Lession #3 Quiz
Graded Quiz • 30 min
Due Nov 9, 4:59 PM +09
Congratulations! You passed!
TO PASS 80% or higher

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GRADE

80%

Lession #3 Quiz

LATEST SUBMISSION GRADE

80%

1.
Question 1
Which of these best describes risk pooling?
0 / 1 point

If individual events are not independent, risk can be decreased by averaging across all of the events

Insurance companies must avoid situations whereby customers are incentivized to intentionally cause an incident (e.g. burning their house down)

If individual events are independent, risk can be decreased by averaging across all of the events

Sick people are more likely to sign up for health insurance, and healthy people will not purchase the policy because this will make the premium more expensive

Incorrect

Individual events must be independent in order for risk pooling to be most effective.

2.

Question 2

Which of the following was NOT a factor which led to the proliferation of life insurance?

1 / 1 point

Insurance salespeople

Increased life expectancy

Statistical data on life expectancy

New sales pitches

Correct

Life insurance was initially designed to provide for the family if the breadwinner passed away, so increased life expectancy has started to eliminate the need for life insurance.

3.

Question 3

What happens in the United States if your insurance company goes bankrupt?

1 / 1 point

There is no protection from the government against insurance company failure

Consumers are insured from insurance company failure at the state level

Insurance companies are partially owned by the government, and thus are not allowed to fail.

Just like the FDIC protects consumers from bank failures, the federal government insures against insurance company failures

Correct

Insurance against insurance company failure happens at the state level.

4.

Question 4

What problem does the US Affordable Care Act (“Obamacare”) attempt to address and how does it do so?

1 / 1 point

It addresses moral hazard by forcing hospitals to provide emergency services to those who cannot pay for it.

It addresses moral hazard by allowing hospitals to refuse treatment to those who cannot pay for it.

It addresses selection bias by forcing everybody to buy health insurance or else face a tax penalty.

It addresses selection bias by creating a healthcare system which is fully publicly-funded.

Correct

Selection bias describes the phenomenon that only people who have an immediate need for insurance will be incentivized to purchase it.

5.

Question 5

One of the main reasons why many homeowners did not have flood insurance before the advent of Hurricane Katrina in 2005 was:

1 / 1 point

Insurance premiums in Louisiana went up by 70% between 1997-2005, causing many people to cancel their insurance.

Many homeowners were not aware that flood insurance existed in the first place.

Many homeowners were relying on the government instead.

Homeowners thought that the likelihood of a flood was too low to justify buying a flood insurance.

Correct