

CHAPTER

20

Insurance

Part 1: Content Review

Matching

Write the letter of the correct term for each definition on the line provided.

Terms

- | | |
|------------------------------|----------------------------|
| A. coinsurance | F. term life insurance |
| B. preauthorization | G. umbrella policy |
| C. regular medical insurance | H. depreciation |
| D. copayment | I. bodily injury liability |
| E. beneficiary | J. no-fault auto insurance |

- _____ 1. Insurance coverage that protects a person who is responsible for an auto accident that results in the injury or death of other parties.
- _____ 2. An insurance policy that covers loss amounts that are higher than those covered by primary policies.
- _____ 3. A person or organization named by a policyholder to receive the death benefit of an insurance policy after the policyholder's death.
- _____ 4. A flat fee the patient must pay for medical services.
- _____ 5. An approval from an insurance plan before receiving certain procedures and treatments.
- _____ 6. A type of insurance that provides protection only for a specific period of time.
- _____ 7. A decrease in the value of property as a result of age or wear and tear.
- _____ 8. Insurance coverage which includes prescriptions, hospital stays, and inpatient tests.
- _____ 9. A type of insurance plan that eliminates the fault-finding process in settling claims.
- _____ 10. A percentage of medical service costs that patients pay.

Multiple Choice

Place the letter of the correct answer to each question on the line provided.

- _____ 1. Risks that affect personal or real property are _____.
A. exclusions
B. personal risks
C. property risks
D. liability risks
- _____ 2. Risks resulting from the possibility of losing money or other property as a result of legal proceedings are _____.
A. exclusions
B. personal risks
C. property risks
D. liability risks
- _____ 3. The process of measuring risk and finding ways to minimize risk is _____.
A. risk management
B. utilization review
C. coinsurance
D. copayment
- _____ 4. Which of the following is *not* a form of managed care?
A. Health maintenance organization (HMO)
B. Children's Health Insurance Program (CHIP)
C. Preferred provider organization (PPO)
D. Point-of-service plan (POS)
- _____ 5. Government-sponsored health care for eligible citizens age 65 and older is _____.
A. Medicaid
B. Medicare
C. Social Security
D. umbrella coverage
- _____ 6. Which of the following is a type of whole life insurance?
A. Term life
B. Variable life
C. Endowment life
D. All of the above.
- _____ 7. Insurance that covers damage to property and offers liability protection is _____.
A. homeowners insurance
B. no-fault insurance
C. coinsurance
D. comprehensive coverage
- _____ 8. Which of the following would *not* be covered under an health insurance policy?
A. Medical expenses resulting from auto accident
B. Car damage from accident or collision
C. Injury caused by uninsured or hit-and-run driver
D. All of the above.

Name _____

- _____ 9. Auto insurance premiums tend to be higher for young, single males because they _____.
A. drive more expensive cars
B. choose higher deductibles
C. tend to have more accidents
D. choose lower coverage amounts
- _____ 10. Increasing the deductible amount for auto insurance will _____.
A. reduce premiums
B. increase premiums
C. increase the liability coverage
D. reduce the liability coverage

Completion

In the space provided, write the word(s) that best completes each of the following statements.

- _____ 1. The process of measuring risk and finding ways to minimize or manage loss is _____.
_____ 2. A(n) _____ is an amount of money regularly paid to an insurance company for a policy.
_____ 3. A medical service that is not covered under an insurance plan is a(n) _____.
_____ 4. A percentage of medical costs that a patient pays is _____.
_____ 5. _____ medical insurance combines basic and major medical protection in one policy.
_____ 6. A government health insurance program for eligible low-income persons and those with certain disabilities is _____.
_____ 7. _____ insurance pays a portion of income lost to a worker who is unable to work for a prolonged period due to a non-work related illness or injury.
_____ 8. A type of life insurance that provides basic lifetime protection, as long as premiums are paid, is _____ insurance.
_____ 9. Homeowners insurance provides two basic types of coverage: property protection and _____.
_____ 10. Auto insurance coverage that protects a person who is responsible for an auto accident that results in the injury or death of other parties is _____.

Name _____

Part 2: Concept Review

Open Response

*Write your response to each of the following statements or questions in the space provided.
Use complete sentences.*

1. Identify five types of health insurance plans. Briefly explain the coverage provided by each.

2. What is a managed care plan? What is the biggest advantage of a managed care plan? What is the biggest disadvantage?

3. What is life insurance? Who is protected by life insurance?

Name _____

4. Homeowners insurance provides two basic types of coverage: property protection and liability protection. Explain the difference between property and liability protection.

5. What are the major factors that determine the cost of auto insurance? List four ways you can attempt to reduce auto insurance premiums.

Name _____

Part 3: Math Skills

Rounding

Math is a practical tool to solve problems and make decisions. Sometimes, precise calculations or measurements are not needed and it is easier to work with rounded numbers. When a number is *rounded*, some of the digits are changed, removed, or changed to zero. For example, if you are calculating millions of dollars, it might not be important to know the amount down to the single dollar or cent. Instead, you might round the amount to the nearest ten thousand or even hundred thousand dollars. To round a number, follow these steps:

- Underline the digit in the place to which you are rounding.
- If the digit to the right of this place is 5 or greater, add 1 to the underlined digit.
- If the digit to the right is less than 5, do not add 1 to the underlined digit.
- Change all the digits to the right of the underlined digit to zero.

Answer the following questions that involve rounding.

1. The revenue for Vance Medical Supplies was \$2,359,774.18 last year. The accountant at Vance Medical is preparing its financial statements, which use numbers rounded to the nearest thousand dollars. What revenue figure will appear in the financial statements?

2. The chief financial officer of B-Well Drug Stores is preparing a presentation to the Board of Directors. She wants to graph the growth of annual sales over the last five years from 2012 to 2016: She decides to round the sales numbers to the nearest hundred thousand dollars. What sales numbers will she use in the graph?

a. 2016: \$13,168,499

b. 2015: \$12,447,885

c. 2014: \$12,884,116

d. 2013: \$12,036,381

e. 2012: \$11,611,449

Name _____

3. The utility expense for Ryan Storage was \$32,365.55 last year. You are preparing a budget for next year which will use numbers rounded to the nearest thousand dollars. How much is the rounded amount of last year's utility expense?
- _____
4. Round the following prices to the indicated amount:
- a. \$5.77 to the nearest dollar
- _____
- b. \$39,992 to the nearest thousand
- _____
- c. \$92.19 to the nearest ten dollars
- _____
- d. \$33,561,833 to the nearest million
- _____
- e. \$599 to the nearest hundred
- _____
5. Last year the sales of Garrett Sports, an online retailer, were \$15,145,890. As Garrett's purchasing manager, you attend a trade show to meet with potential suppliers. One of the suppliers wants to know if your company is a large volume retailer. Respond by giving last year's sales figure rounded to the nearest million.
- _____

Name _____

Part 4: Communication Skills

Reading

Reading skills are essential both in business and in managing your personal life. The ability to read through text and determine important information is a skill necessary in making informed decisions and plans. Read the passage below and focus on the content. After you have read the passage, write the answers to the activities that follow in the space provided.

COBRA

Congress passed the landmark Consolidated Omnibus Budget Reconciliation Act (COBRA) health benefit provisions in 1986. 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. Employers with 20 or more employees are usually required to offer COBRA coverage and to notify their employees of the availability of such coverage. This coverage, however, is only available when coverage is lost due to certain specific events.

There are 3 elements to qualifying for COBRA benefits. COBRA establishes specific criteria for plans, qualified beneficiaries, and qualifying events: plan coverage, qualified beneficiaries, and qualifying events.

Plan Coverage. Group health plans for employers with 20 or more employees on more than 50 percent of its typical business days in the previous calendar year are subject to COBRA. Each part-time employee counts as a fraction on an employee, with the fraction equal to the number of hours that the part-time employee worked divided by the hours an employee must work to be considered full-time.

Qualified Beneficiaries. A qualified beneficiary is an individual covered by a group health plan on the day before a qualifying event; either an employee, an employee's spouse, or an employee's dependent child.

Qualifying Events. Qualifying events are certain events that would cause an individual to lose health coverage. The type of qualifying event determines who the qualified beneficiaries are and the amount of time that a plan must offer the health coverage to them under COBRA. The qualifying events for employees are:

- Voluntary or involuntary termination of employment for reasons other than gross misconduct
- Reduction in the number of hours of employment

The qualifying events for spouses are:

- Voluntary or involuntary termination of the covered employee's employment for any reason other than gross misconduct
- Reduction in the hours worked by the covered employee
- Covered employee becoming entitled to Medicare
- Divorce or legal separation of the covered employee
- Death of the covered employee

The qualifying events for dependent children are the same as for the spouse with one addition:

- Loss of dependent child status under the plan rules

Name _____

Beneficiaries may be required to pay for COBRA coverage. The premium cannot exceed 102 percent of the cost to the plan for similarly covered individuals who have not experienced a qualifying event. In general, qualified beneficiaries must be offered the same coverage they had immediately before qualifying for continuation coverage. Changes in benefits under the plan for active employees also applies to qualified COBRA beneficiaries.

The administration of COBRA is shared by three federal agencies. The US Department of Labor handles questions about notification rights under COBRA for private-sector employees. The Department of Health and Human Services handles questions relating to state and local government workers. The Internal Revenue Service within the Department of the Treasury has other COBRA jurisdiction.

Source:

United States Department of Labor, Frequently Asked Questions: COBRA Continuation Health Coverage; www.dol.gov

Reading Questions

1. What is the purpose of the Consolidated Omnibus Budget Reconciliation Act?

2. What is a qualifying event? What are the qualification criteria for employees?

3. Who handles the administration of COBRA?
