
Section I: Multiple Choice (1 point each) Choose the one best answer from the choices provided and place the letter corresponding to that answer in the space provided to the left of the question number.

- _____ 1. Taking specific action to avoid activities that present risk is an example of which risk management technique?
- a. Risk Transfer.
 - b. Risk Avoidance.
 - c. Risk Assumption.
 - d. Risk Reduction
- _____ 2. Medicare Part B covers
- a. hospital visits.
 - b. office visits.
 - c. prescription drugs.
 - d. Both "a" and "c" are true.
- _____ 3. Which type of life insurance has cash value?
- a. Whole life.
 - b. Term life.
 - c. Credit life.
 - d. None of the above have cash value.
- _____ 4. What does an accidental death benefit rider typically mean in regards to a life insurance policy?
- a. It causes premiums to fall because of the risk reduction.
 - b. It is a policy rider that means that the policy will only pay if the death is the result of an accident.
 - c. It will often double or even triple the payment to beneficiaries if the insured's death is the result of an accident.
 - d. None of the above are true.
- _____ 5. What is the difference between Medicare and Medicaid?
- a. There is no difference - they are simply different terms for the same thing.
 - b. Medicare is health insurance for the poor and Medicaid is health insurance for the elderly or disabled.
 - c. Medicare is health insurance for the elderly or disabled and Medicaid is health insurance for the poor.
 - d. Medicare is used for hospital visits only while Medicaid is used for prescription drugs only.

Section II Short Answer/Essay Use the information provided to completely answer the following questions. Points as indicated.

1. We discussed six causes of the rising cost of health care in class. List and briefly explain five of them. **(10 points)**

2. Briefly answer the following questions regarding topics we've discussed in class the past few weeks. **(2 points each)**

What is the one advantage a "cafeteria plan" (or "flex spending account") has over a health savings account?

What is the short-term advantage that term life insurance has over whole life insurance?

If you have homeowner's insurance, what part of your policy should you review annually and why should you review this annually?

George can work at his job if he is injured or sick. Cosmo cannot work at his job if he is injured or sick. Identify which of the two has the greater need for disability insurance and explain your answer.