Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Chapter 14 Study Guide

**Part One – Vocabulary**

*Match the terms lists with the definitions. Write the term in the space provided.*

business interruption insurance

claim

commercial property insurance

counterfeiting

disability insurance

health insurance

insurance

insurance policy

insured

insurer

liability insurance

life insurance

policyholder

premium

property rights

risk

vehicle insurance

workers’ compensation

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Agrees to take on certain economic risks and to pay for losses if they occur.
2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Provides protection against the high costs of individual health care.
3. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Illegal uses of intellectual property, patents, trademarks, and copyrights.
4. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Provides compensation for ongoing business expenses that occur if a business has a temporary shutdown due to fire, flood, etc.
5. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ The amount the policyholder must pay for insurance coverage.
6. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ The person or business for which the risk is assumed.
7. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Provides payments to employees who are not able to work for an extended period due to serious illness or injury.
8. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ The possibility of incurring a loss.
9. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ A policyholder’s request for payment for a loss that is covered by the insurance policy.
10. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ The person or company purchasing the policy.
11. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Covers the automobiles, trucks, and other business vehicles.
12. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ The exclusive rights to possess and use property and its rights.
13. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ States the conditions to which the insurance company and the policyholder have agreed.
14. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Provides coverage for claims by others based on damages suffered because of business operations, employees, or products.
15. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Exchanges the uncertainty of a possible large financial loss for a certain smaller payment.
16. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Pays the amount of the insurance policy upon the death of the insured.
17. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Covers a business’ property losses from fire, storms, accidents, theft, and vandalism.
18. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ A system of insurance set up by state law that pays employees who are injured on the job.

**Part Two – Types of Risk**

*In the space provided, give an example of each type of risk. Then decide how someone might deal with that risk – put a checkmark under each applicable method. An example has been given.*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Type of Risk** | | **Example** | **Ways to Deal with Risk** | | | |
| **Avoid** | **Transfer** | **Insure** | **Assume** |
| 17) | Economic | Employee theft in the stockroom |  |  | √ | √ |
| 18) | Non-Economic |  |  |  |  |  |
| 19) | Pure |  |  |  |  |  |
| 20) | Speculative |  |  |  |  |  |
| 21) | Controllable |  |  |  |  |  |
| 22) | Uncontrollable |  |  |  |  |  |
| 23) | Insurable |  |  |  |  |  |
| 24) | Uninsurable |  |  |  |  |  |

**Part Three – Insurable or Not**

*In the table below, mark each risk as insurable or uninsurable. An example has been given.*

|  |  |  |  |
| --- | --- | --- | --- |
| **Risk** | | **Insurable?** | **Uninsurable?** |
| 25) | A similar restaurant lowers its prices. |  | √ |
| 26) | A kitchen fire causes damage to your restaurant. |  |  |
| 27) | A new zoning law changes the types of businesses that can operate in your area. |  |  |
| 28) | Changes in technology make your current registers out-of-date. |  |  |
| 29) | A customer is injured by your product. |  |  |
| 30) | A blizzard forces you to close your business for a week until the storm ends. |  |  |
| 31) | An employee is seriously ill and cannot work for a few months. |  |  |
| 32) | Consumers’ needs change, making you product obsolete. |  |  |

**Part Four – Short Answer**

*Answer each of the questions below.*

33) You would like to expand your PB&J sandwich company globally. How would you apply the four strategies for reducing international business risk to this business? The first strategy has been done for you.

1. Carry out business in many countries: Open factories and sell my sandwiches in many countries throughout world.

34) You have acquired protection for much of your PB&J business’ intellectual property (a patent on your sandwich making equipment and a trademark on your name and logo). Why might these legal safeguards not matter when conducting international business?

35) If a company takes your PB&J sandwiches, cuts off the crust, and then puts the sandwiches in their company packaging, is this considered counterfeiting? Why or why not?

What if that company makes their own PB&J sandwiches and then puts your name and logo on the packaging? Is that considered counterfeiting? Why or why not?