

Student _____

Date _____

Class _____

Teacher _____

CHAPTER 13 Home and Motor Vehicle Insurance

Reviewing Key Terms: Complete the Sentence



DIRECTIONS: Using terms from the following list, complete the sentences below. Write the letter of the term you have chosen in the space provided.

- | | | |
|--------------|-------------------------|-----------------------|
| A. insurance | D. peril | G. actual cash value |
| B. premium | E. hazard | H. collision |
| C. risk | F. homeowners insurance | I. no-fault system |
| | | J. assigned risk pool |

1. Defective electrical wiring is an example of a(n) _____ because it increases the likelihood of loss through peril.
2. The type of insurance that covers damage to your vehicle when it is involved in an accident is _____ insurance.
3. A(n) _____ is the fee a policyholder pays an insurance company.
4. Under the _____ method, the payment you receive is based on the replacement cost of an item minus depreciation.
5. _____ is protection against possible financial loss.
6. _____ is coverage that provides protection for your residence.
7. The chance of loss or injury is called _____.
8. Every state has a(n) _____ which includes all the people who cannot get motor vehicle insurance.
9. Each party involved in an accident collects money from his or her own insurance company under the _____.
10. Anything that may possibly cause a loss is a(n) _____.

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Understanding Key Concepts



DIRECTIONS: *On a separate sheet of paper, answer the following questions.*

1. Classify each of the following items as an insurance peril or insurance hazard: windstorms, earthquakes, icy steps, robbery, faulty brakes, broken locks.
2. Give an example of each kind of risk—personal, property, and liability.
3. Greta is moving into her first apartment and wants to manage the risk of theft. List the four methods of risk management Greta could use and give an example of what each would look like.
4. Pedro is planning to build a home in the San Francisco area. How might he reduce the risk of earthquake damage? How might he shift the risk?
5. List the four questions to ask yourself when planning a risk management plan.
6. Aiko brought her family's laptop to Chile during her semester of study abroad, and it was damaged on the return flight home. Will her parents' homeowners insurance cover the cost of repairs? Explain.
7. Imagine you are Ben's insurance agent. Ben wants to insure his rare violin that is worth tens of thousands of dollars. What would you recommend?
8. How does medical payments coverage differ from the personal liability portion of a homeowners insurance policy?
9. Walt paid \$500 for an old car that he drives to and from work. He wants to save money on vehicle insurance but is required by law to carry insurance that will cover the injuries and property damages of others if he causes an accident. What kinds of insurance should Walt buy? What kind does he need least?
10. Name at least five factors that influence the cost of motor vehicle insurance.

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Activity 1: Risky Business



SKILLS ACHIEVED

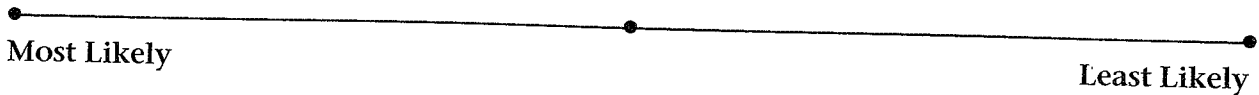
Reading, Reasoning, Decision making, Responsibility, Self-management, Acquiring and evaluating information

OBJECTIVE: Determine which types of insurance might be important for you based on different perils you may encounter.

Risk assessment and management are important concepts in the world of insurance. Your judgment of how likely it is that you will suffer a particular peril will determine which types of insurance you choose to carry. In this activity, you will rate a variety of perils along a continuum line, based on how likely you believe they are to affect you.

Read the numbered list of possible perils. Then place the number of the peril at the point along the continuum line that corresponds to how likely you feel the peril is in your life.

1. You will be at fault in a vehicle accident.
2. You will own a home that will need to be protected against natural disasters, theft, and other occurrences.
3. You will become a professional musician and need to insure your hands.
4. Your apartment will be robbed.
5. A tornado will destroy your home and possessions.
6. Someone will trip on your sidewalk and sue you.
7. You will need to rent a vehicle while yours is being repaired after an accident.
8. A child of yours will accidentally break a neighbor's window.
9. Your dog will bite someone.
10. Your vehicle will be hit by an uninsured driver.



Now, based on these perils, which three types of insurance would you probably buy?

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Activity 2: Comparing Two Insurance Quotes



SKILLS ACHIEVED

Reading, Writing, Listening, Math, Problem solving, Decision making, Acquiring and evaluating information, Organizing and maintaining information, Participating as a member of a team

OBJECTIVE: Obtain and compare two different insurance quotes to determine which is the better choice.

Comparing motor vehicle insurance rates from different insurance companies can save you a considerable amount of money. In this activity, you will work with a partner to obtain quotes on the same vehicle from two different insurance companies. Then you will evaluate the quotes, comparing costs, coverages, and other elements to determine which would be the better choice.

First, you and your partner will need to agree on the year, make, and model of the vehicle and the age and gender of the driver. Then you will need to obtain two quotes, either by visiting insurance agents in your area or by getting a quote on the Internet. Use the chart on the next page to make notes about the quotes you receive. Then work together to answer the questions below.

1. Which quote has the higher deductible?

2. Which quote seems to offer better coverage? Why?

3. How do liability limits of the two quotes compare?

4. Which insurance would you probably buy? Why?

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QUOTE 1

Company Name _____ Agent Name _____

Vehicle Year _____ Make _____ Model _____ Driver Age _____ M _____ F _____

Coverages	Limits of Liability	Deductible(s)
Comprehensive Physical Damage		
Collision		
Property Damage Liability		
Bodily Injury Liability		
Medical Payments		
Uninsured Motorist's Protection		
Other Features _____		

QUOTE 2

Company Name _____ Agent Name _____

Vehicle Year _____ Make _____ Model _____ Driver Age _____ M _____ F _____

Coverages	Limits of Liability	Deductible(s)
Comprehensive Physical Damage		
Collision		
Property Damage Liability		
Bodily Injury Liability		
Medical Payments		
Uninsured Motorist's Protection		
Other Features _____		

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Math-Building Skills: Does Safety Pay?



Matt and Kristin are newly married and living in their first house. The yearly premium on their homeowners insurance policy is \$450 for the coverage they need. Their insurance company offers a 5 percent discount if they install deadbolt locks on all exterior doors. The couple can also receive a 2 percent discount if they install smoke detectors on each floor. They have contacted a locksmith, who will provide and install deadbolt locks on the two exterior doors for \$60 each. At the local hardware store, smoke detectors cost \$8 each, and the new house has two floors. Kristin and Matt can install them themselves.

1. What discount will Matt and Kristin receive if they install the deadbolts? _____

If they install smoke detectors? _____

2. Assuming their insurance rates remain the same, how many years will it take them to earn back in discounts the cost of the deadbolts? _____

The cost of the smoke detectors? _____

3. Would you recommend that Matt and Kristin invest in the safety items? Why or why not?

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Finance Online: Choosing a Vehicle with Insurance in Mind



Vehicle insurance premiums take a large bite out of a driver's income. He or she could save money by looking at insurance discounts before buying a vehicle.

Choose two or three new vehicle models. Then use an Internet search engine to find descriptions of standard features on each vehicle. Print out or jot down the information. Next, visit an insurance company's Web site. What discounts does the company offer? Focus on feature-related discounts. Visit as many Web sites as necessary to complete the items below.

Keywords Used	Site Names	Web Site Addresses	Information Offered

1. List your choices of vehicle models and some of their standard features.

2. What feature-related discounts does the insurance company offer?

3. Which of your vehicle choices qualifies for the most discounts? Name the discounts.

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Your Financial Portfolio Worksheet



The Price of Car Insurance

Identify the make, model and year of a vehicle you might like to own. Following the worksheet, research two insurance companies and compare their prices. You can get their rates by telephone or by visiting their Web sites. Record your findings.

Make, model, and year of the vehicle: _____

Miles driven per year: _____

Miles driven to school and work: _____

Vehicle used for driving while on the job? _____

	Insurer A	Insurer B
Bodily Injury Coverage:		
• Bodily injury liability: \$50,000 each person; \$100,000 each accident		
• Uninsured motorist's protection		
• Medical payments coverage: \$2,000 each person		
Physical Damage Coverage:		
• Property damage liability: \$50,000 each accident		
• Collision with \$500 deductible		
• Comprehensive physical damage with \$500 deductible		
Car Rental:		
Discounts: good driver, air bags, garage parking		
Annual total		

How do they compare?

Which company would you choose and why?

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Software Activity (Optional)

Spreadsheet Application

Evaluating Home and Motor Vehicle Insurance Policy Coverage



OBJECTIVE: Evaluate home and motor vehicle insurance policies and compute claim coverages.

Practice Situation

Eric Fowler and his wife Susan just purchased their first home, which cost \$130,000. They purchased a homeowners policy to insure the home itself for \$120,000 and personal property coverage of \$75,000. They declined any coverage for additional living expenses. The deductible for the policy is \$500. Eric's Ford Mustang and Susan's Toyota Corolla are insured with the same insurance agent. They have 50/100/15 vehicle insurance coverage.

Soon after Eric and Susan moved into their new home, a strong windstorm caused damage to their roof. They reported the roof damage to be \$17,000. While the roof was under repair, the couple had to live in a nearby hotel for three days. The hotel bill amounted to \$320. That same week, Susan had an accident. She lost control of her car and hit a parked car and damaged a storefront. The damage to the parked car was \$4,300 and the damage to the store was \$15,400.

Assuming the insurance company settles claims using the replacement value method, what amount will the insurance company pay for the damages to the roof? What amount will the insurance company pay for Susan's car accident? Use the following spreadsheet to make your computations.

Home Damages	
Home value	
Insured amount	
Damage amount reported	
Additional living expenses incurred	
Total expenses incurred from windstorm	
Deductible on the policy	
Insurance company covered amount	
Eric and Susan's costs	
Car Accident	
Store damage amount	
Parked car damage amount	
Total damages	
Insurance company covered amount	
Eric and Susan's costs	

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Spreadsheet Directions

1. Start your spreadsheet software program and open problem SA13.xls.
2. Record the value of Eric and Susan's home along with the insured amounts for the structure and personal property. *Note: Format all dollar amounts to Currency, decimal places 0.*
3. Next, record the amount of roof damage reported and the cost of additional living expenses incurred.
4. Using the information presented about Eric and Susan's homeowners policy, compute the amount of damage that will be covered by the insurance company. Calculate the total amount that Susan and Eric will have to pay for this occurrence.
5. Now, review the information about Susan's car accident. Record the damage amounts for the parked car and storefront. Insert the formula to compute the total damages.
6. Record the amount that will be covered by the insurance company for property damages. Then insert the formula to calculate the remaining amount that Susan and Eric will have to pay for the accident.
7. Complete the spreadsheet, then save your work to a new file labeled SA13***.xls. (Replace *** with your initials.)
8. Print out a copy of your work if your teacher has instructed you to do so.

Interpreting Results

1. What amount will the insurance company pay for the damage to Eric and Susan's roof? _____
2. What amount will Susan and Eric have to pay for Susan's car accident? _____
3. What amount will the insurance company pay for Susan's car accident? _____
4. Based on the information presented, what bodily injury coverage is included in Eric and Susan's motor vehicle insurance policy?

Drawing Conclusions

1. If Eric and Susan's vehicle coverage had been 50/100/25, what impact would this have had on the amount they owed for this accident? Explain.

2. If items inside Eric and Susan's home had been damaged as a result of the windstorm, would these items have been covered by their homeowners policy? Explain.

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SELF-ASSESSMENT QUIZ

DIRECTIONS: Identify the letter of the choice that best completes the statement or best answers the question.

1. Which insurance term refers to anything that may cause a loss? (A) risk (B) peril (C) hazard (D) liability
2. A risk that is *not* insurable is known as a (A) pure risk (B) personal risk (C) liability risk (D) speculative risk.
3. Refusing to smoke for health purposes is an example of the risk management method known as risk (A) reduction (B) avoidance (C) assumption (D) shifting.
4. An insurance policy with a deductible is a combination of (A) risk avoidance and risk reduction (B) risk assumption and risk reduction (C) risk shifting and risk assumption (D) risk reduction and risk shifting.
5. The personal liability portion of a homeowners insurance policy protects the insured against financial loss when his or her (A) house floods (B) jewelry is stolen (C) guests injure themselves (D) reputation is damaged.
6. Renters insurance includes coverage for all the following items *except* (A) the building (B) personal property (C) additional living expenses (D) personal liability.
7. The basic home insurance policy form protects against several perils, including (A) sleet (B) lightning (C) flood (D) earthquake.
8. Home insurance rates are lower for houses (A) built of wood (B) near fire hydrants (C) in a high-crime area (D) costing \$300,000 or more.
9. What kind of motor vehicle insurance provides protection to the policyholder if he or she is injured by a hit-and-run driver? (A) property damage liability (B) uninsured motorist's protection (C) collision insurance (D) comprehensive physical damage coverage
10. An assigned risk pool includes the people in a state who (A) are under 25 (B) drive the same make car (C) live in big cities (D) cannot get coverage.