

Chapter 9: Assessment Answer Keys

**Please note that assessment questions are randomized in our FoundationsDigital platform for each student. Therefore, the order these questions will appear for each student will vary.*

Chapter 9 Pre/Post-test

1. You are involved in a two-car accident in which you are at fault. The other driver is injured, and your insurance covers the medical expenses of the victim. This type of insurance coverage is called:
 - Comprehensive
 - Collision
 - **Liability**
 - Uninsured motorist protection
2. Life insurance policy for a specific period of time is called:
 - Universal
 - Level
 - **Term**
 - Whole life
3. The recipient of assets passed on from the death of a friend or relative
 - Insured
 - **Beneficiary**
4. Following the Five Foundations will help you to, one day, become self-insured.
 - **True**
 - False

5. Any insurance with cash value or that combines insurance with investments is a bad idea.
- True
 - False
6. Specific amount of money that you pay when insurance only covers a portion of costs
- Fee
 - Out-of-pocket expense
7. After high school, you should have the following types of insurance: auto, renter's, health and long-term care insurance
- True
 - False
8. Which of the following is not a recommended way of lowering your car insurance premiums?
- Get good grades and take a driver education class
 - Drop your auto insurance altogether
 - Increase your deductible
 - Shop around
9. Amount you must pay before you begin receiving any benefits from your insurance company
- Deductible
 - Income
10. Renter's insurance is not necessary if you don't have a lot of expensive things.
- True
 - False

11. The amount you pay monthly, quarterly, semiannually or annually to purchase different types of insurance
- Premium
 - Co-pay
12. Disability insurance offered through your employer is usually the most expensive coverage option.
- True
 - False
13. Insurance that covers property damage and medical bills if you are at fault in a car accident or if someone gets hurt on your property
- Uninsured motorist protection
 - Liability
14. Which of the following is not a benefit of having a will?
- A will enables you to nominate the persons who will handle your estate or serve as guardians to your children, and it allows you to determine who will receive all the property you have accumulated over your lifetime.
 - A well-drafted will can allow your family to minimize death taxes and other costs that may drain your estate of assets.
 - Your will can be an expression of your personal values.
 - You only need a will if you have a large estate.
15. Which of the following statements about life insurance is true?
- Term life insurance should be avoided because the policy will expire and it has no savings plan built into it.
 - Cash value insurance is normally for life and is more expensive than term life insurance because it funds a savings plan.
 - There is no difference between term and cash value life insurance.
 - You will always need life insurance.

16. An amount of money you pay to help cover a portion of your medical costs
- Annuity
 - Co-payment
17. The time between the disabling event and the beginning of payments in your disability coverage is called:
- Deductible
 - Out of pocket
 - Elimination period
 - Stop gap
18. Prepaid burial policies are a good idea.
- True
 - False
19. Duplicate coverage, or any extra insurance on top of your existing insurance, is not necessary.
- True
 - False
20. Which of the following would not be a huge financial risk (and, therefore would not require insurance) if you had a full emergency fund of \$500 or more?
- You lose your cell phone
 - A medical emergency
 - Your identity gets stolen
 - A car accident

21. The purpose of insurance is to:
- Develop a savings plan
 - **Transfer financial risk**
 - Provide an investment opportunity
 - All of the above
22. Good identity theft protection includes restoration services.
- **True**
 - False
23. Describes the type of coverage in an insurance agreement
- **Policy**
 - Premium
24. Which of the following is true?
- **Any kind of duplicate insurance coverage is a bad idea.**
 - Pet insurance is a good idea since pet emergencies can be very expensive.
 - You can never be too safe-there is no bad insurance.
 - Mortgage life insurance is necessary if you are a homeowner.
25. Paperwork filed with an insurance company in order to get them to cover a loss for someone they insure
- Appraisal
 - **Claim**

26. Which of the following statements about disability insurance is false?

- Disability insurance is not necessary if you have a good health insurance policy.
- A longer elimination period will lower your premium cost.
- Your coverage should be for 65% of your income.
- After college, short-term disability should be covered by your emergency fund of three to six months' worth of expenses, staying out of debt, and having a money plan.

27. Which of the following types of insurance is not recommended for a young single adult?

- Auto insurance
- Identity theft protection
- Health insurance
- Life insurance

28. A person becomes self-insured when:

- Their kids are grown, they have no debt, and they have fully funded retirement
- They have no debt
- Everyone should have term life insurance regardless of age or financial well-being
- They own their own business

29. You should not buy identity theft protection that only provides credit report monitoring.

- True
- False

30. Comprehensive coverage takes care of damage to your car that is not caused by a collision.

- True

- False

31. Which of the following statements about long-term care insurance is false?

- You should not buy long-term care insurance until age 30.
- At least 69% of people over the age of 65 will require long -term care at some point.
- Long-term care insurance is not the same as disability or short -term medical care.
- A good long-term care policy will include in-home care.

32. Which of the following is not a recommended way to save on your health insurance premium?

- Increase your deductible.
- See if a Health Savings Account would make sense for your situation.
- If you are young and healthy, you do not need health insurance.
- Increase your stop-loss or your maximum out-of-pocket expense.

33. A legally enforceable declaration of how a person wishes his or her property to be distributed after death

- Policy
- Will

34. Which of the following policies would be a duplicate coverage for your health insurance policy?

- Long-term care insurance
- Cancer and hospital indemnity insurance
- Auto insurance
- Disability insurance

35. Applies to the amount of protection you have through an insurance company in the event of a loss

- Coverage

- Premium

Chapter 9, Section 1 (Video 1:1b) Quiz “Transferring Risk”

1. Which of these options is NOT a type of insurance?

- Life
- Homeowner's
- Long-term care
- Educational

2. The purpose of insurance is to transfer _____.

- Wealth
- Investments
- Risk
- Income

3. Health insurance is optional.

- True
- False

4. Which of the following should be covered by renter's insurance?

- A friend breaks your laptop while inside your apartment
- Your refrigerator stops working and your food goes bad
- A flood occurs and damages all your furniture
- You receive a parking ticket for parking in the fire lane

5. In order to decide if you should raise your deductible, you should find out how long it will take to break even.

- True
- False

Chapter 9, Section 2 (Video 2:1a) Quiz “Basic Parts of Auto Insurance”

1. You might consider dropping liability on your insurance coverage.
 - True
 - False
2. Taking a driver's education course can save you money on car insurance.
 - True
 - False
3. You can keep car insurance rates low by:
 - Not filing claims for smaller repairs, instead pay cash
 - Driving an older car with over 200,000 miles on it
 - Getting your own insurance plan
 - Driving for Uber
4. One way to keep your car insurance rate low is to _____ your deductible.
 - Remove
 - Decrease
 - Double
 - Raise

Chapter 9, Section 2 (Video 2:1b) Quiz “Homeowner’s and Renter’s Insurance”

1. Homeowner's coverage should include _____ replacement cost.
 - Exterior
 - **Guaranteed**
 - Extra
 - Interior
2. If you're renting a house or apartment, you only need renter's insurance for the first few months.
 - True
 - **False**
3. _____ policies are a really good buy because they add extra protection to your home and automobile insurance.
 - Blanket
 - Roof
 - Ceiling
 - **Umbrella**
4. If your plan coverage includes an extended replacement cost, you need to update your plan at least once per year.
 - **True**
 - False

Chapter 9, Section 2 (Video 2:2a) Quiz “Health Insurance, Part 1”

1. To save money on your health insurance, you need to _____ your deductible.
 - Decrease
 - Double
 - Increase
 - Remove
2. It's a good idea to decrease your maximum pay.
 - True
 - False
3. What does having 80/20 coverage mean?
 - Insurance pays 80% of your deductible, and you pay 20%
 - 80% of your claims are covered and 20% are not
 - After a deductible has been paid, insurance pays 80% and you pay 20%
 - The insurance company pays you 80% and the doctor 20%
4. Nearly 60% of workers in the US have health insurance through their employers.
 - True
 - False
5. If you have a fully funded emergency fund, you might consider increasing your stop-loss.
 - True
 - False

Chapter 9, Section 2 (Video 2:3a) Quiz “Long-Term Care Insurance”

1. Long-term care insurance covers nursing homes, assisted living, and sometimes in-home care.
 - True
 - False
2. What is the most expensive time of your life?
 - The first 5 years
 - The last 6 months
 - The years you're in college
 - Age 50-60
3. If you are over 45 years old, you should get long-term care insurance.
 - True
 - False
4. Moving assets into your name so that the government will pay for your aging parent's care is a _____.
 - Good idea
 - Child's responsibility
 - State mandate
 - Federal crime

Chapter 9, Section 2 (Video 2:4a) Quiz “Disability Insurance”

1. You have a 1 in 3 chance of becoming disabled for 6 months or more at some point in your life.
 - True
 - False
2. When considering disability plans, look for a plan that covers _____ of your income.
 - 35%
 - 50%
 - 65%
 - 100%
3. _____ insurance is designed to replace income that is lost due to short-term or long-term disability.
 - Injury
 - Income
 - Disability
 - Protective
4. It is cheaper to buy long-term disability insurance from the open market than from your employer.
 - True
 - False

Chapter 9, Section 2 (Video 2:4b) Quiz “Identity Theft Protection”

1. Identity theft is the fastest growing white-collar crime today.

- True
- False

2. When shopping for insurance, use a(n) _____ agent who shops a bunch of different companies to find the best rate for you.

- Independent
- Association
- Neutral
- Accredited

3. When buying identity theft protection, make sure it includes _____ services.

- Payback
- Expanded
- Restoration
- Foreign

4. Where can your identity be stolen?

- Your mailbox
- The internet
- Your cell phone
- All of the above

Chapter 9, Section 3 (Video 3:1a) Quiz “The Importance of Life Insurance, Part 1”

1. _____ life insurance is for a specific time period and is the cheapest way to buy life insurance.
 - Term
 - Universal
 - Variable
 - Invested
2. Which of the following plans include a savings plan as a part of the insurance?
 - Whole Life
 - Universal Life
 - Variable Universal Life
 - All of the above
3. Life insurance is a permanent need.
 - True
 - False
4. Life insurance is designed to pay off all your debt at the time of your death.
 - True
 - False

Chapter 9, Section 4 (Video 4:1a) Quiz “Bad Ideas in the Insurance World”

1. Life insurance is a permanent need.

- True
- False

2. If you don't understand it, don't buy it.

- True
- False

3. There are scams and gimmicks in the insurance world.

- True
- False

4. Insurance companies often use your _____ to convince you to buy.

- Age
- Emotions
- Wealth
- Income

5. Pre-paid burial policies are a great purchase for any adult.

- True
- False