

Answers

Chapter 13 – Home and Automobile Insurance

1. A Standard & Poor's Insurer Financial Strength Rating is a current opinion of the financial security characteristics of an insurance organization with respect to its ability to pay under its insurance policies and contracts in accordance with their terms.
2. No.
3. No.
4. A rating below BBB, including BB, B, CCC, CC, and R.
5. Answers may vary. A company rated A is somewhat more likely to be affected by adverse business conditions.
6. Answers may vary. The cost of the insurance policy may be less for a lower-rated company.

Teaching Tips

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1. Have the students research the severe weather that occurred in the United States from 1990-1995. Ask the students to choose one of the natural disasters and find out the dollar value of the claims made during that disaster.
2. Using the Standard & Poor's Web site, have the students research the financial rating of an insurance company they are familiar with. Then, have them select another one and compare the ratings.