

Economics & Personal Finance

Unit 4 – Insurance

Test Study Guide

The Unit 4 Test will be 25 multiple-choice and true/false questions. It is worth 50 points and will count as an Eval grade.

For the test, you need to be able to do the following:

- ☐ Identify the **3** elements of risk management
- ☐ Identify whether or not you can transfer all risk to an insurance company
- ☐ Given a policy's coverage limits and actual losses suffered, determine how much the insured will receive from the insurance company
- ☐ Identify the **3** basic principles of risk transfer
- ☐ Identify the relationship between the following and how much you will pay for a premium:
 - Frequency risk
 - Severity risk
 - Risk retention
- ☐ Identify which type of automobile insurance is required by all states (except for those that have no-fault insurance)
- ☐ Identify which portion of your automobile insurance policy pays for damages to the other person's property
- ☐ Identify which portion of your automobile insurance policy pays for damages to your car due to:
 - You getting in an accident and it's your fault
 - Vandalism to your car
- ☐ Given the coverage limits for your automobile liability insurance, identify how much will be paid:
 - Per person (bodily injury)
 - Per accident (bodily injury)
 - Property damage
- ☐ Identify which types of medical services are normally covered in your **routine medical expense insurance**
- ☐ Identify which type of insurance normally has a **co-pay**
- ☐ Identify the similarity between a **co-pay** and **deductible**
- ☐ Given a medical bill, deductible, and co-insurance requirement, calculate the individual's portion of the bill
- ☐ Identify the differences between a PPO and an HMO as it relates to:
 - Which requires you to see a Primary Care Physician
 - Which usually has a deductible/co-insurance requirement for major medical procedures
- ☐ Identify the purpose of **disability insurance**
- ☐ Identify the definition of a **beneficiary**
- ☐ Identify the normal intent of life insurance
- ☐ Given a type of insurance policy (term life, whole life), its specifics, and a date of death, determine how much will be paid to the beneficiary
- ☐ Identify the difference in premiums between a whole life policy and term life policy
- ☐ Identify the hazards covered in an **open-perils** property insurance policy
- ☐ Identify whether or not renters need to get property insurance
- ☐ Identify the characteristics of **replacement cost coverage** for property insurance
- ☐ Identify the purpose of an **umbrella policy**