FINANCEFIEND | UNIT 5: INSURANCE

Name: _____ Class/Period: _____ Date: _____

ANSWER KEY - Responses correspond to the numbered student prompts.

Lesson 1 of 9: What Is Risk and How Do You Manage It?

FINANCIAL RISK

1. _____ is the possibility of harm or loss. Financial risk can involve money, belongings, or the _____ you rely on. **[Answers: Risk; income]**

2. Job loss can make rent and car payments harder to afford. This shows that some risks are _____. A cracked phone and job loss may be largely unrelated. **[Answers: connected]**

3. Risk management means identifying possible losses, considering their _____ and size, and choosing a response. **[Answers: likelihood]**

FOUR WAYS TO MANAGE RISK

4. You _____ a borrowing-related risk by deciding not to lend out a laptop. Other risks to the laptop can still remain. **[Answers: avoid]**

5. You _____ risk by locking a car, using strong passwords, or wearing a helmet. Precautions do not guarantee that no loss will occur. **[Answers: reduce]**

6. You _____ risk when you accept a possible cost yourself, such as using savings for a phone repair you can afford. **[Answers: retain]**

7. You _____ some financial risk when an insurer agrees to cover certain losses. Deductibles and costs outside coverage may remain yours. **[Answers: transfer]**

INSURANCE AND OTHER TOOLS

8. Insurance covers _____ losses under its terms. Ordinary investment losses and rising grocery prices generally require other planning strategies. **[Answers: specified]**

9. An emergency _____ helps with setbacks. Reviewing a budget helps with rising prices. _____ spreads investments across assets to reduce some investment risk. **[Answers: fund; Diversification]**

10. Taking more investment risk never _____ a higher return. Compare both the chance of a loss and whether you could afford it. **[Answers: guarantees]**

Lesson 2 of 9: Insurance Basics and Terminology

HOW INSURANCE WORKS

11. An insurance _____ describes the protection purchased. Insurers pool payments from many customers to pay _____ losses. **[Answers: policy or contract; covered]**

12. The _____ provides coverage. The _____ owns the contract. The _____ is the person or property protected. **[Answers: insurer; policyholder; insured]**

13. An insurance _____ helps customers compare and buy policies. An _____ evaluates application risk to help set coverage terms and price. **[Answers: agent; underwriter]**

COSTS, CLAIMS, AND LIMITS

14. The _____ keeps coverage active, even if you never make a claim. A _____ is your share of a covered cost under the policy. **[Answers: premium; deductible]**

15. For a covered $2,000 repair with a $500 deductible, the insurer pays $_____, assuming sufficient coverage and no other reductions. **[Answers: 1,500]**

16. A _____ requests help under the policy. A _____ is the payment or service provided. A coverage _____ caps the amount payable. **[Answers: claim; benefit; limit]**

17. A _____ is a fixed charge for a covered service. A $25 appointment charge does not guarantee that tests or other services are included. **[Answers: copay or copayment]**

READING AND COMPARING POLICIES

18. The _____ page summarizes who and what is covered, policy dates, premiums, deductibles, and coverage amounts. **[Answers: declarations]**

19. The _____ agreement explains promised protection. _____ identify losses left out. _____ describe your responsibilities. **[Answers: insuring; Exclusions; Conditions]**

20. An _____ or rider changes the policy and can add, remove, or adjust coverage. **[Answers: endorsement]**

21. Raising a deductible from $500 to $1,000 may lower the premium, but requires another $_____ if the full deductible applies. Compare limits and exclusions too. **[Answers: 500]**

Lesson 3 of 9: Health Insurance Options and Costs

COVERAGE SOURCES AND COST SHARING

22. Health coverage may come through an employer, an individual plan, a marketplace, or government programs such as Medicaid, _____, CHIP, and TRICARE. **[Answers: Medicare]**

23. The _____ keeps the plan active. For services subject to a _____, you pay that amount before the plan starts sharing those costs. Some services are covered earlier. **[Answers: premium; deductible]**

24. A copay is a _____ charge. Coinsurance is a _____ of the covered cost. Use the plan's allowed amount for the calculation. **[Answers: fixed; percentage]**

25. With the deductible met, 20% coinsurance on a $200 allowed amount means you pay $_____ and the plan pays $_____, assuming all requirements are met. **[Answers: 40; 160]**

LIMITS, NETWORKS, AND PROTECTIONS

26. The out-of-pocket _____ limits eligible costs for covered in-network care during the plan year. Premiums, uncovered services, and generally out-of-network costs do not count. **[Answers: maximum]**

27. A provider _____ includes doctors and hospitals with insurer agreements. Also check coverage and costs for your _____. **[Answers: network; prescriptions or medicines]**

28. Under the ACA, marketplace plans cover _____ conditions and cannot charge more because of them. Eligible applicants may receive financial assistance. **[Answers: pre-existing]**

29. Beginning in _____, the federal tax penalty for lacking health coverage became zero. Some states have their own rules. **[Answers: 2019]**

COMPARING THE FULL COST

30. At $150 per month, annual premiums total $_____. At $200 per month, they total $_____. The difference is $_____ before care costs. **[Answers: 1,800; 2,400; 600]**

31. Compare premium, deductible, copays, coinsurance, network, and out-of-pocket maximum. A _____ premium may still fit better if other costs or coverage make needed care more affordable. **[Answers: higher]**

Lesson 4 of 9: Disability and Long-Term Care Insurance

REPLACING LOST INCOME

32. Health insurance helps with covered treatment. _____ insurance replaces part of earnings when a qualifying illness or injury prevents work. **[Answers: Disability]**

33. Disability coverage may be provided through an employer or bought individually. _____-term coverage generally lasts less time than _____-term coverage. **[Answers: Short; long]**

34. The waiting or _____ period is the time before benefits can begin. Check how the policy defines inability to work and how long payments can continue. **[Answers: elimination]**

35. A hypothetical policy replaces 60% of $3,000 monthly earnings. The benefit is $_____ and the income difference is $_____. Caps, taxes, and other rules can affect actual payment. **[Answers: 1,800; 1,200]**

PAYING FOR DAILY ASSISTANCE

36. Long-term care involves ongoing help with daily activities such as _____, dressing, or eating. **[Answers: bathing]**

37. Long-term care insurance may cover qualifying assistance at home, in assisted living, or in a _____ facility, depending on the contract. **[Answers: nursing]**

38. Match protection to need. Health insurance addresses medical _____, disability coverage addresses lost _____, and long-term care coverage addresses daily assistance. **[Answers: treatment; income or earnings]**

COMPARING PROTECTION

39. Compare premiums, qualifying definitions, waiting periods, benefit amounts, and benefit _____. For care coverage, check covered services and locations. **[Answers: duration]**

40. Government programs have eligibility and coverage rules. Relatives may lack the time, money, or ability to provide all needed _____. Confirm support before relying on it. **[Answers: care]**

Lesson 5 of 9: Life Insurance Options and Costs

PURPOSE AND POLICY TYPES

41. Life insurance can pay a death _____ to a named _____ when the insured dies while covered and the policy's conditions are met. **[Answers: benefit; beneficiary]**

42. Losing income or unpaid _____ can create household costs. Coverage needs depend on the people and responsibilities financially affected. **[Answers: caregiving]**

43. _____ life insurance covers a specified period, often 10, 20, or 30 years. Standard term usually has no cash value or payout if the insured survives the term. **[Answers: Term]**

44. _____ life insurance is designed for lasting coverage if requirements are met. Whole life and _____ life are examples. **[Answers: Permanent; universal]**

45. Whole life generally builds _____ value and costs more than comparable term coverage. Withdrawals or loans may reduce benefits or create interest, fees, tax consequences, or lapse risk. **[Answers: cash]**

WORKPLACE COVERAGE AND NEEDS

46. _____ life insurance through work may be affordable. Check its amount and whether it can continue or convert when employment ends. **[Answers: Group]**

47. Estimate future needs such as housing, childcare, education, debts, and funeral costs. Subtract available savings and existing coverage without counting a resource _____. **[Answers: twice]**

48. With $250,000 in estimated needs and $50,000 in available resources, additional coverage is estimated at $_____. This is a simplified example. **[Answers: 200,000]**

PRICE AND SUITABILITY

49. Age, health, _____ use, policy type, and benefit amount can affect premiums and eligibility. Health information or an examination may be required. **[Answers: tobacco]**

50. Match the amount and _____ of protection to the household's responsibilities and choose a premium that can be maintained. **[Answers: length or duration]**

Lesson 6 of 9: Property Insurance Options and Costs

WHAT PROPERTY POLICIES COVER

51. _____ insurance generally covers a house, certain other structures, belongings, and covered liability. _____ insurance generally protects the tenant's belongings and covered liability. **[Answers: Homeowners; Renters]**

52. The landlord's policy generally covers the _____, rather than replacing the tenant's belongings. A mortgage or lease may require coverage. **[Answers: building]**

53. A _____ is an event causing loss. Fire, theft, vandalism, and certain storm damage may qualify. Standard policies generally exclude _____ and earthquakes. **[Answers: peril; flooding]**

54. Normal wear, neglected repairs, and maintenance issues are generally _____. Check the actual contract. **[Answers: excluded or not covered]**

LIABILITY, LIVING COSTS, AND VALUATION

55. _____ coverage may help when you are legally responsible for a covered injury or property damage. An injury at your home does not automatically establish responsibility. **[Answers: Liability]**

56. Additional _____ expenses coverage may help with qualifying extra costs when a covered loss makes the home unlivable, subject to limits and duration. **[Answers: living]**

57. _____ cost uses comparable new repair or replacement costs. Actual cash value accounts for _____ from age and use. **[Answers: Replacement; depreciation]**

58. A new comparable laptop costs $900 and the old laptop's depreciated value is $400. These are valuation amounts before deductibles, limits, and claim conditions. The difference is $_____. **[Answers: 500]**

CLAIMS AND PREPARATION

59. On a covered $3,000 loss with a $1,000 deductible, the insurer pays $_____, assuming sufficient coverage and no other reductions. **[Answers: 2,000]**

60. Location, rebuilding cost, coverage, claims history, and deductibles can affect premiums. A home _____ with photos, receipts, and descriptions helps document belongings. **[Answers: inventory]**

Lesson 7 of 9: Car Insurance Options and Costs

COVERAGE TYPES

61. Texas drivers must show financial _____. Most do this through liability coverage. A lender generally requires collision and comprehensive on a financed car. **[Answers: responsibility]**

62. _____ coverage helps with other people's injuries or property damage when you are responsible. It generally does not repair your car after a crash you caused. **[Answers: Liability]**

63. _____ covers your vehicle's damage from a covered collision. _____ covers specified events such as theft, hail, fire, or vandalism. **[Answers: Collision; Comprehensive]**

64. _____ or underinsured motorist coverage can help when a responsible driver has no insurance or too little coverage. **[Answers: Uninsured]**

65. Medical payments coverage or _____ may help with covered injury-related costs. Rental reimbursement and roadside assistance address separate needs. **[Answers: personal injury protection (PIP)]**

CLAIMS AND YOUR SHARE

66. For covered collision damage of $2,500 with a $500 deductible, the insurer pays $_____, assuming sufficient coverage and no other reductions. **[Answers: 2,000]**

67. With _____-only coverage, your policy generally does not repair your own car after an accident you cause. **[Answers: liability]**

68. A total-loss settlement is generally based on vehicle _____ under the contract, with applicable deductions. The settlement can be smaller than the remaining _____. **[Answers: value; loan balance]**

COMPARING QUOTES

69. Experience, driving history, location, vehicle, coverage, and deductibles can affect the _____. Compare similar limits and deductibles. **[Answers: premium]**

70. The phrase _____ coverage does not describe a standard package or guarantee that every loss is covered. Ask exactly what is included. **[Answers: full]**

Lesson 8 of 9: Supplemental Insurance Options and Costs

OPTIONAL PLANS AND DEBT COVERAGE

71. Supplemental products target particular gaps. Some are insurance, while others are service _____ or debt-protection agreements. **[Answers: contracts]**

72. An extended warranty may exclude accidental damage or require a service fee. A $120 plan plus one $50 service fee costs $_____ if used once. **[Answers: 170]**

73. Mortgage protection life insurance or _____ life insurance can pay eligible debt after a covered borrower dies. Check the recipient and whether the benefit shrinks with the debt. **[Answers: credit]**

74. Mortgage protection life differs from mortgage insurance that protects the _____ after borrower default. **[Answers: lender]**

ACCIDENTS AND VEHICLE LOANS

75. AD&D stands for accidental death and _____. It pays for specified accidental deaths or injuries, rather than broadly covering illness-related deaths. **[Answers: dismemberment]**

76. A $17,000 car loan minus a $14,000 vehicle settlement leaves a $_____ difference. _____ coverage may help with an eligible difference, subject to limits and exclusions. **[Answers: 3,000; Gap]**

77. Gap coverage may leave fees, missed payments, deductibles, or other excluded amounts _____. Read the agreement. **[Answers: unpaid]**

CANCELLING OR POSTPONING PAYMENTS

78. A debt-protection agreement may cancel eligible debt or _____ payments after a qualifying event such as disability or involuntary job loss. **[Answers: suspend or postpone]**

79. If payments are only delayed, the _____ may remain. Check what happens to interest and the payment schedule. **[Answers: debt]**

80. Before buying extras, compare the exact gap, price, restrictions, existing coverage, and available _____. **[Answers: savings]**

Lesson 9 of 9: Estate Planning and Legal Instruments

PROPERTY, CHILDREN, AND BENEFICIARIES

81. _____ planning prepares for property and responsibilities after death or inability to decide. An estate includes property and financial interests left behind. **[Answers: Estate]**

82. A _____ directs distribution of property covered by it after death. The _____ handles the estate through the applicable legal process. **[Answers: will; executor]**

83. A parent can nominate a _____ for minor children. A court makes the legal appointment under applicable law and the child's interests. **[Answers: guardian]**

84. _____ is a court process that may establish a will's validity and handle estate matters. Having a will does not automatically eliminate it. **[Answers: Probate]**

85. A _____ receives money or property. Direct designations on life insurance or certain accounts generally control those assets, so review them alongside the will. **[Answers: beneficiary]**

86. A _____ holds and manages property under rules. The _____ manages it for beneficiaries, such as administering a child's education funds. **[Answers: trust; trustee]**

AUTHORITY WHILE SOMEONE IS ALIVE

87. A power of attorney grants an _____ authority within the written powers. A limited document may authorize one task, while a financial document may cover bills or property. **[Answers: agent]**

88. A _____ power of attorney can remain effective after incapacity. Powers of attorney generally end at _____. **[Answers: durable; death]**

89. A _____ power of attorney addresses healthcare decisions when legal conditions are met. Texas financial and medical powers have separate purposes. **[Answers: medical]**

MEDICAL WISHES AND UPDATES

90. A _____ will records wishes about certain treatments under specified circumstances. Texas commonly calls it a directive to _____. **[Answers: living; physicians]**

91. _____ directives communicate healthcare wishes or appoint a decision-maker. Forms and signing, witness, or notarization rules vary by document and state. **[Answers: Advance]**

92. Review documents and beneficiaries after major life _____. A qualified legal professional can help with state-specific requirements. **[Answers: changes]**