

What Do You Know About Insurance? (Key)

Instructions: Read each statement and circle the answer in parenthesis that you believe to be correct. Write an explanation to support your answer.

1. The window of your car is broken when someone breaks in to steal your laptop that you left on the seat. Your car insurance will pay for the broken window and the laptop. (True False) **False. The window will be covered under your auto insurance, but the laptop will be covered under homeowner's or renter's insurance. If you are renting and do not have renter's insurance, the laptop will not be covered.**
2. It is more important for an elderly widow to have life insurance than a stay-at-home mother with two children. (True False) **False. Many people mistakenly think that an older person needs more life insurance because they are likely to be closer to dying. The stay-at-home mother needs life insurance because she has two children that depend on her. Even though she does not have "earned income," the expense of childcare and home maintenance to replace her daily work will be costly.**
3. Married people have fewer accidents than single people. (True False) **True. Statistics show this to be true, so married people pay lower premiums than single people.**
4. Your credit history can affect what you pay for insurance. (True False) **True. Insurance companies believe that people who are responsible with their finances will be more responsible in managing their risks.**
5. The larger your deductible, the less your insurance payment will be. (True False) **True. A larger deductible means you are accepting more of the risk, so you will pay smaller premiums.**
6. Insurance protects you against lawsuits. (True False) **True. That is what liability insurance does.**
7. Disability insurance is inexpensive and protects your income in the event you become ill. (True False) **False. Disability does help protect your income if you become ill, but it is very expensive.**
8. Mortgage companies require you to have homeowner's insurance. (True False) **True. If you are making payments on a home or a car, the lender will want to make sure it will get its money in the event of a disaster, so insurance is required.**
9. If you are renting, you do not need renter's insurance. (True False) **False. You are taking a risk if you do not have insurance. You must evaluate, but you understand that anything of value is not covered if there is a disaster.**

10. If you have liability insurance on your car and are in an accident that is your fault, your insurance will cover the repair costs to your car. (True False) **False.** If you drive an older car that is paid for and only have liability, it simply protects you against lawsuits. If you are making payments on a car, you must have collision coverage for repairs.
11. A group health insurance plan will likely cost you less than private insurance. (True False) **True.** With a group health insurance plan, members share the risk, which results in lower costs for everyone.
12. Married children can be covered under their parents' health insurance. (Tue False) **True.** Married children can be covered up to age 26.
13. If you have an indemnity health insurance plan, you must select health care providers from a list. (True False) **False.** The advantage of an indemnity plan is you can select your own health care providers.
14. Drivers with histories of accidents will pay a higher insurance rate. (True False) **True.** If you have been in accidents, the insurance company believes you are likely to be in another accident.
15. Texas law requires minimum levels of 25/50/25. Is this always going to be enough insurance? (Yes No) **No,** the first 25 represents \$25,000 for bodily injury up to \$50,000 for the car. The second \$25,000 is for property damage liability. If a person is badly injured in an accident, the cost can be greater than \$25,000. If there are several people in the car, \$50,000 may not cover their expenses. If the car involved in the accident is an expensive car, \$25,000 may not replace it.
16. Good grades can get you a discount on auto insurance. (True False) **True.** Good grades can mean a discount on auto insurance, which is a good reason to do well in school.