

Lesson 11: Risky Business

TOPIC: Risk Management and Insurance

OVERVIEW:

While teens and young adults may not be thinking about all the things that could go wrong in their lives, breaking down complex levels of **risk management** is a critical step in building a financial foundation. In this lesson, students are guided through different types of **insurance** and the purpose of each. Students assess real-world scenarios and engage in inquiry-based research about buying insurance.

Time: 65 min

Subject Connections:

- English Language Arts

Supplies:

- Projector (for teacher presentation slides)
- Access to the Internet (optional)

Preparation:

- Make copies of student handout
- Set up projector with presentation slides

Glossary with key vocabulary 16

OBJECTIVES:

1. Identify common risks and strategies to reduce risk
2. Explain the purpose and importance of various insurance types
3. Recognize when insurance is needed and how to get it

INDIVIDUAL HANDOUTS:

- Name That Insurance
- Insurance Investigator
- Life Map

GROUP HANDOUTS:

- none

TEACHER PRESENTATION SLIDES:

- Types of Insurance
- Insurance Lingo

ESSENTIAL QUESTIONS:

- What is insurance?
- Do I need insurance, and if so, what type(s) of insurance do I need?
- How do I get insurance?

ASSESSMENT ACTIVITIES:

Pre-Assessment:

- **Activity:** Picture This!

Post-Assessment:

- **Handout:** Name That Insurance
- **Handout:** Insurance Investigator
- **Handout:** Life Map*

*Money Smart Portfolio Handouts

Instruction Steps

WARM UP

Picture This!

10 MINUTES

Open the lesson by telling students that they are going to play a Pictionary-type game to illustrate different terms related to insurance. Divide the class into small groups and assign each group a different type of insurance to draw, such as health, life, or auto. Give groups several minutes to decide what they will illustrate and then give each group a chance to draw its term while the rest of the class guesses what it means.

When all groups have had a chance to draw, ask students to share what they know about insurance.

Ask students:

- *What is insurance?*
- *Why do people have insurance?*
- *What is the difference between health, life, and auto insurance?*

Invite volunteers to share their ideas and explain that today's lesson will focus on answering those questions by exploring potential **risks** we may encounter in life and how insurance can help us manage those risks.

GUIDED EXPLORATION

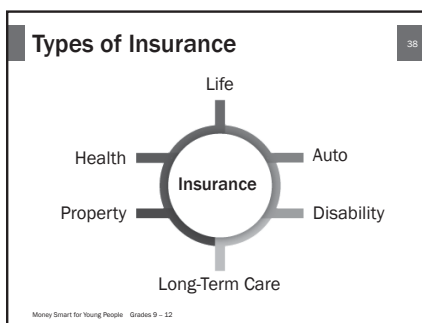
Types of Insurance

25 MINUTES

Explain to students that the main reason people carry insurance is that insurance helps minimize financial risk and the use of current income or savings to pay for property damages or health needs. When an accident or emergency happens, insurance helps cover financial costs.

For example: if a tornado destroys a person's home, their property insurance helps pay for the damages. Likewise, if a person gets into a car accident, and assuming the person has the right coverages, auto insurance helps defray costs associated with the crash. Tell students that, for different situations, you carry different types of insurance.

Next, display the **Types of Insurance** slide and review each type with the class, sharing examples of your own or using the guiding points below.



- **Health Insurance** protects you from risks of having to pay for medical expenses in the case of injury or illness. For example: if you became ill and needed to have a surgery, health insurance would help pay for the costs associated with your surgery and treatments.

- **Life Insurance** provides financial protection for loved ones when you die. It may also have other benefits. For example: if you're married and your spouse passes away, life insurance pays a sum of money to you, the **beneficiary**.

- **Auto Insurance** protects you from paying the full cost for repairs to your vehicle that result from an accident. Comprehensive coverage helps pay for damages to your vehicle due to theft, fire, or falling objects. For example: if someone accidentally rear-ends you, auto insurance helps pay for resulting damages or injuries. Liability insurance protects you if you are found to be responsible for an accident that causes property damage or injuries to others.
- **Disability Insurance** protects you from financial hardship when a covered illness or injury prevents you from earning a living.
- **Long-Term Care Insurance** helps minimize costs associated with a person needing assistance performing daily functions such as bathing, eating, and walking. Assisted living, home care nurses, and hospice services are all examples of financial costs that may be covered through long-term care insurance.
- **Property and Casualty Insurance** protects you against damage that may occur to your property as result of events like fires, tornadoes, and even theft.
- **Flood Insurance** covers losses directly caused by flooding. In simple terms, a flood is an excess of water on land that is normally dry, affecting two or more acres of land or two or more properties.



Next, tell students that, while it is important to investigate the different types of insurance available to you, there are also key terms to know in order to understand which insurance options are right for you. Display the **Insurance Lingo** slide and review each of the terms with the class.

- **Policy:** the contract between the insured (you) and the insurer
- **Claim:** the request from the insured to the insurer for payment
- **Premium:** the amount of money paid by the insured to have an insurance plan
- **Deductible:** the amount of money paid by the insured before an insurance plan takes over or covers the remaining amount owed
- **Copay/Coinsurance:** fee paid by the insured when receiving a medical service

Next, distribute the **Name That Insurance** handout and have students work together in small groups or twosomes to name the insurance that will most help minimize financial risk in each scenario.

Invite groups to share their answers, and then explain the correct insurance type for each scenario, reiterating that different situations require different risk protection.

Grade-Level Modifications:

Beginner: Focus the lesson exclusively on one insurance type, such as health or auto, before moving into the many different types of insurance.

Advanced: Expand insurance types to discuss what businesses need in order to be financially protected. Have students research and assess different insurance types as they relate to business entitles.

**INDEPENDENT
EXPLORATION**
Insurance Investigator

20 MINUTES

Note: These activities are more independent than the Guided Exploration activities and may be used as homework assignments, collaborative group work, or independent study.

Distribute the *Insurance Investigator* handout and tell students that they will now have an opportunity to research different insurance policies and assess which policy best meets the scenario on the handout. Students can work together in small groups or individually to compare and contrast their insurance research.

MONEY SMART TIP!

Explore health care reform and discuss how it has evolved over time. For instance, share with students a timeline of health care history and discuss changes in the past 100 years (www.pbs.org/healthcarecrisis/history.htm). Ask students to share their ideas on how they think health care will evolve in the next 100 years.

When students are finished conducting research, invite volunteers to share their final health insurance choice and present their case to the class.

WRAP UP
Life Map

10 MINUTES

Close the class by distributing the *Life Map* handout and allow time for students to reflect on how their risk management needs may change during different phases of their lives. Invite volunteers to share their ideas and remind students that taking the time to research and inform yourself of all of your options is the best way to minimize risk and be prepared for any unexpected financial costs.

Extended Exploration

Note: Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

ENGLISH LANGUAGE ARTS

Writing Prompts:

What national changes do you think would help improve health care, and why?

Should everyone be entitled to equal health insurance? Why or why not?

Why do you think there are such steep penalties and fees for driving without auto insurance? Do you agree or disagree?

Suggested Readings:

Why Health Coverage Is Important by **HealthCare.gov**: Learn about why health insurance helps protect you from financial and health risks. www.healthcare.gov/why-should-i-have-health-coverage

Do College Students Need Life Insurance? by Nerd Wallet: Read about life insurance and its relation to college students.

www.nerdwallet.com/blog/insurance/college-students-need-life-insurance

MATHEMATICS

Activity/Project Ideas:

Have students calculate probabilities under different insurance-based challenges. For example: have them calculate the number people who are insured, or need insurance, and are likely to file insurance claims based on geographic patterns (that is, in tornado-, forest-fire-, or earthquake-prone areas).

SOCIAL STUDIES AND ECONOMICS

Discussion Topics:

Discuss and define how insurance differs for consumers, businesses, and the government.

Have students explore and discuss impacts of health care reform on personal and national levels. For example: how many people are currently uninsured or underinsured in the United States? How do the statistics vary from state to state? In what ways has health care reform improved uninsured rates?

Activity/Project Ideas:

Have students review and analyze different sections of the Affordable Care Act and present their findings to the class. For example: students can find more information about the act by visiting the U.S. Department of Health and Human Services at www.hhs.gov/healthcare/rights.

TECHNOLOGY

Online Resources:

Health Care of Children Under 26: Information on how health care coverage works for children under age 26.

www.healthcare.gov/young-adults/children-under-26

Comparing Health Plans: An online guide to comparing health insurance plans, including information on out-of-pocket expenses and monthly premiums.

www.healthcare.gov/choose-a-plan/comparing-plans

The Marketplace in Your State: Information on how to enroll in health coverage.

www.healthcare.gov/marketplace-in-your-state

Classroom activities from the Consumer Financial Protection Bureau (CFPB)

The CFPB has developed a set of classroom activities to help teachers develop and support the building blocks of financial capability in their students. Each activity is designed to be completed within a single class period and includes a teacher guide and supporting student material. Some specific activities that are relevant to this lesson include:

Exploring types of insurance

Students investigate different types of insurance and determine which types of insurance they will most likely use in their lifetimes.

www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/exploring-types-insurance/

Analyzing auto insurance scenarios

Working in groups, students use real-world scenarios to explore how people's choices in auto insurance coverage can affect them financially when unexpected events happen.

www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/analyzing-auto-insurance-scenarios/

Understanding how insurance works: A case study about Omar

After reading a handout about how insurance works, students complete a case study to determine the financial impact (both positive and negative) of insurance choices in their lives.

www.consumerfinance.gov/practitioner-resources/youth-financial-education/teach/activities/understanding-how-insurance-works-omar/

Answer Key

Student Handout 1:

Name That Insurance.

1. Auto Insurance
2. Health Insurance
3. Auto Insurance
4. Life Insurance
5. Long-Term Care Insurance
6. Disability Insurance
7. Property Insurance
8. Health Insurance

Student Handout 2:

Insurance Investigator.

Answers will vary. Use handout to assess student ability to conduct research and evaluate and compare data.

Student Handout 3:

Life Map.

Answers will vary. Students may reflect that auto insurance is needed for each phase of life as long as they drive a vehicle, and that health insurance is needed throughout life, but additional coverage may be needed as they get older, including long-term care, disability, and life insurance.



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NAME THAT INSURANCE

Name: _____

Read each of the scenarios below and decide which insurance would help minimize financial risk.

Scenario	What kind of insurance is needed?
1. Ani's vehicle skids off the road and into a telephone pole after she hits a patch of ice	
2. Jon's appendix bursts and he needs immediate medical attention	
3. Dylan rear-ends the vehicle in front of him after the driver slams on his brakes	
4. Rionna's husband recently passed away and she needs help covering the cost of the funeral	
5. Genevieve is 85 years old and requires a daily nurse to help her	
6. Vincent breaks his leg and is unable to work for six months	
7. A hurricane breaks windows and floods Catherine's home and everything needs to be replaced	
8. Mason breaks his leg playing soccer and needs to have surgery and a cast	



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INSURANCE INVESTIGATOR

Name: _____

Derek lives in Chicago, Illinois, and earns \$40,000 a year working at a hotel. He is not married and has no children. He has been covered by his parents' health insurance plan, but now he is about to celebrate his 26th birthday and needs help figuring out what insurance options are available to him. Using Internet search engines or www.HealthCare.gov research, offer Derek three different insurance policies to choose from.

	Policy 1	Policy 2	Policy 3
Name of Provider			
Premium			
Co-pay			
Deductible			

What are the pros and cons for each of the three options you researched?

Based on your research, which insurance policy do you think would work for Derek? Why? Write a brief paragraph evaluating your position.



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LIFE MAP

Name: _____

WHEN I'M 26 YEARS OLD...



WHEN I'M 56 YEARS OLD...



WHEN I'M 86 YEARS OLD...