

## Chapter 12

### Checkpoint 12.1

1. What effect does the McCarran-Ferguson Act have on the insurance industry?

Answer: It granted states the authority to regulate the insurance industry.

2. What is the main purpose of state insurance regulation?

Answer: To make sure companies are financially strong and protect consumers from unfair practices.

3. What happens if a company is found to be insolvent by the state?

Answer: The state court will order liquidation.

4. How are policyholders protected in the event an insurance carrier cannot pay claims?

Answer: Each state runs a guaranty fund that covers a policyholder's losses to a certain limit if the insurance company cannot.

5. What is the purpose of the National Association of Insurance Commissioners?

Answer: To assist state governments with the regulation of the insurance industry.

### Checkpoint 12.2

1. Cash together with assets that can be readily sold are known as what?

Answer: Capital

2. What is it called when there is more capital than is needed to pay obligations?

Answer: Surplus

3. What essential company document is examined by insolvency tracking systems to determine a company's financial health?

Answer: The company's financial statement.

4. What is the approach to rate regulation that does not require state approval of rate changes within certain predetermined boundaries?

Answer: Flex rating

5. What characterizes an adequate rate?

Answer: It is sufficient enough to cover losses and expenses.

### Checkpoint 12.3

1. What purpose do state insurance risk pools serve?

Answer: They are a way for Americans to access affordable health insurance when it is otherwise unavailable to them.

2. Why do millions of Americans lack health insurance?

Answer: Because they do not have access to group health coverage, either cannot afford or obtain individual coverage, or are not eligible for Medicaid or Medicare.

3. What is a Preexisting Condition Insurance Plan as established by the Patient Protection and Affordable Care Act?

Answer: It is a health insurance risk pool for people who have been denied coverage because of preexisting medical conditions.

4. What is a health insurance exchange?

Answer: As part of PPACA, states will establish private health insurance plan options or will partner with the federal government to do so.

5. How can a preexisting condition affect a person's ability to get health insurance?

Answer: If a person has a disease or health condition that exists at the time he or she applies for health coverage, then their cost for coverage might be very high or they may be denied coverage entirely.