LIFEPAC®

Consumer Math

Student Book

Unit 4

Alpha Omega Publications®

CONSUMER MATHEMATICS 4
FAMILY FINANCES II

CONTENTS

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FAMILY FINANCES II

This LIFEPAC® continues the topic of Family Finances that was begun in Consumer Mathematics 3, which presented income, budgets, buying, and taxes. The topics covered in Family Finances II are insurance, banking, and financial planning.

Insurance is a service that helps protect people against financial loss to themselves because of death, illness, fire, flood, or other occurrences. Insurance is also the responsibility of Christian citizens so that bills will not go unpaid in cases of accident, and so that families will not be left penniless in case of death of the family head. This LIFEPAC should encourage you to learn more about your family's insurance.

Banking skills are needed by almost everyone today, and several of the basic skills are taught. The services provided by banks are also included. The LIFEPAC closes with a brief section on financial planning, which is an often neglected but very important part of family finances.

OBJECTIVES

Read these objectives. The objectives tell you what you will be able to do when you have successfully completed this LIFEPAC.

When you have finished this LIFEPAC, you should be able

1. To identify four types of life insurance.
2. To calculate a person's age for insurance purposes.
3. To calculate premiums for varying types and amounts of life insurance.
4. To identify several types of automobile insurance.
5. To calculate premiums for varying types and amounts of automobile insurance.
6. To calculate the amount paid by insurance companies in varying circumstances.
7. To write a check.
8. To keep a record for a checking account.
9. To balance a bank statement.

10. To calculate simple and compound interest on a savings account.

11. To calculate interest on a loan.

12. To list various other services provided by a bank.

13. To calculate the return on shares of stocks, based on declared dividends.

14. To list several ways of disposing of an estate.

Survey the LIFEPAC. Ask yourself some questions about this study. Write your questions here.

I. INSURANCE

OBJECTIVES

1. To identify four types of life insurance.
2. To calculate a person's age for insurance purposes.
3. To calculate premiums for varying types and amounts of life insurance.
4. To identify several types of automobile insurance.
5. To calculate premiums for varying types and amounts of automobile insurance.
6. To calculate the amount paid by insurance companies in varying circumstances.

Insurance is a service furnished by various companies. In essence, you pay the insurance company to protect you against certain events. The insurance company then pays you if the event you are insured against does indeed happen. Several kinds of insurance will be discussed in this section.

LIFE INSURANCE

Life insurance might more accurately be called "death insurance." It is insurance against the death of the person holding the policy. When a person holding a life insurance policy dies, certain *benefits* are paid to the survivors named as *beneficiaries*. These benefits depend upon the *face value* of the policy. The persons to whom the benefits are paid thus have a continued source of income, even though the person holding the policy is dead.

NOTE: Examples of insurance premium rates in this LIFEPAC are for practice and calculation purposes. The amounts may not reflect what the student is familar with.

DEFINITIONS

A *benefit*, in the sense of insurance, is the amount paid to a survivor upon the death of an insured person.

A *beneficiary* is the survivor to whom the benefits are paid upon the death of an insured person.

The *face value* (also called *face*) of an insurance policy is the stated amount of the policy.

Model: James Harmon takes out an insurance policy with a face value of $10,000. He names his wife, Nancy, as beneficiary. If James should die, Nancy would receive $10,000 in benefits.

A person buys life insurance by paying *premiums*. The amount of the premium varies according to four things: (1) the age of the person purchasing the insurance (called the *insured*); (2) the type of insurance policy purchased (four types will be discussed here); (3) the face value of the insurance policy; and (4) whether premiums are paid *annually*, *semiannually*, *quarterly*, or monthly. Also, the cost of insurance sold by one company may be higher or lower than the cost of similar insurance sold by another company.

DEFINITIONS

A *premium* is the amount of money paid for insurance.

Annually means once a year.

Semiannually means twice a year, or every six months.

Quarterly means four times a year, or every three months.

The *insured* is the person purchasing insurance.

Insurance companies set their premiums in such a way that the premiums paid by all of the people they insure will cover the benefits they must pay to the beneficiaries of those who die. This reason is why the premiums are higher for older people: they are more likely to die. Tables of rates that will be fair to the insured and at the same time allow the insurance company to operate without losing money are made up by skilled people who understand statistics. Each insurance company has its own table of rates. The table of TYPICAL LIFE INSURANCE PREMIUMS in Figure 1 in the back of this LIFEPAC is representative and will serve as an example of what rates might be.

Note that the table gives the premium for $1,000 worth of life insurance. This premium must be multiplied by the number of thousands of dollars in the face value of the policy.

Model: The premium listed in the table for a certain kind of insurance is $5.07; $40,000 worth of this kind of insurance would cost 40 x $5.07 or $202.80.

The table of premiums lists four different kinds of insurance. We will discuss each kind.

The least expensive kind of life insurance is *term insurance*. *Term insurance* covers the insured for the stated term of the policy. The term can be one year, five years, ten years, or any other stated period of time. Premiums are paid throughout the term. If the insured dies during the term, the beneficiary receives the face value of the policy. At the end of the term, insurance ceases; and the policy is of no value. The table shows the premiums for term insurance with a term of ten years. Term insurance has no value as an investment, but it provides inexpensive insurance coverage and is especially useful to the young family with a limited income but with a great need for some kind of protection of wife and children in the event of the death of the husband and father.

The next kind of insurance, in terms of expense, is *ordinary whole-life insurance*. The insured pays premiums on this type of insurance until his death. At the time of death, the face value of the policy is paid to the beneficiary. In addition, this type of insurance has a cash value for the insured if he decides to stop paying premiums and to cash the policy in. Thus, ordinary whole-life insurance has some value as an investment, although the investment value is low.

The next most expensive type of insurance is *limited-payment life insurance*. This type of insurance covers the insured for life, but he only has to pay on it for a certain number of years. The most usual limited time is twenty years or thirty years. A limited-payment life insurance policy for thirty years, for example, is called "thirty-payment" or simply "thirty-pay."

Model: James Harmon takes out $40,000 of twenty-pay life insurance. He pays premiums on it for twenty years. At the end of that time, James no longer has to pay premiums, but the policy remains in effect until his death, at which time his beneficiary receives $40,000.

The most expensive type of insurance listed in our table is *endowment insurance*. This type of insurance is insurance with savings built in. If a person purchases a twenty-year endowment insurance policy and pays on it for twenty years, at the end of that time, he may collect the full face value of the policy. That is to say, if the insured dies before the policy is paid up, his beneficiary receives the face of the policy. If he lives, he himself may collect the face of the policy. He has, in effect, purchased insurance *and* endowment.

Note that the table in Figure 1 shows that the amount of the premium to be paid varies with the age of the insured. Because women on the whole have a longer life expectancy than men, three years are subtracted from the age of a woman before her age is looked up in the table. Also note that for insurance purposes, a person's age is calculated from his nearest birthday.

Model: James Harmon was born on March 27, 1954. On March 27, 1974, he celebrated his twentieth birthday. For insurance purposes, he is considered to be twenty until September 27, 1974 (six months from his birthday), at which time he is nearer twenty-one than twenty.

Use the table to find the yearly premiums in each of the following cases.

1.1 George Anderson takes out $30,000 of twenty-payment life insurance. If he is thirty-six years old, what annual premium does he pay?

____

1.2 Emily Ruth Webster is twenty-seven. (Careful!) She is purchasing twenty-year endowment insurance, with a face value of $25,000. What is her annual premium?

____

1.3 Tom Harris, a young father, is twenty-four years old. He wishes to purchase $7,000 of ten-year term insurance. What will be his annual premium?

____

1.4 Will C. Lowe wishes to purchase an ordinary whole life insurance policy with a face value of $50,000. What will his annual premium be, if his age for insurance purposes is fifty-one?

____

[redacted] In each of the following cases, calculate the age of the person for insurance purposes, and then use the chart to find the premium he will pay per year for the stated type and amount of insurance.

1.5 Clara Sanborn, who was born on July 12, 1936, purchased $30,000 worth of ordinary whole-life insurance on October 25, 1977. Find

a. her age for insurance purposes:

____

b. her annual premium:

____

1.6 Bruce Lovegren was born on Septemter 27, 1950. On April 14, 1977, he purchased a $15,000 ten-year term life insurance policy.

a. What was his age for insurance purposes?

____

b. What was the annual premium he paid?

____

Insurance companies like for people to pay their premiums once a year. When premiums are paid more frequently, the insurance company must take care of bookkeeping expenses. For this reason the cost to pay premiums semiannually, quarterly, or monthly is higher. The legend at the bottom of the table in Figure 1 shows how to find the semiannual, quarterly, or monthly premium, after you have found the annual premium.

According to this note, semiannual premiums are 51 per cent of the annual premiums; quarterly permiums are 26 per cent of the annual premiums; and monthly premiums are 9 per cent of the annual permiums.

Model: James Harmon is twenty-five when he takes out $40,000 of twenty-pay life insurance. His annual premium is $850.80. If he were to pay semiannual premiums, each premium would be 0.51 x $850.80, or $433.91 Quarterly premiums for this same insurance would be 0.26 x $850.80, or $221.21. Monthly premiums would be 0.09 x $850.80, or $76.57.

Solve the following problems:

1.7 Using the figures from Problem 1.1, what would be the premiums George would pay

a. semiannually ______________

b. quarterly ______________

c. monthly ______________

1.8 Use the figures from Problem 1.5 and find the premiums Clara would pay

a. semiannually ______________

b. quarterly ______________

c. monthly ______________

You should know how much money you would save by paying insurance premiums annually instead of more frequently. The model shows how to figure the difference.

Model: James Harmon pays $850.80 per year for his life insurance. If he were to pay semiannually, each premium would be $433.91. His total yearly output for premiums would be $867.82. The cost for paying the premiums semiannually would be $867.82 - $850.80 = $17.02. If Mr. Harmon were to pay the premiums quarterly, the payments would be $221.21 each, for a yearly total of $884.84. The cost for the privilege of quarterly payments would be $884.84 - $850.80 = $34.04. If he were to pay monthly, the payments would be $76.57. The total cost would be 12 x $76.57, or $918.84. The cost for the privilege of making payments monthly would be $68.04.

Solve the following problems.

1.9 Using the figures of Problem 1.2, calculate the difference between annual and semiannual premiums for Emily Webster.

____

1.10 Using the figures of Problem 1.3, calculate the difference between annual and quarterly premiums for Tom Harris.

____

1.11 Using the figures of Problem 1.4, calculate the difference between annual and monthly premiums for Mr. Lowe.

____

Teacher check ______________ ______________
Initial Date

AUTOMOBILE INSURANCE

An automobile accident can cause a great deal of bodily injury and property damage. The driver who is at fault in the accident is legally and morally responsible for the expenses of such bodily injury and property damage.

Suppose, for example, that you are injured in an accident. If the accident is not your fault, the person who was at fault must pay your medical expenses. On the other hand, if you are at fault in an accident in which another person is injured, you must pay all of his hospital and medical expenses. For this reason, some sort of automobile insurance is required by law in every state. The amount and type required vary from state to state. Whatever might be the requirements of your state, you need to be adequately covered by automobile insurance. Otherwise, an accident in which you are at fault could really hurt your financial position. Imagine, for example, trying to pay $20,000 of hospital bills for a person who was injured in an accident in which you were at fault. Most people would not be able to locate that much money all at once.

Automobile insurance is expensive, and must be considered as a major part of the expense of owning and operating an automobile. Many people make the mistake of ignoring this expense, and then find that a car costs them much more than they had planned.

To investigate the cost of automobile insurance, observe the table of AUTOMOBILE LIABILITY BASIC INSURANCE PREMIUMS in Figure 2 in the back of this LIFEPAC. The table lists some typical insurance premiums for automobile insurance. First of all, note that the size of the premium varies according to the *class*. Class, for automobile insurance purposes, is determined by age of driver and/or owner and by the use to which the automobile is put. This particular table lists six classes; some insurance companies use fewer classes and some use more.

Look carefully at the six classes listed at the bottom of the table. We shall examine them in detail.

First of all, note that Class 2 is the class that includes male drivers under twenty-five. Statistics show that this group of drivers is at fault in more accidents than any other group; and, for this reason, the premiums are higher for this group. Note also that this group is divided--2A is the class for drivers under twenty-five who either do not own the car they drive or who are married; 2B is the class for drivers under twenty-five who own their car and are not married.

Class 3 is an easy one. It includes all automobiles used primarily for business purposes. This class is the one to which "company cars" belong. However, if any male driver is under twenty-five, even if the car is used exclusively for business, the premiums for Class 2 must be paid.

Class 1 includes all other cars. Note that the division in Class 1 has to do with how much the car is used in transportation to and from work. If the car is not driven to work, the insurance is Class 1A. If the car is driven fewer than ten miles one way to work, the insurance is Class 1B. Class 1C is for cars driven more than ten miles to work.

Insurance companies charge different rates for different people because different people have different risk values. As in life insurance, the automobile insurance company must charge enough to cover the expenses of the insurance, and must at the same time try to be fair to the people paying the premiums.

Look again at the table of automobile insurance premiums in Figure 2 in the Appendix. Note that two categories of coverage are listed: bodily injury and property damage.

Under bodily injury, two figures are listed for each premium level. The first of the two figures is the maximum amount (in thousands of dollars) that the insurance company will pay for the expenses of bodily injury to any one person. The second figure is the maximum total amount (in thousands of dollars) that the insurance company will pay for the expenses of bodily injury in any one accident. For example, 10/20 means that the insurance company will pay a maximum of $10,000 to any one person injured in an accident, and a total maximum of $20,000 for injuries sustained in one accident.

Model: Suppose John Farmer is at fault in an accident. In this accident, Bob Brownlee and his wife and daughter are injured. Bob's medical expenses come to $12,000. Mrs. Brownlee's medical expenses total $8,000. The daughter, less seriously injured, has a medical bill of $3,000. If John had insurance in the amount of 10/20, the insurance company will pay $10,000 toward Bob's expenses of $12,000, and $10,000 more toward the total of $11,000 for the wife and daughter. John himself is then responsible for the other $3,000 that the Brownlee family had to pay. If John had had coverage in the amount of 50/100, the insurance company would have covered all of the medical expenses that resulted from the accident.

[redacted] In the following cases, determine the amount that the insurance company will pay. Use Figure 2.

1.12 Sarah Simpson is insured for bodily injury in the amount of 10/20. She is at fault in an accident in which Fred Vail is injured. Also injured in the accident is a pedestrian, Arthur Abel. Arthur's medical expenses total $16,000; Fred's come to $8,000. How much will the insurance pay?

a. ____________ for Arthur c. ______________ total

b. ____________ for Fred

1.13 Jim Taylor is insured for bodily injury in the amount of 100/300. He is at fault in an accident in which Marilee Medley is injured. Her medical expenses are $40,000. How much does the insurance company pay?

____

Now look at Figure 2 again and note the category called *property damage*. This category includes insurance covering damage that the insured person does to property belonging to another. Note that premiums are shown for $5,000; $10,000; and $25,000 worth of property damage insurance. The figures indicate the maximum amount that the insurance company will pay for property damage incurred in any one accident.

Model: Daren Smythe was driving his parents' car, with their permission, when he was involved in an accident in which he was at fault. His parents had insurance for property damage with a value of $10,000. In the accident, a car belonging to Henry Willis was damaged, and the cost to repair it was $2,800. Also, a fence on the property of Clarence Forsythe suffered damage. The cost of repairing the fence was $1,500. The insurance company paid all of the expenses involved in this property damage because the total was $4,300, which is less than the $10,000 of coverage.

Automobile liability insurance policies usually include bodily injury and property damage in the same policy. The amount of insurance is usually listed with three figures; for example, 50/100/25. The first two numbers refer to bodily injury, as explained. The third figure is the amount (in thousands of dollars) of the coverage for property damage.

Now you know enough to be able to figure what the premiums would be on some typical automobile insurance policies.

[redacted] Calculate the insurance costs.

1.14 a. What would be the premium for a twenty-one-year-old single man who owns his car, purchasing insurance in the amount of 10/20/5?

____

b. How much would it cost him to purchase insurance in the amount of 100/300/25?

____

c. What is the difference in the cost?

____

1.15 a. The Greene family obtains bodily injury and property damage automobile insurance in the amount of 50/100/10. The car that they insure is not driven to work, and no male drivers under twenty-five use the car. What does the Greene family pay as an annual premium?

____

b. When the eldest son in the Greene family becomes seventeen, he is allowed to drive the family car. What is the premium for the Greene family for the same insurance with a seventeen-year-old male driver?

____

c. How much extra do the Greenes pay to insure the seventeen-year-old son?

____

1.16 Wearever Sash Company provides a car for the use of its salesmen. They wish to purchase bodily injury and property damage insurance in the amount of 100/300/25. If the company has no salesmen under twenty-five years old, what is their annual premium for this insurance?

____

1.17 Randy and Susie Moser are newlyweds. Randy drives their car to his job, twenty-seven miles away from home, each day. If Randy and Susie are both twenty, what premiums would they pay for bodily injury and property damage insurance in the amount of 50/100/10?

____

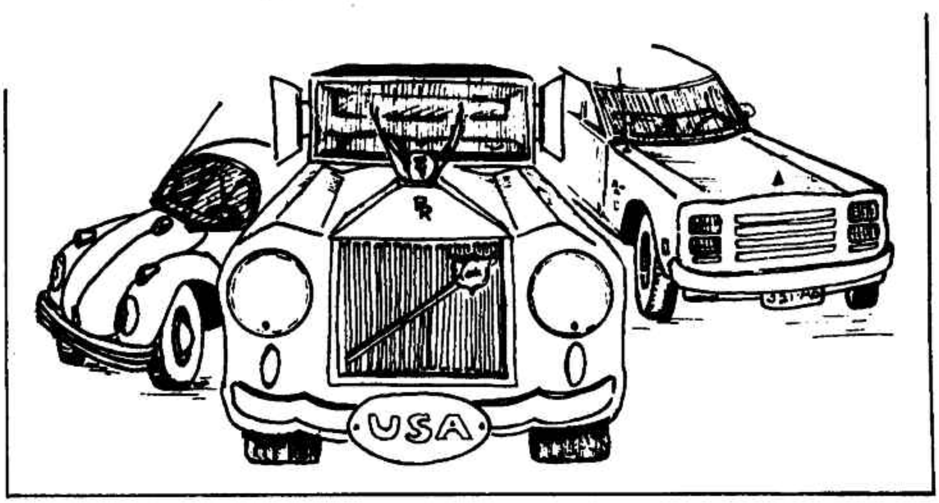
So far, we have only discussed insurance that pays for bodily injury and property damage of someone other than the insured. Suppose, however, that a young person accidentally hits a lightpost, and injures himself and does some damage to his car. Some types of automobile insurance will pay his expenses in such a case. The youth's medical expenses would be paid if he had insurance called automobile *medical payments insurance*. The table of ANNUAL PREMIUMS FOR AUTOMOBILE MEDICAL PAYMENTS in Figure 3 in the back of this LIFEPAC shows typical costs for such medical insurance.

Model: Jim Carver runs his car into a ditch. In the accident, Jim breaks a leg. He has medical payments insurance in the amount of \$500. Since Jim is a driver in Class 1A, this insurance costs him \$20 a year. Jim's medical expenses, including a day in the hospital, came to \$375. His insurance pays the total bill.

Damage to the automobile of the insured person is covered under insurance called *collision insurance*. This insurance is usually sold with a deductible clause. That is, the insured pays the first \$50 or \$100 or whatever the deductible amount is; and the insurance pays the rest.

Model: Richard is involved in an accident in which \$1,250 worth of damage is done to his car. He is at fault in the accident. He is insured for collision, with a \$100-deductible clause. Richard must pay the first \$100 of the repair bill, but the insurance company pays the rest. Note that if the damage to Richard's car had been less than \$100, the insurance company would not have paid anything, since Richard has a \$100 deductible policy.

The premiums for collision insurance vary with the amount of the deductible clause and the age and size of the car. Newer, bigger cars have bigger premiums, because the costs to repair them are greater. Refer to the table of ANNUAL AUTOMOBILE COLLISION INSURANCE RATES in Figure 4 in the back of this LIFEPAC. Notice that cars are divided into three size groups and three age groups. The class of the driver and the car usage must also be taken into consideration.



Model: \$100-deductible collision insurance for a compact car in Class 3 that is four years old can be purchased for a premium of \$56 per year, according to the chart.

[redacted] From the table in Figure 4, find the premiums for collision insurance in each of the following cases.

1.18 A \$50-deductible insurance policy for a luxury car of the current year, with a driver in Class 3

Annual premium: ____________________

1.19 A \$100-deductible insurance policy for a full-size car of last year, with a driver in Class 2A

Annual premium: ____________________

1.20 A \$100-deductible insurance policy for a compact car of year before last, with a driver in Class 1

Annual premium: ____________________

[redacted] Calculate how much the insurance company would pay in benefits in each of the following cases.

1.21 Sam has purchased collision insurance with a \$100-deductible clause, and automobile medical payments insurance in the amount of \$500. In an accident in which Sam is at fault, Sam incurs injuries for a total expense of \$650. Also, \$1,400 worth of damage is done to Sam's car. How much does the insurance company pay Sam?

____

1.22 Glenda has automobile insurance with medical payments in the amount of \$2,000, and \$50-deductible collision insurance. In an accident in which Glenda is at fault, \$350 worth of damage is done to her car. In addition, Glenda spends a day at the hospital for observation. (She is found to have no serious injuries and released, but her hospital bill is \$276.) How much will the insurance company pay for Glenda's expenses?

____

We should discuss one more kind of automobile insurance in this section. It is called *comprehensive insurance*. This insurance pays for damage to an automobile caused by such things as weather, theft, and vandalism. Comprehensive policies can be sold with a deductible clause, which makes them much cheaper to buy. Also, many comprehensive policies have clauses excluding high-risk automobile accessories, such as stereos and tape decks.

As shown by the table of ANNUAL AUTOMOBILE COMPREHENSIVE INSURANCE RATES in Figure 5, in the back of this LIFEPAC, premiums for comprehensive insurance are affected by the age and size of the car. The class of the driver does not affect comprehensive insurance.

Model: William pays $32 per year for comprehensive coverage of his new full-size car. When a hailstorm caused $250 worth of damage to the paint on the car, the insurance company paid for repairing the damage.

From the table in Figure 5, find the premiums for the following comprehensive insurance policies.

1.23 A comprehensive policy for a full-size, five-year-old car

____

1.24 A policy covering a luxury car that is one year old

____

1.25 A comprehensive policy for a new compact car

____

Many insurance companies offer what they call "good driver discounts." If an insured person drives for three years without having a driving accident, the company reduces his rate to 90 per cent of what it would otherwise be. On the other hand, if the driver has several accidents within one year, the insurance company will likely increase his rates. Typically, one accident will cause the premiums to be 110 per cent of what they would otherwise be; two accidents will cause the rate to be 150 per cent of a normal rate; three accidents, 200 per cent; and four accidents within a year, 250 per cent. More than four accidents within one year may result in cancellation of the automobile insurance policy.

Model: Noel's basic auto insurance premium totals $314.00. After three years with no accidents, Noel's premium is reduced to 90 per cent of $314, or $282.60. Then, Noel has three accidents within one year. The next year, her insurance premium is 200 per cent of $314.00, or $628.

Since comprehensive insurance is not based on the class of the driver, it is not affected by accidents. Therefore, the rate for comprehensive insurance is not subject to reduction for good drivers or to increase for bad drivers.

Calculate the premiums for the following insurance policies.

1.26 Dick's basic insurance cost is $613.50 per year. His insurance company offers a typical "safe-driver discount." What would be his rate if he went three years without an accident?

____

1.27 Mary pays $417.25 for automobile insurance, of which $32 is for comprehensive coverage. One year, Mary has two accidents. What will her premium be the next year? (Careful: Subtract the $32 before you take 150 per cent, then add it back in to get the total!)

____

1.28 In the table in Figure 2, find the premium for 10/20/10 insurance for a driver in Class 2A. Then calculate what the premium would be the year after this driver has four accidents.

____

Teacher check ____________________
Initial Date

Insurance companies sell many other types of insurance. In fact, you can buy insurance for almost anything, if you are willing to shop and to pay for the insurance. Some of the more common types of miscellaneous insurance are discussed and explained here.

Homeowners' insurance protects against a loss of home and furnishings caused by fire, theft, or natural disaster. When a person purchases such insurance on the contents of his home, he is often required to make a careful inventory of the things he owns so that the insurance company is not responsible for imaginary or false claims. Homeowners' insurance covers an interesting variety of losses. One teen-ager borrowed an expensive musical instrument from his high school. The musical instrument fell out of the pick-up truck in which it was being transported and was severely damaged. The repair bill was $175. The homeowners' insurance policy held by the teen-ager's mother covered the loss, and the insurance company paid the bill.

Liability insurance protects a person against injury to other people on his property. For example, if someone slips on your sidewalk, liability insurance will often pay his medical expenses. This kind of insurance is often purchased by institutions to protect them against lawsuits from people injured on their property.

Fire insurance is often included in a homeowners' policy, but it can be purchased separately also. This type of insurance pays for damages caused by fire. It is often purchased by factories and corporations. Fire insurance can be purchased to cover a building, or the contents of the building, or both.

Hospitalization insurance pays for hospital care. Because of the high and rising cost of hospitalization in our country, many people believe that everybody should be covered by some kind of hospitalization insurance. Most hospitalization policies are part of a group plan, usually purchased through the company where one works, the school one attends, or perhaps the credit union where one does business. Each hospitalization policy is different, with different premiums and different provisions for maximum benefits, maximum stay in the hospital, maximum amounts for specific kinds of procedures, and so on.

Some group hospitalization plans are also medical payment plans. These plans pay not only hospital expenses but also all or part of ordinary doctor bills. Some such plans also include dental benefits. A careful reading of each individual policy is the only way to be sure exactly what is, or is not, covered by the policy.

In our country we have a type of medical insurance provided by the government for the elderly and others called Medicare. The costs of this insurance plan are paid partly by the workers in our country through their Social Security taxes and partly by the Federal Government.

Miscellaneous types of insurance are many. Most doctors and lawyers carry malpractice insurance that protects them against lawsuits for *malpractice*, which means not performing the job to the satisfaction of the client. Temporary insurance can be purchased to cover, for example, a church picnic or an airplane trip. Insurance can be purchased to cover the loss of any particularly valuable item. A corporation might purchase insurance against the death or disability of the corporation president. In fact, as already mentioned, if you will shop for it, and can pay for it, you can buy insurance to cover almost anything.

[redacted] Match the type of insurance to the coverage it provides.

1.29	_____ automobile	a.	protects against loss from death of insured
1.30	_____ homeowners'	b.	protects against loss from injury to others on insured's property
1.31	_____ hospitalization	c.	protects against loss from hospital expenses to insured
1.32	_____ fire	d.	protects against loss from automobile accidents of insured
1.33	_____ liability	e.	protects against loss from lawsuits against insured
1.34	_____ malpractice	f.	protects against loss to insured's home and furnishings
1.35	_____ life	g.	protects against loss from insured's being dismissed from his job
		h.	protects against loss from fire on insured's property

[redacted] Write *true* or *false*.

1.36 _______ Endowment life insurance is the least expensive type of life insurance to purchase.

1.37 _______ Comprehensive auto insurance is not based on the insurance class of the driver.

1.38 ________ Male drivers under the age of 25 have been found to be at fault in more accidents than any other group of people.

1.39 ________ An insurance policy with terms of 10/20/5 means that the insurance company will pay medical expenses for 10 out of 20 people injured and 5 out of 20 people hospitalized.

1.40 ________ Term insurance provides inexpensive life insurance with no savings feature.

(OPTIONAL) Complete this exercise.

1.41 Find out all the kinds of insurance that your family has. Talk with your parents about why they have the kinds of insurance they have. Make a list of some ways your family could improve its insurance plans.

Teacher check ______________
Initial Date

Review the material in this section in preparation for the Self Test. The Self Test will check your mastery of this particular section. The items missed on this Self Test will indicate specific areas where restudy is needed for mastery.

SELF TEST 1

(Students will need access to all of the tables in this section to complete Self Test 1.)

Write the name of the correct type of insurance on each blank (each answer, 2 points).

term	limited-payment life
ordinary whole life	endowment

1.01 Insurance that covers the insured for life, for which he only has to pay a certain number of years, is ______________.

1.02 Insurance that covers the insured only for a specific, stated term, such as 10 years, is ________________________.

1.03 Insurance that covers the insured for life, and for which premiums are paid by the insured until his death, is

____________________________.

1.04 Insurance that provides both insurance and savings is

____________________.

Use the table in Figure 1 to find the premiums in each of the following cases (each answer, 3 points).

1.05 Simon Simms takes out $10,000 of twenty-payment life when he is nineteen years old.

a. annual premium ________________

b. quarterly premium

____

1.06 Richard Henry takes out $25,000 of ordinary whole life when he is forty-three years old.

a. annual premium ________________

b. semiannual premium

____

1.07 Marice Ann Webber, twenty-five, takes out $15,000 of term insurance for a 10-year term.

a. annual premium ______________

b. monthly premium ______________

1.08 Sharon Bradson takes out a $12,000 endowment insurance policy when she is thirty-seven years old.

a. annual premium ______________

b. quarterly premium

____

Calculate the age of the following people for insurance purposes on the given date (each answer, 3 points).

1.09 Hannah Wright, who was born October 12, 1953, is how old (for insurance purposes) on April 1, 1978?

____

1.010 William Wallace, born December 28, 1934, is how old (for insurance purposes) on June 2, 1978?

____

Solve the following problems related to automobile insurance (each answer, 3 points).

1.011 What would be the premium for Harold White, a nineteen-year-old, single man who owns his car and who purchases bodily injury and property damage car insurance in the amount of 50/100/10?

____

1.012 If Harold White (see Problem 1.011) is at fault in an accident in which Bill Bland and his wife and daughter are injured, how much will the insurance company pay if costs of medical care are as shown?

Bill Bland	$ 8,000
Mrs. Bland	$65,000
Bland's daughter	$20,000

____

1.013 If the insurance company does not pay the total amount in Problem 1.012, who must pay for it?

____

1.014 What is the premium for $50-deductible collision insurance for a compact car of the current year, with a driver in Class 1?

____

1.015 If Jerry Adams would normally pay $875 for bodily injury and property damage insurance, find his premium for the year after he has three accidents.

____

Complete this list (each answer, 3 points).

1.016 List at least five kinds of insurance that one can buy.

a. ________________________________

b. ________________________________

c. ________________________________

d. ________________________________

e. ________________________________

54 / 68

Score ______

Teacher check ______________
Initial Date