Name _____ Date _____

Insurance Basics: Premiums, Deductibles and Coverage

Directions: Read Marcus's two car insurance plans along with the rules in the table's caption. Type number answers in dollars, without a dollar sign or comma.

1. Drivers shopping for car insurance meet these four terms again and again; connect each term with the meaning that explains it.

Write the letter of the matching answer on each line.

1. _____ Premium
2. _____ Deductible
3. _____ Claim
4. _____ Coverage

Choices for question 1

A. The first slice of each covered loss, a set dollar figure that the policyholder pays personally

B. The regular payment that keeps an insurance policy in force

C. What a policyholder files to get the insurer to pay for a loss the policy covers

D. A refund an insurer pays every year that a driver has no accidents

E. The categories of losses a policy agrees to help pay for, and how much it will pay

Marcus's Two Car Insurance Plans

Two car insurance plans Marcus is comparing for the same car, each with collision coverage for damage from a crash. Real coverage details vary by policy and by state. In this example, for each covered repair Marcus pays the first part of the cost, up to his plan's deductible, and the plan pays the rest of that covered cost.

Plan detail	Plan 1	Plan 2
Monthly premium (dollars)	90	70
Deductible for each covered repair (dollars)	500	1,000
What the plan pays on each covered repair	Everything above the deductible	Everything above the deductible

2. When Marcus files a claim under Plan 1 for a covered collision repair costing $1,800, how much of that repair does the insurance plan itself pay? Type your answer without a comma.

_____ dollars

3. If Marcus had a covered collision repair costing $1,800 under Plan 2, how much of that cost would he pay out of his own pocket? Type your answer without a comma.

_____ dollars

4. Under Plan 1, a covered repair costs only $350, which is less than the deductible; how much does the plan contribute toward that repair?

_____ dollars

5. Considering only the premiums, how much more would Marcus pay altogether over 12 consecutive months for Plan 1 than for Plan 2?

_____ dollars

6. Suppose Marcus has exactly one covered repair this year, costing $1,800. Counting 12 months of premiums plus his own share of the repair, which plan costs him less for the entire year, and by how much?

A. Plan 2, by $240 B. Plan 1, by $500 C. Plan 1, by $260 D. Plan 2, by $260

7. Plan 2 combines the higher deductible with the lower premium; which statement about the relationship between deductibles and premiums is usually true?

A. A higher deductible usually comes with a higher premium, because the coverage is more generous.

B. Deductibles and premiums have absolutely nothing to do with each other.

C. A higher deductible means the insurer pays more of each covered repair.

D. A higher deductible usually comes with a lower premium, because the policyholder agrees to pay more of each covered cost.

8. Following the rules of these plans, which two situations would leave Marcus paying the entire repair cost by himself?

☐ A. A covered repair that costs more than his deductible

☐ B. Damage that his policy does not cover

☐ C. A covered repair that costs exactly twice his deductible

☐ D. A covered repair that costs less than his deductible

9. Plan 1's deductible applies separately to each covered repair. If Marcus has two covered repairs in one year, one for $700 and one for $1,500, how much does he pay out of pocket for the two? Type your answer without a comma.

_____ dollars

10. Because Marcus wants to understand what a real policy would cover, which statement about actual insurance coverage is accurate?

A. Every state requires exactly the same car insurance coverage.

B. Every car insurance policy covers every possible kind of damage.

C. The deductible on every insurance policy is $500.

D. What a policy covers, and its deductibles and limits, depend on the policy and can vary by state.