical insurance, comprehensive medical insurance, dental insurance, and vision care insurance. Regular medical insurance coverage includes prescriptions, hospital stays, and inpatient tests. Major medical insurance typically covers the costs of serious illnesses and injuries, as well as high-cost procedures. Comprehensive medical insurance combines basic and major medical protection in one policy. Dental insurance covers specified dental services. Vision care insurance covers specified eye care services.
2. A managed care plan is a type of health-care plan in which the insurance company contracts with specific doctors, hospitals, and other healthcare providers to deliver medical services and preventative care to members. The biggest advantage is that these plans reduce costs to members. The biggest disadvantage is that the choice of service providers is limited to those who participate in the plan, except for referrals to necessary specialists outside the plan.
3. Life insurance protects dependents from loss of income and helps pay expenses after the death of the insured person. When an insured person dies, the face value of his or her policy is paid to the beneficiary.
4. Property coverage insures the policyholder against financial loss due to damage to or loss of a dwelling, personal property, and possessions, such as clothes and furnishings. Homeowners liability coverage protects a homeowner if others are injured on the policyholder's property and the homeowner is liable. The difference is coverage of a homeowner's property and possessions and coverage of a homeowner's monetary responsibility.
5. The major factors that determine the cost of auto insurance are (1) driver classification, (2) rating territory, (3) discount eligibility, (4) deductible amount, (5) type of vehicle; and (6) coverage amount.

Student responses on ways to reduce auto premiums may vary. Consider the following when evaluating responses. Maintain a good driving record. Look for discounts, such as for having good grades, antitheft devices, or a good credit score. Drive a less expensive car. Choose higher deductible amounts if you can afford to assume the extra risk. Choose lower coverage amounts when prudent. If practicable, choose an area to live where there are less frequent claims.

Part 3: Math Skills

Rounding

1. \$2,360,000
2. (a.) \$13,200,000
(b.) \$12,400,000
(c.) \$12,900,000
(d.) \$12,000,000
(e.) \$11,600,000
3. \$32,000
4. (a.) \$6.00
(b.) \$40,000
(c.) \$90
(d.) \$34,000,000
(e.) \$600

5. \$15 million

Part 4: Communication Skills

Reading Questions

1. The Consolidated Omnibus Budget Reconciliation Act (COBRA) contains provisions giving certain former employees, retirees, spouses/former spouses, and dependent children the right to temporary continuation of health coverage at group rates.
2. Qualifying events are certain events that would cause an individual to lose health coverage. The qualifying events for employees are voluntary or involuntary termination of employment for reasons other than gross misconduct and reduction in the number of hours of employment.
3. The administration of COBRA is shared by three federal agencies: the US Department of Labor, the Department of Health and Human Services, and the Internal Revenue Service within the Department of the Treasury.