

Name: _____ Class: _____ Date: _____

Chapter 21 - Introduction to Risk Management

26. _____ risk is a chance of loss with no chance for gain.
27. Making an investment to help offset against loss is called _____.
28. _____ is a method for spreading individual risk among a large group of people.
29. A(n) _____ risk is the chance of loss that may occur when your errors or actions result in injuries to others or damages to their property.
30. Specified losses an insurance policy does not cover are called _____.
31. _____ means putting the policyholder back in the same financial condition he or she was in before the loss occurred.
32. Risk _____ is an organized strategy for controlling financial loss from pure risks.
33. Risk _____ lowers the chance for loss by not doing the activity that could result in the loss.
34. Using seat belts or installing smoke alarms in your home are examples of risk _____.
35. Having more than one type of policy, such as auto insurance and homeowners insurance, with the same insurer can result in a(n) _____ discount.
36. Suppose that for every 10,000 lightning strikes, meteorologists can predict that one will hit a building and cause damage. If a massive thunderstorm sweeps through your state today, and 5 million lightning strikes are recorded, how many buildings were probably hit by lightning?
37. Frances has a health insurance policy that requires her to pay \$25 for every doctor visit. Any amount over that is paid by the insurer. This year, Frances visited the doctor five times. The cost of an office visit is \$90. How much did the insurer pay Frances's doctor for the office visits?
38. Harold's health insurance premium is \$400/month. He just learned that the cost of his premium is increasing by 12 percent. How much will his new monthly premium be?
39. Donnie decides to self-insure for vision needs. He contributes \$10/month to a fund to pay for eye exams and new glasses when needed. He also contributes his annual \$200 bonus from work to his vision fund. How much will be in his fund at the end of three years?
40. Yumi pays \$500 every six months for auto insurance. If she buys her homeowner's insurance from the same company, her auto insurance rates will be lowered by 15 percent. How much would Yumi pay for auto insurance annually if she gets this discount?
41. Explain the distinction between *risk* and *uncertainty*.

Name: _____ Class: _____ Date: _____

Chapter 21 - Introduction to Risk Management

42. What is an insurable interest?

43. What is a deductible? Who pays the deductible?

44. How does an insurer make a profit?

45. Identify the three steps of risk management.

46. Name two sources of information about an insurer's financial strength.

47. Name and define the three major types of insurable risks.

48. Explain how insurers set premiums.

49. Financial advisers say that a basic insurance plan should help reduce what types of risks?

50. Explain how to effectively comparison shop for insurance.