

Name:

Students will be able to:

- Illustrate how everyone risks financial loss and how insurance shares that risk
- Identify factors that impact insurance premiums and the relationship between premiums, deductibles, and coverage limits
- Explain how the insurance industry uses risk pooling and math to provide insurance coverage and make a profit

NOTE: Vocabulary for this unit can be found in the [NGPF Personal Finance Dictionary](#)

INTRO

QUESTION OF THE DAY: What is the cost to repair an iPhone screen? ⌚ 5 min

Answer the question on the first slide in the space below. Then, compare your answer to the answer on the second slide. Finally, follow your teacher's directions on how to answer the follow-up questions on the last slide.

1. What is the cost to repair an iPhone Screen?

LEARN IT

EDPUZZLE: Intro to Insurance ⌚ 7 min

Insurance is a way to protect yourself financially in case something unexpected happens, like damaging your phone, and AppleCare+ is one example of insurance that can greatly reduce the cost of repairing your iPhone's screen if it breaks. Watch this video and follow your teacher's directions to answer the questions either in your student activity packet or within the EdPuzzle itself.

NOTE: EdPuzzle videos shuffle answer choices and do not always match the order provided in the lesson here.

1. The purpose of insurance is to...

- a. build wealth
- b. transfer risk
- c. manage assets
- d. build relationships

2. Why is it important for insurance companies to have a large risk pool of people paying premiums?

- a. If a large pool of people pay premiums, insurance company employees will get more bonuses included in their next paycheck
- b. The premium payments of all the insured clients will cover the costs for the emergencies of the few who need it
- c. The more people that pay premiums, the more careful each insured client becomes with their lifestyle choices
- d. A large pool of people paying premiums allows insurance companies to have a larger social media following

3. What role does math play in the insurance industry?

- a. Insurance companies use statistics to find how likely a client will need to use the insurance so they can set premiums in order to have the highest chance of making a profit
- b. Insurance companies use algebra and geometry to calculate the distance from clients' major emergencies to nearest hospitals
- c. Insurance companies use statistics to hypothesize how likely clients are to switch over to competitive companies
- d. Insurance companies use calculus to find out how likely a client will need to use the insurance so they can set premiums in order to have the highest chance of making a profit

INFOGRAPHIC: [Insurance Premiums, Deductibles + Limits](#) 09 min

In addition to having a fixed premium, most insurance plans also have a deductible and a coverage limit. Use this infographic to answer the questions.

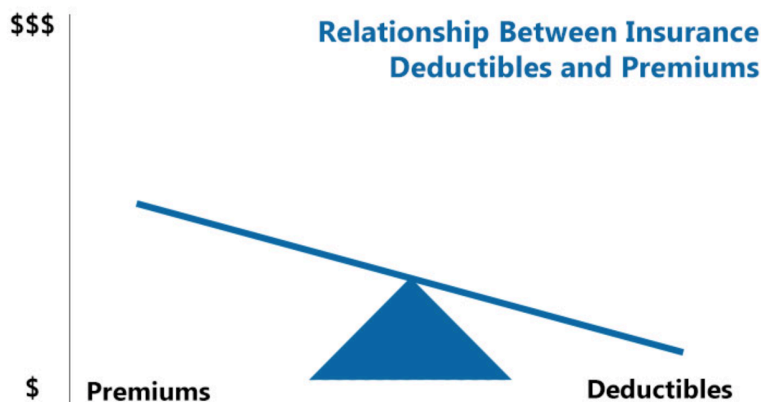
1. Jerry has an insurance policy with a premium of \$150 per month. In June, he causes an accident and receives a bill with a total cost of \$6000. His deductible is \$1500, and his coverage limit is \$10,000.

- a. How much money will Jerry have to pay for the accident's bill?

b. How much total money will Jerry have to pay in the month of June?

- 2. Make an assumption about the relationship between coverage limit and premium. Explain your thinking.**

After the accident, Jerry starts thinking, “Wow, that \$1500 deductible is a lot to pay for all at once! Who knows when I’ll get in another accident, but I sure wish my deductible were lower!” He asks his auto insurance agent, who shows him this chart:



[Source](#)

- 3. What is Jerry’s auto insurance agent trying to tell him? What will Jerry need to do in order to pay a lower deductible?**
- 4. Do you think Jerry should go for the lower deductible plan? Why or why not?**

VIDEO: [How Does Insurance Work?](#) ⌚11 min

This final video will explain how insurance companies manage to make money, when it seems they might be stuck paying out huge claims for ruined houses, wrecked cars, and stolen laptops. Watch the video and answer the questions.

- 1. Why do you think the mathematical models used by insurance companies are so complex?**

- 2. What is at stake if an insurance company's models aren't particularly good at predicting risk?**

- 3. Provide at least two reasons why self-insurance for risks involving your car or home isn't feasible for most Americans.**



DO IT

ACTIVITY: [INTERACTIVE: Bummer!](#) ⌚25 min

Every day is filled with risks, and insurance companies exist to sell you insurance to help alleviate the financial damage of those possible risks. In this game, you'll spin the Wheel of Bummers to find out which risks are coming your way. Follow the directions on the worksheet to complete this activity.



EXIT TICKET

Follow your teacher's directions to complete the Exit Ticket.