Deciding to Buy Insurance

A lesson on risk and insurance for grades 6–8
Deciding to Buy Insurance

A lesson on risk and insurance for grades 6–8

Lesson description

In this lesson, students will learn to carefully consider future insurance decisions. The lesson begins with students being offered hypothetical insurance policies for their classroom chairs or desks and discussing why such a policy is likely to go unused. Students then work in groups to consider scenarios in which people are deciding whether or not to buy insurance for their new cell phone. In the class discussion which follows, students learn key insurance terms and the importance of knowing as much as possible before deciding. An optional activity may be conducted in which students work together to create a way for people to remember the things they should ask or know before buying insurance.

Objectives

Students will be able to:

• Define insurance terms, including claim, deductible, and policy
• Explain how risk and insurance are related
• Describe the information a person should know about an insurance policy

Lesson at-a-glance

<table>
<thead>
<tr>
<th>Section</th>
<th>Purpose</th>
<th>Approximate time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>Introduce the presenter and the topic of the lesson</td>
<td>5 minutes</td>
</tr>
<tr>
<td>Activity: Choosing to buy insurance</td>
<td>Students work in small groups to consider whether or not a person in a specific situation should purchase insurance for their new cell phone</td>
<td>30–50 minutes</td>
</tr>
<tr>
<td>Closing</td>
<td>Students are encouraged to make informed decisions about insurance</td>
<td>5 minutes</td>
</tr>
<tr>
<td></td>
<td><strong>Total time</strong></td>
<td><strong>40–50 minutes</strong></td>
</tr>
<tr>
<td>Extension Activity: Know before you buy</td>
<td>Students brainstorm things people should know before buying insurance</td>
<td>An additional 10–20 minutes</td>
</tr>
</tbody>
</table>
Prepare

Materials: Arrive prepared.
- Defending your insurance choice handout—one copy per student
- Choosing to buy insurance handout—one scenario per small group, cut into slips in advance
- Choosing to buy insurance handout Answer key—one per facilitator or one per student
- Chart paper and markers—one per small group (OPTIONAL)
- Deciding to Buy Insurance post assessment—one for each student (OPTIONAL)

Background: Understand the topic.
At the middle school level, students should be introduced to the concept of insurance as a way for people to transfer their risk of financial loss in specific situations. Students should understand that insurance allows people to pay a specific amount of money, called a premium, to cover their costs in the event of damage or loss. If they need to use their insurance, they will file what is called a claim. Some insurance companies have limits to the number and/or types of claims a consumer can make. Understanding these limits along with the amount a person will need to pay for a deductible is important. When people aren't prepared to pay their deductible or out-of-pocket expenses when making a claim, it can come as a shock.

When presenting lessons on insurance, be sure to remain neutral on its use. Share both the benefits or advantages of buying insurance policies and explain that every person's situation is likely to be a bit different.

Vocabulary: Use grade-appropriate definitions.
- Claim: A request for payment of a loss covered by an insurance policy.
- Deductible: The amount of money a person pays out of pocket when making an insurance claim.
- Insurance: A contract in which a company guarantees to pay for the value of a property if it is lost or damaged or to pay a specified amount for a person’s injury or death in return for a monthly or yearly fee.
- Policy: Contract, or agreement, between the insurance company and the customer that protects the customer against different kinds of loss.
- Premium: The amount paid for an insurance contract.
- Risk: The possibility of harm or loss.

Delivery: Decide on the format.
This lesson can be conducted with an entire class or in small groups. For each activity, there are several facilitation options provided. Be sure to review the options in advance and determine which one will work best given the setting, number of facilitators, etc. In some cases, the facilitation option you select will influence the number of handouts needed.
Differentiation: Be aware of your audience.

When conducting a lesson on risk and insurance, it is important to consider the students and their experiences. Be prepared to acknowledge the range of experiences and backgrounds. Touch base with your classroom teacher in advance to inquire about the student population you will encounter. Keep in mind that some students may have different types of insurance. For example, some students may have health insurance which is provided by a parent or guardian’s employer while others may have coverage through a government-sponsored plan.

Tips for PwC facilitators: Make the most of your time in the classroom.

Before facilitating this lesson for the first time, consider the following:

- Read through the entire lesson in advance.

- Touch base with the classroom teacher to make sure you know when to arrive, the process for entering the building, the room setup, photo release protocol, and any available technology. For example:
  - Where should you park? Where should you enter the building? Will you find your own way to the classroom or will someone meet you?
  - What is the room set up (individual desks, tables and chairs, etc.)? Will you have access to a whiteboard?
  - Are you allowed to take photos during the lesson? Remember, you are required to get specific written consent from parents/guardians before taking photos of minors. How will you handle the students whose parents/guardians have not given consent?
  - If you opt to use the post-assessments, should students take it using paper and pencil or online with school-provided devices? Will the teacher want to collect the assessments and forward the results, or should you collect them?

- If you will be presenting with another facilitator or team, consider each person’s strengths when deciding who will lead various sections of the lessons, how students will be organized during the lessons, and who is responsible for preparing the materials.

- Remember that adults in most high schools are addressed formally using their title (Mr./Mrs./Ms.). Plan to address the teacher and any of your colleagues in this manner, even if you would normally call each other by first names.

Educator insights: Adapt this lesson for your classroom.

PwC is pleased to offer these lessons for use by classroom teachers to support or augment their financial education efforts. Please recognize that the materials were designed for employees to use as facilitators when visiting a class. Therefore, some sections (such as the introduction) may be unnecessary. Feel free to adapt the materials in whatever way makes the most sense for your classroom including the optional extension activities at the end of the lesson.
Opening (5 minutes)

• Thank the teacher and introduce yourself to the class. Explain to the students that PwC is a professional services firm that is committed to providing all students with financial literacy education through its program, Access Your Potential®. In simple terms, explain what you do at PwC and how it relates to what the students will be learning during the lesson.

• Let students know that you are there to help them learn more about insurance.

• Explain to students that people pay for insurance so that they reduce their costs in the case of a loss. Invite students to share any types of insurance with which they are familiar. Examples include car or auto, health, dental, and homeowners or renters.

Activity: Choosing to buy insurance (30–50 minutes)

Set up

• Share the following scenario. Modify the description (chair or desk) to match the classroom set up.
  — Let’s pretend that I’m here to sell your class chair (or desk) insurance. For just $5 a month, each of you can purchase chair (or desk) insurance to make sure that if anything happens to your chair (or desk), you won’t be responsible for it. Leg gets wobbly and needs to be fixed? No worries—your insurance will make sure it is fixed at no cost to you. Someone writes on it and it needs to be cleaned? No problem—your insurance will pay to have it cleaned. Worried it might be damaged and need to be replaced? Never fear—their insurance coverage will pay to have it replaced.

• Ask students to raise their hands if they are interested in buying the hypothetical chair (or desk) insurance. Ask those who don’t raise their hands why they are not.

• Discuss reasons that chair (or desk) insurance is likely a poor choice for most students, including:
  — The risk of something happening to their chair (or desk) is quite low.
  — Repairs to school property are rarely the responsibility of students.
  — Students likely have better or more desirable ways to spend their money.

Implementation

• Inform students that you are going to divide them into small groups to consider some more realistic insurance choices.

• Distribute a copy of the Defending your insurance choice handout to each student. Let them know that their groups will receive a scenario which they will read together. Then, they will need to discuss and answer the questions on the handout.
Divide students into small groups. Distribute a scenario from the Choosing to buy insurance handout to each group. There is a total of six scenarios. If needed, more than one group may receive the same scenario.

Direct students to work in their small groups to read and discuss their scenarios and be prepared to share the highlights of their discussion with the class.

As students work in their small groups, create a table on the board or on flip chart paper like the one in the Insurance choices summary handout. Alternately, wait until the groups have completed their discussions, and distribute a copy of the handout to each student.

**Conclusion**

Call on each group to share a summary of their scenario and the conclusion reached by the group. As students share their scenarios, fill in the table on the board or on copies of the Insurance choices summary handout.

Use the Insurance choices summary handout Answer key to guide discussion being sure to point out the key vocabulary terms as they are used.

Ask students if they think insurance is a good thing to purchase in general. Discuss how insurance for a cell phone may be an option but that other types of insurance such as auto insurance or homeowners insurance may be required by the government or a lender.

Explain that many people spend a large percentage of their income on insurance, which makes it important to be a wise consumer and carefully consider their decisions.

**Closing (5 minutes)**

(OPTIONAL) Distribute a copy of Deciding to Buy Insurance post assessment to each student. Direct students to answer the questions. Inform them that they do not need to put their name on the assessment unless the teacher wishes to keep a copy for grading purposes.

Thank the students and the teacher for letting you come and talk to the class about risk and insurance.

---

**Extend**

**Activity: Know before you buy** (an additional 15–20 minutes)

**Set up**

- Explain to students that the decision to purchase insurance isn’t one that should be made quickly. Consumers should understand what they are paying for (i.e., what the insurance policy covers) and compare their options.

**Implementation**

- Invite students to work in their same small groups as before to develop a list of key things people should know or questions people should ask before getting an insurance policy. Remind them to think about what they did or didn’t know in the previous activity.
• Encourage students to be creative. For example, they could create an acrostic mnemonic in which the first letter of keywords spells another word, a top ten list, or a poem.
• If desired, ask the groups to record their final list on a piece of chart paper to display.

Conclusion

• Invite groups to share their lists and comment on each result.

Teacher-led follow up ideas

Bulleted list of ways the educator can extend the lesson once the facilitator leaves. Each list will include a mention of a corresponding module from the Digital Classroom, such as:

• Use the Truth or Dare module in the intermediate level of the Earn Your Future Digital Classroom (https://app.pwcfdnearnyourfuture.org/) to help students learn even more about risk and insurance. This resource made possible by the PwC Charitable Foundation, Inc.*, is designed for students in grades 3–12 and can be delivered in multiple formats (classroom, small group, or individually) and has accompanying educator resource guides to assist in delivery. Students can engage with financial literacy concepts through innovative self-paced modules featuring custom videos, animations, and interactive activities. A free teacher login is required to access the modules.
• Direct students to write a first-person account of one of the individuals whose scenarios the class discussed. In it, they should explain what additional questions were asked, the decision that was made, and the factors that were considered.
• Challenge students to research the cell phone insurance plans available through various carriers and/or independent providers. What is or isn’t covered? How much does it cost? What are the benefits and tradeoffs of each policy?
• Invite students to interview a family member or other adult about their use of insurance. What types of insurance do they have? Have they ever had to file an insurance claim? What percent of their budget is spent on insurance?
Standards correlation

This lesson is correlated to the National Standards for Financial Literacy from the Council for Economic Education available at [http://www.councilforeconed.org/resource/national-standards-for-financial-literacy/](http://www.councilforeconed.org/resource/national-standards-for-financial-literacy/). Standards are classified as primary or secondary. Primary standards are addressed directly and thoroughly. Secondary standards are addressed indirectly or partially.

Primary

Protecting and insuring:

- Insurance is a product that allows people to pay a fee (called a premium) now to transfer the costs of a potential loss to a third party.
- Insurance companies analyze the outcomes of individuals who face similar types of risks to create insurance contracts (policies). By collecting a relatively small amount of money, called a premium, from each policyholder on a regular basis, the company creates a pool of funds to compensate those individuals who experience a large loss.
- Self-insurance is when an individual accepts a risk and saves money on a regular basis to cover a potential loss.
- Insurance policies that guarantee higher levels of payment in the event of a loss (coverage) have higher prices.
- Individuals can choose to accept some risk, to take steps to avoid or reduce risk, or to transfer risk to others through the purchase of insurance. Each option has different costs and benefits.

Secondary

Protecting and insuring:

- Personal financial risk exists when unexpected events can damage health, income, property, wealth, or future opportunities.
- Insurance companies charge higher premiums to cover higher-risk individuals and events because the risk of monetary loss is greater for these individuals and events.
Deciding to Buy Insurance

Defending your insurance choice handout

Directions: Answer the questions below based on the insurance scenario you received.

Scenario title:

Should he or she pay for the insurance? Yes No Undecided

Was this an easy decision to make? Why or why not?

What are the benefits of paying for insurance in this situation?

What are the tradeoffs of paying for insurance in this situation?

What additional information, if any, would you have liked to know in order to make a more informed decision?
Deciding to Buy Insurance

Choosing to buy insurance handout

Directions: Cut into slips in advance of the lesson. Each small group will receive a card. If needed, make multiple copies and assign the same scenario(s) to more than one group.

Mario

Mario is buying a brand new cell phone. It was just released, and he can’t wait to get it. The camera is way better than the one on his current phone, and he takes a lot of photos. He’s been saving up for the phone for a while. He’s paying the entire $1,100 with money he’s been setting aside. He’s picked out the color, how much memory he needs, and his monthly plan. What he didn’t think about was insurance. The salesperson asks if he wants to pay an extra $22 each month to cover any damage that might happen to the phone or to replace it if he loses it. Mario tends to be a little forgetful, so maybe it isn’t a bad idea. He’s also a good saver, though. He wonders about continuing to put money in his savings just in case he needs to buy another new phone. What do you think? Should Mario pay the extra each month for the insurance? Are there other questions Mario should ask?

Harper

Harper has had the same phone for over five years. She’s decided it is time for an upgrade. She isn’t into having the latest technology, though. She mostly just wants the battery to last longer. Her cell phone company offers to upgrade her phone if she turns in her old one. It will cost her $250. She figures it is worth it and plans to keep the next one as long as possible. Harper prefers to deal with a person than do it all online. When she gets to the store, the salesperson asks if she wants to protect her new phone with insurance. It will cost an additional $6 a month. Harper’s parents have already asked her about this. They said to be sure she knows what the deductible will be (how much she’ll have to pay each time she makes a claim). She asks and finds out it will cost her $50 each time she makes a claim, and she can’t make more than two claims each year. What do you think? Should Harper pay the extra $6 a month for the insurance? Are there other questions she should ask?

Brayden

Brayden just got his first “real” job, and his parents have told him that it is time he starts paying for his own phone. He’s shopped around and compared prices. He found a carrier and a plan that he thinks will work for him and his new monthly budget. Now he’s picking the phone. He’s been reading reviews and asking friends for their advice. He doesn’t have much money saved up, so he’s planning to pay for the phone over time with monthly payments. The one he wants will cost him $41 a month. Before he finishes checking out online, he’s asked if he wants to get a protection plan for another $13 a month. Once before, he cracked his cell phone screen. His parents made him pay for it, and it cost over $100! He figures if he does that again, the insurance might be worth it. What do you think? Should Brayden pay the extra $13 a month for the insurance? Are there other questions he should ask?
Deciding to Buy Insurance

Choosing to buy insurance handout

Directions: Cut into slips in advance of the lesson. Each small group will receive a card. If needed, make multiple copies and assign the same scenario(s) to more than one group.

Miranda

Miranda is shopping for a new phone, but she can’t do it on her current phone. Why? The screen is shattered. It still makes calls, but she can’t see well enough to go online and compare her options. She loves having just her phone — no cover. She feels like a case or screen protector makes it too bulky to fit in her back pocket. So, she’s going to the store to see about getting a new phone. She’s had to fix this one twice before and figures she’d rather get a new one than put more money into repairs on the one she has. At the store, the salesperson suggests she get insurance coverage since she doesn’t use a case and has had problems in the past. He tells Miranda that she can get unlimited screen repairs for just $29 each time. What do you think? Should Miranda get the insurance? Are there other questions she should ask before she does?

Devon

Devon needs a new phone. The one he has got soaked. It has been sitting in a bag of rice for days and still won’t turn on. He hasn’t been able to text his friends or listen to music, and it is driving him crazy. His mom said if this happened again, he’d the one buying his next phone. She said she will keep him on her unlimited data plan, but he will need to pay for the phone. He’s a senior in high school and has been saving up money for college. Devon knows it might not be the best idea, but figures he needs a new phone and can use some of his savings to pay for it. He and his mom are on the website looking at his options. He’s picked out the phone he thinks he can afford. Before checking out online, it asks if he wants to get a protection plan. It will cost an additional $12 a month. His mom says he will need to pay her back for that each month out of the money he earns at his part-time job. What do you think? Should Devon get the insurance? Are there other questions he should ask before he does?

Keira

Keira has decided that it is time to get a new phone. The one she has is old but in great shape. She’s never had an issue with it. She keeps it in a good case all the time. She’s replaced the screen protector a few times when it gets scratches or cracks, but her phone has always been in great shape. She knows she can sell it and get money to help pay for her new one. She’s always had insurance protection on her phone that costs her about $8 extra a month, but she’s never used it. She’s debating whether or not to get it on the new phone. With a newer and more expensive phone, she knows it will cost her a little more. She thinks it will be about $15 a month. On the other hand, her friend just used an insurance policy to replace a phone and got a refurbished one instead of a new one. She wasn’t happy about it when she found out. What do you think? Should Keira get the insurance? Are there other questions she should ask before she does?
Deciding to Buy Insurance

Insurance choices summary handout

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Phone cost</th>
<th>Monthly premium</th>
<th>Deductible</th>
<th>Claim limits</th>
<th>Other info</th>
<th>Group’s recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mario</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harper</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brayden</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miranda</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Devon</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Keira</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Deciding to Buy Insurance

#### Insurance choices summary handout | Answer key

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Phone cost</th>
<th>Monthly premium</th>
<th>Deductible</th>
<th>Claim limits</th>
<th>Other info</th>
<th>Key Discussion Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mario</td>
<td>$1,100</td>
<td>$22</td>
<td>unknown</td>
<td>unknown</td>
<td>Mario is forgetful. He is a good saver.</td>
<td>A premium is an amount people pay for insurance (In this case, it is paid monthly. If Mario saves money instead of buying the plan, that is called self-insurance. Mario being forgetful means he may have a higher risk of losing his phone.</td>
</tr>
<tr>
<td>Harper</td>
<td>$250</td>
<td>$6</td>
<td>$50</td>
<td>2 per year</td>
<td></td>
<td>A deductible is an amount a person pays out of pocket when making a claim. The insurance company pays for the rest. Some plans, such as this one, also have claim limits.</td>
</tr>
<tr>
<td>Brayden</td>
<td>unknown</td>
<td>$13</td>
<td>unknown</td>
<td>unknown</td>
<td>Little money in savings. Planning to pay $41 a month for the phone. Has cracked a phone before.</td>
<td>He has moderate risk. He doesn’t know if there is a deductible or any claim limits.</td>
</tr>
</tbody>
</table>
## Deciding to Buy Insurance

**Insurance choices summary handout | Answer key**

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Current Phone</th>
<th>Monthly Premium</th>
<th>deductible</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miranda</td>
<td>unknown</td>
<td>unknown</td>
<td>unknown</td>
<td>None</td>
<td>$29 for each screen repair. Has cracked her screen three times. She has a history of damaging her phone (higher risk). There are ways she could reduce her risk such as using a case and/or screen protector. We do not know what the monthly premium will cost, how expensive her phone is, or other details on the plan such as a deductible.</td>
</tr>
<tr>
<td>Devon</td>
<td>unknown</td>
<td>$12</td>
<td>unknown</td>
<td>unknown</td>
<td>Current phone won’t work. Is using money from his college savings to pay for the phone. Has a part-time job. Has had issues with his phone before (higher risk). He does not know if there is a deductible or claim limits.</td>
</tr>
<tr>
<td>Keira</td>
<td>unknown</td>
<td>Maybe $15</td>
<td>unknown</td>
<td>unknown</td>
<td>Currently has insurance but has never used it. Worried about getting a refurbished phone instead of a new one. A refurbished phone is one that has been used before and fixed. Some insurance policies will only provide a refurbished phone rather than a new one. Keira has never made a claim on the policy she already has (low risk). Other information is still unknown.</td>
</tr>
</tbody>
</table>
Deciding to Buy Insurance

Post-assessment

Section 1: Please select the correct answer for each of the following questions.

1. The amount you pay for insurance on an ongoing basis is called a
   a. premium
   b. benefit
   c. liability
   d. debt

2. Insurance is best defined as
   a. a form of credit that covers people in case of injury during an accident
   b. a contract by which someone guarantees (for a fee) to pay someone else for the value of lost or damaged property, or a specified amount for injury or death
   c. an organization that manages people’s investments and provides financial advice
   d. a financial plan that describes how to build wealth

3. Which of the following should you know before agreeing to an insurance policy? Select all that apply.
   a. Premium
   b. Deductible
   c. Interest rate
   d. Claim limits

4. Which of the following statements are TRUE? Select all that apply.
   a. Everyone should get insurance for their phones.
   b. Insurance costs can be different depending on what is covered.
   c. Some insurance policies will limit the number of claims you can make.
   d. Insurance is a small expense, so people don’t need to worry about it very much.

Section 2: Please choose the number on the scale that best indicates how strongly you agree or disagree with the following statements:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>I understand factors people should consider when deciding to buy insurance.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>I feel confident making decisions about insurance.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>I am interested in learning more about risk and insurance.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Section 3: Circle your grade level.

K 1 2 3 4 5 6 7 8 9 10 11 12

Access Your Potential® Financial Literacy
Deciding to Buy Insurance

Post-assessment | Answer key

Section 1: Please select the correct answer for each of the following questions.

1. The amount you pay for insurance on an ongoing basis is called a
   a. premium
   b. benefit
   c. liability
   d. debt

2. Insurance is best defined as
   a. a form of credit that covers people in case of injury during an accident
   b. a contract by which someone guarantees (for a fee) to pay someone else for the value of lost or damaged property, or a specified amount for injury or death
   c. an organization that manages people’s investments and provides financial advice
   d. a financial plan that describes how to build wealth

3. Which of the following should you know before agreeing to an insurance policy? Select all that apply.
   a. Premium
   b. Deductible
   c. Interest rate
   d. Claim limits

4. Which of the following statements are TRUE? Select all that apply.
   a. Everyone should get insurance for their phones.
   b. Insurance costs can be different depending on what is covered.
   c. Some insurance policies will limit the number of claims you can make.
   d. Insurance is a small expense, so people don’t need to worry about it very much.