Financial Literacy: Insurance

Directions:
Fill in the blanks.

The Basics of Insurance

1. Insurance allows individuals to collectively __________ the cost of such losses by paying their money into one large pool of money, making it more affordable for everyone to cover a financial loss if it occurs.

2. Insurance is defined as the ______________ _____________ of the risk of a loss from an individual to an insurer in exchange for a premium.

3. A _____________ is, very simply, an amount of money we might pay to an insurance company on a monthly or an annual basis for the payment of that insurance.

4. There are __________ basic principles to insurance and risk management.

5. In other words, you have to be able to __________ the loss.

6. The event which constitutes the trigger of a claim should happen by chance, that is, _______________, or at least outside the control of the person who will benefit from the insurance payment for the loss.

7. The size of the potential loss which is being insured must be _________________ from the perspective of the insured.

8. The premium an individual will have to pay for a potential loss to be covered cannot be so ________________ the insurer is really not taking on any risk.

9. There are two elements of cost for insuring a risk. One is calculation of the _______________ of __________, which is done by the insurer, and the other is called _______________ __________.

10. Examples of this type of loss normally involve violent acts of nature, such as __________________, hurricanes, ______________.

11. The _______________ is, very simply, the amount of that loss you are going to suffer yourself ______________ the insurance company pays their portion of the loss.

Financial Literacy: Insurance

Understanding Life Insurance

12. Life insurance is used to provide _______________ support in the event of your death to your ______________ so their lives can continue, at least financially, after you are gone.

13. Each pays the ______________ of the policy when the person who was actually insured dies, assuming all premiums have been properly paid.

14. There are two basic types of life insurance policies: ________ and _________ _________.

15. Term insurance is _______ ______________ to buy because there is no cash value feature to term.

16. There are ________ ways to buy a term policy.

17. One way is to buy a decreasing term policy where the _________ _________ decreases each year.

18. The second way is an __________ ______________ policy.

19. This policy's premiums are ____________, usually higher, each year when the policy is reviewed and renewed.

20. The third way is a __________ ____________, which means your premium in year one is going to be the _____________ as it will in the final year of the policy.

21. In these policies, you are paying for a death benefit, just as you are with a term policy, but you are also paying for a tax-deferred ____________ benefit.

22. This savings, or cash reserve, is known as the cash surrender value and is yours if you decide to __________ the policy.

23. There are three kinds of ________ _________ policies.

24. The two differences of _________ life and _________ life are you have a cash value with whole life and the policy stays in effect no matter how long you live, whereas term policies __________ after the set time period.

Financial Literacy: Insurance

25. This policy offers some _______________ a whole life policy does not offer.

26. This type of cash value policy was designed for ____________, as opposed to just a savings or cash reserve.

Understanding Health Insurance

27. Health insurance is used to cover the costs of _______________ _______________, such as surgeries, hospital stays, some doctor visits, and in some cases, prescription costs.

28. There are many benefits to being in a ___________ health insurance plan.

29. Some, or in some cases all, of the ______________ cost is paid by your ________________.

30. This stands for ___________ _______________ _______________ and _______________ Act and was passed in 1996.

31. Your monthly premium on an individual health policy will most likely be _______________ than it would be if you were part of a group.

32. Medicaid is an insurance program designed for _______________ individuals in low-income households.

33. _________ stands for Children's Health Insurance Programs and is designed to provide health care coverage for children of families who cannot afford individual health coverage, but make too much money to qualify for _______________.

34. _______________ _______________ pays you a percentage of your earned income during the time period you are unable to work because of a disability.

35. Long-term care is normally needed by ____________ or ____________ individuals.

36. First is Medicare, which is a _____________ ______________ government health plan for individuals over the age of 65.

37. The other option is actually ____________ long-term care insurance.

Financial Literacy: Insurance

38. The lack of enough health insurance would cause one to potentially spend all their ___________ and potentially accumulate ________ they are unable to pay.

Understanding Property Insurance

39. Since a home is usually one of the biggest assets and individual can own, normally the individual cannot afford to pay for the house in full, the ______________ ______________ is the best way to ___________ their investment for the equity they have in the home and for the mortgage company which has a financial interest in the property as well.

40. Homeowner policies have specific coverage known as named _________, which are very limited areas of protection.

41. Insurance companies can and do name specific types of losses which will not be covered in the homeowner's policy. These are known as ______________.

42. Once you have decided on the best coverage, you will need to decide how much of a ______________ you want to pay in the event of damage, loss or lawsuit for injury to another person or his property.

43. When deciding about coverage, make sure you know what your _____________ ______________ requires as well.

44. You will also want to insure the ____________ of your home for replacement value as well.

45. Since your home is most likely mortgaged, if the damage was actually done to the structure, the payment may be made _________ the work is completed and it may be written to you and the _____________ company.

Understanding Auto Insurance

46. Auto insurance is probably the most common form of insurance and may cover both __________ ___________ claims against the driver if possibly he is at fault for causing the accident, and loss of or damage to the insured's ___________ itself.

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Financial Literacy: Insurance

47. When you include this type of coverage in your auto insurance policy, the insurer agrees to pay damages, that is, ___________ costs or ___________ costs if you injure someone or his property in an auto accident.

48. This insurance provides ______________ to replace or repair your vehicle if you are in an accident regardless of who is at fault.

49. This coverage pays to repair your vehicle less your deductible when it is damaged in ways which do not involve an actual ______________.

50. These payments are made for you and your ______________ to cover medical expenses which are a result from an automobile accident injury.

51. When you add medical payments to your policy, there is a maximum amount which will be paid ______ ___________ and ______ ______________.

52. This type of coverage is for medical and other expenses which are a result of an automobile accident for the people who are ______________ __________ in the policy.

53. They will certainly want to know you have your liability insurance in place which covers the liability you may have if you __________ someone else or their property, but also just as important, they will want to know the ___________ ___________ to the car is also covered.

54. The younger you are, the ___________ your premium will be because younger drivers are less _________________ and tend to take more risks.

55. The more claims you have made on ___________ ___________, the higher your premium will be on future policies.

56. The lower your _________ _________, the higher your premium will be.

57. The more __________ and ______________ you have on your driving record, the higher your premium will be.

58. Individuals who are married are considered to be more _________ drivers so their premiums may be a bit lower than if they were single.

Financial Literacy: Insurance

59. Your premium will be higher if you live in a large _________ where there is more opportunity for accidents, if you live in a neighborhood with a high _________ rate, and so on.

60. The quicker and _________ cars can get, the higher premiums because the insurer knows you will be more likely to get tickets and be in more accidents.

61. The more expensive cars also come with higher premiums as well because of the ______________ _________.

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