

# *Risk and Insurance*

## Insurance Costs and Considerations

PwC's *Earn Your Future*<sup>™</sup> Curriculum

---

# *Table of contents*

---

Introduction.....	3
Lesson description.....	3
Grade(s) .....	3
Lesson time .....	3
Pre-Visit prep.....	4
Student learning objectives.....	4
Materials .....	4
<hr/>	
5 Minute prep .....	5
<hr/>	
Background.....	5
Vocabulary .....	5
Sources .....	5
Pre and Post Assessments.....	6
Lesson activities.....	6
Evaluation/assessment of student learning.....	12
Extensions/enrichment.....	13

---

# ***Introduction***

*“The reality is that all children don’t know the basics of saving and investing. It’s a skill they need to be successful in our economy.”*

-Education Secretary Arne Duncan, April 2011.

Recent history underscores the immediate need for youth to develop skills in math and financial literacy, and yet, current data shows there is a lack of access to curricula for students to learn:

- A 2011 survey conducted by American Express found that a majority of parents with children in high school or college gave schools below-average or failing grades in teaching responsible spending.
- A 2012 survey by Junior Achievement and Allstate Foundation showed 23 percent of teens are uncertain about their ability to budget successfully.
- Despite the fact that 13 states mandate personal finance coursework as a high school graduation requirement, there is no national legislation mandating that it be a requirement in schools.\*

The enclosed lesson plan about financial literacy is designed to increase students’ proficiency in financial literacy. Your expert knowledge and real-life examples, coupled with this one- hour lesson plan aligned to national standards in personal finance education, will fill a critical gap in our current education system, and better prepare the next generation of leaders to make sound financial decisions and be productive citizens.

We applaud your efforts to bolster students’ understanding of concepts critical to the health of our economy and stability of our nation. Furthermore, we thank you for serving as an ambassador for PwC, reinforcing our commitment to helping students improve their skills in financial literacy and to youth education overall.

## ***Lesson description***

Students will analyze factors that may increase or reduce insurance premiums. Students will develop a personal insurance protection plan for their home, health and automobile(s) by comparing benefits and premiums for each insurance type.

## ***Grade(s)***

9-12

## ***Lesson time***

45-60 min

© 2013 PricewaterhouseCoopers LLP. All rights reserved. PwC refers to the United States member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details. This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

---

# ***Pre-Visit prep***

- Review the 5-minute prep to familiarize yourself with the lesson topic and vocabulary
- Review handouts to familiarize yourself with their structure and requirements
- Obtain lesson materials listed under the “Materials” section below

## ***Student learning objectives***

Students will:

- Define: deductible, insurance, liability, premiums, risk
- Determine factors that may increase or reduce insurance premiums
- Compare benefits and premiums for different insurance types
- Justify selection of various insurance plans

## ***Materials***

For up to 30 students, obtain ahead of time:

### ***Class/Group***

- Chart paper
- Markers
- Handout A Answer Key – Selecting Car Insurance (1 copy for the facilitator)
- Handout B Answer Key– Filing a Claim After a Car Accident (1 copy for the facilitator)

### ***Student (one for each student)***

- Handout A – Selecting Car Insurance
- Handout B – Filing a Claim After a Car Accident
- Handout C –Multiple Forms of Insurance

---

## 5 Minute prep

# Background

As we grow older we must determine which types of insurance and insurance plans best suit our needs and our lifestyles. Making sound decisions requires that we analyze our life situations and evaluate our options. Choosing insurance requires a financial commitment on our parts and as such we must also make sure that our behaviors help to reduce our premiums. It is important that we become educated and informed about insurance types and insurance premiums.

## Vocabulary

- **Deductible:** the amount of money an insured person pays before the insurance company makes payments for loss
- **Insurance:** a contract by which someone guarantees for a fee to pay someone else for the value of property if it is lost or damaged (as through theft or fire) or to pay usually a specified amount for injury or death
- **Liability:** covers cost of damage or injury that is caused to someone else during an accident
- **Premium:** the amount paid for a contract of insurance
- **Risk:** possibility of loss or injury

## Sources

Background information and vocabulary adaptations based on information from:

- \*Council for Economic Education 2011 Survey of the States
- Vocabulary adapted from Merriam Webster Dictionary for Kids: [www.wordcentral.com](http://www.wordcentral.com)
- Vocabulary adapted from: <http://www.carinsurance.com/Articles/content27.aspx>
- Reducing auto insurance premiums adapted from: <http://today.msnbc.msn.com/id/19838230/ns/today-money/t/how-reduce-your-auto-insurance-premiums/>
- Reducing auto insurance premiums adapted from: <http://www.bushinsurance.com/pdf/9%20ways%20to%20lower%20auto%20prem.pdf>
- Reducing homeowners insurance premiums adapted from: [www.iii.org](http://www.iii.org)
- Reducing homeowners insurance premiums adapted from: [http://frugalliving.about.com/od/householdsavings/tp/Homeowners\\_Insurance.htm](http://frugalliving.about.com/od/householdsavings/tp/Homeowners_Insurance.htm)
- Reducing health care premiums adapted from: <http://reallycheaphealthinsurance.com/>
- Increasing auto insurance premiums adapted from: <http://www.insuranceagents.com/car-insurance/>
- Increasing auto insurance premiums adapted from: <http://www.autoinsurance.org/factors-that-determine-your-auto-insurance-rates/>
- Increasing homeowner's insurance premiums adapted from: <http://www.quotescout.com/insurance-tips/factors-that-affect-home-insurance-costs.php>
- Increasing homeowner's insurance premiums adapted from: <http://homeinsurance.com/faqs/How-much-does-home-insurance-cost>

© 2013 PricewaterhouseCoopers LLP. All rights reserved. PwC refers to the United States member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details. This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

- 
- Filing insurance claims after a car accident adapted from:  
mailto:<http://www.insurancetraders.com/help/claimfiling.html>
  - Filing insurance claims after a car accident adapted from:  
<http://personalinsure.about.com/od/whattoexpect/a/aa071704a.htm>

## *Pre and Post Assessments*

Before beginning the lesson, facilitators should introduce themselves and **distribute** the Pre-Assessment to the students. If time allows, consider conducting a mini icebreaker before the Pre-Assessment.

Note: It is highly recommended that facilitators read the questions aloud to the students and encourage students to select answers as they move through the questions. Reassure the students that the assessments are not graded tests or quizzes, and they do **not** need to put their names on the assessments. The assessments are a tool to measure classroom comprehension of a given module and gauge effectiveness of instructor delivery.

**Collect the Pre-Assessments** once completed.

Facilitators should teach the lesson to the students and administer and collect the Post-Assessment at the end of class, **keeping in mind the same considerations outlined above**. Again, students do **not** need to put their names on Post-Assessments.

## *Lesson activities*

### *Greeting*

**Introduce** yourself to the class.

**Say:** Hello everyone. My name is \_\_\_\_\_. I am excited to be here today. We are going to discuss insurance and I am pretty sure we will all learn some new things.

### *Activity A – What interests me (10 minutes)*

#### *Materials*

Class/Group

Chart paper OR blackboard/whiteboard/overhead projector

Markers

**Say:** To start off, how many of you know something about insurance?

**Scan** the room and count the number of hands that are raised.

**Ask:** Does anyone think that they can define insurance or explain what insurance is?

**Select** a volunteer to share ideas.

---

**Say:** Thank you. Insurance is basically a contract that we enter into with a company. We pay them a certain amount of money over time and this money is used to protect us from loss. The money we pay over time is called a premium.

**Say:** Let me give you an example. Let's take car insurance. Each month you may pay a company a certain amount of money to insure your car or to cover you as a driver. If you get into an accident, the insurance company will pay for your loss in that situation. That could mean paying for repairs to your car or someone else's car. It could mean paying for damaged property. It keeps you from having to come up with all of that money because you have been paying the premium over time.

**Ask:** Does that make sense?

**Say:** The thing I want us to concentrate on first is the premium. Like I said before, this is the money that you continue to pay the insurance company over time. As a consumer, you want to find the best rate. In other words, you want to find the company that gives you the best plan and charges you the best rate.

**Say:** Because this is a contract the company has some desires also. In other words, they are looking for something to benefit them.

**Ask:** What do you think the company is looking for or hoping to gain?

**Select** 1-2 volunteers to share ideas.

**Say:** Ultimately the company wants to make money. They want to collect your premiums and hopefully not have to pay any money out. So they have to determine how much of a risk you are.

**Ask:** What do you think I mean by that? How could you be a risk to them?

**Select** 1-2 volunteers to share.

**Say:** It basically comes down to your behavior and your lifestyle. If they think you are a risk and will cost them money by making them have to cover your losses, then they will charge you more. If they think that you aren't much of a risk then your premium will be lower.

**Say:** So let's take a minute to brainstorm some things about your life, habits, and decisions that might make your premiums go up or down.

**Draw/Write** the following chart on the board.

Insurance Type



---

Health

---

Auto

---

Homeowners

---

**Say:** Health insurance, automobile insurance, and homeowners insurance are three of the major types of insurance that most people have. Health insurance covers your medical expenses, car insurance covers your car and deals with your driving, and homeowners insurance protects your house and personal property.

**Say:** We are going to brainstorm some things that might make our premiums go up and some things that might make our premiums go down. Remember the insurance company is trying to determine how much of a risk you are and if you will cost them money. So let's start with things that might make our premiums go up in each of these areas. What are things that the insurance company might consider a risk?

**Allow** students to volunteer answers.

**Select** several students or just write answers as students call out ideas.

**Say:** This is a pretty good list. Let me add a few ideas for you to think about.

**Do:** For each of the types of insurance, add a couple additional things that would make premiums go up. You may want to paraphrase/shorten some of the items below. You do not have to add all of the information below.

**Talk/Explain** items as you add them to the list:

- Health: unhealthy behaviours (overweight, drinking, smoking), age (older), pre-existing conditions (asthma, high blood pressure)
- Auto: living in a high crime area, under age 25, male driver, single person, poor credit, moving violations and accidents, expensive car
- Homeowners: owning a “bad” dog (Rottweilers, Dobermans, Pitt Bulls), poor credit, living in a natural disaster area, poorly maintained property

**Say:** Now let's brainstorm things that might lower our insurance premiums.

**Allow** students to volunteer answers.

**Say:** Good. Now let me add a few more ideas.

**Do:** For each of the types of insurance add things that would make premiums go down. You may want to paraphrase/shorten some of the items below. You do not have to add all of the information below.

**Explain** the following items as you add them to the list:

- Health: prevent injuries, make regular doctor visits, maintain a healthy lifestyle (don't drink or smoke, stay in healthy weight range)
- Auto: maintain good credit, purchase low-profile cars (thieves don't want), get good grades (teenagers), maintain good driving record, anti-theft device
- Homeowners: home security system, maintain good credit, make safety improvements, make home disaster-proof (reduce possible damage from natural disasters)

**Say:** You can see that there are some things we can control when it comes to the premiums we will be charged and some things we can't control. One thing we can definitely do is become savvy shoppers when it comes to the insurance we purchase. Let's talk about how we can determine the best rates for insurance.

---

## **Activity B – – Savvy shopper: Choosing the best car insurance rate (10 minutes)**

### **Materials**

#### **Class/Group**

- Chart paper OR blackboard/whiteboard/overhead projector
- Markers
- Handout A Answer Key – Selecting Car Insurance (1 copy for the facilitator)

#### **Students (one per student)**

- Handout A – Selecting Car Insurance

**Say:** Car insurance is something that we are required to buy. Most car dealerships will not let you off of the lot with a car until you show proof of insurance. Since this is something that we all have to purchase, it is important for you to understand how standard car insurance coverage works and how to determine the best deal.

**Say:** When you purchase standard coverage, you are getting liability insurance. This is insurance that pays for any damage or injury that you cause during an accident. When you look at liability coverage it is usually discussed using three numbers.

**Write** “bodily injury to single individual/bodily injury to everyone/property damage”

**Say:** When you purchase a standard policy, you will select it based on the amount of coverage you want to have in these three areas. So if you choose a 50/100/25 policy you are paying for \$50,000 single individual coverage, \$100,000 bodily injury coverage for everyone in the accident, and \$25,000 property damage coverage. [NOTE: As you say this you should write the numbers on the board/chart paper and point to each number as you discuss it.]

**Say:** I am going to give you some practice looking at different policy options and their premiums. The worksheet I am distributing lists four different insurance companies, the different coverage options, and the monthly premiums. I want you to review the worksheet and answer the questions at the bottom of the page.

**Distribute** Handout A

**Ask:** Does everyone understand what they are supposed to do?

**Repeat** instructions, if necessary.

**Say:** I will give you about 7 minutes to work on this and then we will review your answers.

**Allow** students 7 minutes to complete the worksheet.

**Circulate** the room and answer questions as necessary.

**Say:** Okay let’s see how you did. I will read each question and then I will pick someone who wants to share his/her answer.

**Read** the first question.

---

**Select** a student to share his/her answer. If their answer is incorrect, explain the correct answer. (Use the Handout A Answer Key as your guide.)

**Continue** this procedure until all questions have been answered.

**Say:** Very good. Now that we have talked about your premiums, let's talk about what to do if you do have a car accident.

## **Activity C – Car Accidents and Insurance Claims (10 minutes)**

### **Materials**

- Handout B – Filing a Claim After a Car Accident

**Say:** We hope that you never get in a car accident, but the possibility exists that you might. If that happens, you need to know that there is a sequence of steps you must follow to make sure that the insurance payouts are handled properly.

**Say:** I am going to distribute a worksheet that lists the different steps involved in filing an insurance claim after a car accident. I want you to first see if you can put them in the correct order and then we will go over the worksheet together.

**Distribute** Handout B and read the directions together.

**Say:** Take about 2-3 minutes to put the steps in the correct order. Remember that not all of these steps are correct and need to be included!

**Allow** students 2-3 minutes to complete the worksheet.

**Say:** Okay let's see how you did.

**Ask:** What do you think is the first step in this process?

**Select** 1 student to share his/her ideas.

**Ask:** Did anyone have anything different?

**Say:** Okay, the first step is \_\_\_\_\_.

**Continue** reading the steps in the correct order, using the Handout B Answer Key as your guide.

**Say:** The important thing you want to remember is that when you have an accident, your premiums will go up because your insurance company will begin to see you as a risk. So you want to practice safe driving habits so that you can keep your premiums low.

**Say:** Now I want you to keep a few things in mind. We have only been looking at the monthly premium. When you set up your budgets in the future, you are also going to be interested in how these costs impact your finances on a yearly basis. You also need to remember that you will be paying for other types of insurance as well, like homeowner's, health, and life insurance. All of this can start to add up.

© 2013 PricewaterhouseCoopers LLP. All rights reserved. PwC refers to the United States member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details. This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

---

## **Activity D – Covering All Your Bases: Purchasing Multiple Forms of Insurance (15 minutes)**

*Note: If running short on time, consider sharing responses with a partner instead of with the entire class.*

### **Materials:**

Students (one per student)

- Handout C –Multiple Forms of Insurance

**Say:** Before we wrap up for the day I want to give you a chance to put all of this information together. I am going to give each of you a budget and you are going to have to use that budget to purchase multiple forms of insurance. Once you have come up with your plans, we will talk about what you chose and why.

**Distribute** Handout C.

**Say:** This worksheet lists the different types of insurance and their costs. You need to decide which insurances you will purchase. You cannot spend more than your \$1,800 budget. Keep in mind that you might have to do some calculations to figure out how much the insurance will cost you over the course of a year.

**Say:** Also, there is one new term that is introduced on this sheet. The deductible is the amount of money you have to pay first before the insurance company will make any payments for you. So for example, if you are in a car accident, according to this sheet with these plans you will have to pay \$250 out of your own pocket before the insurance company will begin making any payments.

**Ask:** Does anyone have any questions?

**Answer** questions.

**Say:** You will have 8 minutes to work on this and then we will discuss your answers.

**Allow** students 8 minutes to complete work.

**NOTE:** If students seem to finish the activity before the allotted time, continue on to the next part of the lesson.

**Say:** We won't have time for everyone to share so I first want you to turn to a partner and take the next 2 minutes to share what each of you came up with.

**Allow** students 2 minutes to share with a partner (someone sitting nearby).

**Say:** Okay, can I have a few volunteers to share some things with us? You can tell us which insurances you chose and why or you can share some of your answers to the questions at the bottom of the page.

**Select** 2-3 volunteers to share. You may select more if time permits.

**Say:** Thank you for sharing. You all can see that our individual needs and differences definitely have an impact on the decisions we make about purchasing insurance.

### **Closing reflections (5 minutes)**

**Say:** Before we end for the day, I want each of you to take a minute to write your answer to this question:

© 2013 PricewaterhouseCoopers LLP. All rights reserved. PwC refers to the United States member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details. This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

---

**Write:** Of the four types of insurance (auto, health, home, life) which do you think is the most important? Why?

**Allow** students 1-2 minutes to write a response to the question.

**Say:** Alright, let me just take a quick poll of your responses.

**Ask:** How many of you selected auto insurance?

**Count** the number of hands.

**Ask:** How many of you selected health insurance as the most important?

**Count** the number of hands.

**Ask:** How many of you selected homeowners insurance?

**Count** the number of hands.

**Ask:** How many picked life insurance?

**Count** the number of hands.

**Say:** Very interesting!

**Say:** These are the types of questions you will have to answer when you get older. It will be up to you to decide what the top priorities are for you and your family because all of these decisions will impact your family's finances.

**Say:** Thank you again for having me in your class today and allowing me to share this valuable information with all of you.

# *Evaluation/assessment of student learning*

## *During Lesson/In-class*

- Students identify factors that may increase or reduce insurance premiums
- Students analyze different standard automobile insurance policies
- Students evaluate various insurance options and make personal selections

## *Ideas for Post-Lesson Assessments*

- Students take a quiz on key terms.
- Students research the various types of life insurance and write a persuasive essay convincing the reader that one type is more favorable than the others.
- Students research the various types of automobile insurance coverage and their costs. Students then write an essay discussing the type of coverage they would most likely select and give reasons to support their decision.

---

# *Extensions/enrichment*

- Students can conduct research to compare health care coverage in the United States versus health care coverage in other countries.
- Students can collect newspaper articles discussing the national health care debate. Each week students will share findings with classmates and discuss their position regarding the issues.
- Students can conduct research on things not covered by homeowner's insurance and their options for additional coverage.