

Business and Personal Finance © 2012

Chapter 22: Home and Motor Vehicle Insurance

Check Your Answers: Section Assessment

Section 1

Review Key Concepts

- 1.** Risk refers to the fact that you cannot predict trouble; it is also used to refer to the insured person or property. Peril is anything that may cause a loss, such as fire or an accident. Hazard is anything that increases the change of loss, such as defective wiring.
- 2.** An insurance program will help reduce the financial impact of risks by covering all or part of the cost. Most insurance programs require you to pay a deductible (risk assumption) and the program will pay the remaining amount for you (risk shifting).
- 3.** Property insurance will help pay to replace lost or damaged property, and liability insurance will protect you if you are responsible for someone else's losses or injuries. These costs can often be great; by including insurance in your financial plan, you can protect yourself from financial loss.

Higher Order Thinking

- 4.** Sample response: I would recommend that Dania spend the money for an insurance policy since she does not have enough left in savings to replace the equipment should it be lost, broken, or stolen.

English Language Arts

5. My Favorite Things Lists and journal entries will vary. Sample items on list might include computer, photo albums, jewelry, or auto. Student might feel that the photo albums have more personal consequences than financial costs. Other items would be expensive to replace but insurance would help cover the cost, making it possible to replace the items. Some items, such as jewelry, might be an heirloom that could be replaced if covered by insurance but would not be replaceable as a token of love and tradition that had been passed down by a family member.

Mathematics

6. Liability Insurance Annual premiums paid = $\$25 \times 12 = \300 ; Deductible = $\$350$; Total insurance over the course of the year = $\$300 + \$350 = \$650$; Total expense incurred without insurance = $\$3,200$; Savings amount due to insurance = $\$3,200 - \$650 = \$2,550$