

CDFS 600 – Module 3 Lesson Plan

Basics of Insurance
Amy (Hodgins) Kram
Contact Information

Amy.L.Kram@sendit.nodak.edu

701-283-5312

Time Allotment: 2 class periods

Grade Level or Target Audience: High School Grade 10-12

ND Standards Competencies:

ND Family and Consumer Science Standard 2.0 Consumer and Family Resources – Evaluate management practices related to the human, economic, and environmental resources.

- 2.1 Demonstrate management of individual and family resources.
- 2.3 Identify consumer rights and responsibilities
- 2.4 Describe interrelationships between consumer actions and the economic system.

Key Economic Concepts:

Insurance Terminology

Basic information on Automobile Insurance, Health Insurance, Life Insurance, Disability Insurance, and Homeowner's/Renter's Insurance

Brief Description:

- Students will take a true/false assessment to determine how much they know about insurance. Class discussion/notes will include insurance terminology and basic information about auto, health, life, disability, and homeowner's/renter's insurance.
- Students will play "What Cover's This Risk" to further the discussion on perils/situations that would be covered or not covered by different types of insurance.

Learner Objectives:

- Identify the importance of insurance.
- Understand the relationship between risk and insurance.
- Describe different types of insurance (auto, health, life, disability, homeowner's/renter's).

Introduction:

Insurance is an arrangement between an individual (consumer) and an insurer (insurance company). Insurance protects individuals against risk and helps individuals limit financial losses when an accident occurs.

Materials Needed:

Worksheet - Insurance Quiz
Video – 'Choice – Chance – Control'
What Cover's This Risk? Game cards
Hat or bowl

Audio/Visual Equipment Needed:

TV/VCR

Lesson Outline:

Have students complete the short true/false quiz to assess their knowledge of insurance. Once students have completed the quiz – go through and discuss correct answers.

Watch the video 'Choice-Chance-Control' (can be ordered through Insurance Education Foundation -- <http://www.ief.org/>) this is a 20-minute video that highlights risks throughout history and traces the development of insurance as a means of offsetting these risks.

Be sure that students understand the following terms – beneficiary, dependent, policy, policyholder, premium, deductible.

Discuss the basics of the different types of insurance – Auto, Health, Life, Disability, Homeowner's/Renters

Auto Insurance – discuss the four types of coverage available

- Liability insurance – covers the insured if injuries or damages are caused to other people or their property. It is the minimum amount of insurance required by law for automobiles.
- Medical payment insurance – covers injuries sustained by the driver of the insured vehicle or any passenger regardless of fault. It also covers insured family members injured as passengers in any car or if they are injured while on foot as a pedestrian or while riding a bike.
- Uninsured or underinsured motorists insurance - covers injury or damage to the driver, passengers, or the vehicle caused by a driver with insufficient insurance.
- Physical damage insurance – covers damages caused to the vehicle two forms:
 - Collision – covers a collision with another object, car, or from rollover
 - Comprehensive – covers all physical damage losses except collision and specified losses

Activity - Auto Insurance in ND

Health Insurance

- Health care costs are extremely high and it is difficult for the average person to afford health care. Large medical expenses could wipe out an individual's savings.
- Health insurance provides protection against financial loss resulting from injury and illness.
- Purpose of health insurance is to provide coverage for emergency or routine medical expenses. May cover hospital, surgical, dental, vision, long-term care, prescription, and other major expenses – depends upon the policy.

Life Insurance

- Life insurance is a contract between insurer and policyholder specifying a sum of money to be paid to a beneficiary upon the insured's death. The policy states the amount to be paid.
- The purpose of life insurance is to provide money for family members or dependents when a wage earner dies.
- Life insurance is necessary for people who have a dependent spouse or children, an aging or disabled dependent relative, or are business owners.

Disability Insurance

- Disability insurance is available to prevent the risk of losing income due to illness or injury.
- Disability income insurance is thought to be more important for a wage earner to purchase than life insurance. Statistics show that eight out of every ten people between the ages of 25 and 65 will become disabled for 90 days or more sometime during their lives. If you are over 50, there is one chance in four that you will be disabled for 6 months or more before you retire.
- Typically, disability insurance pays between 60%-70% of a person's full time wage. Disability insurance never pays 100% of wages. *Why?* There is no incentive to go back to work.

Homeowner's/Renter's Insurance

- Homeowner's insurance combines property and liability insurance into one policy to protect a home from damage costs due to events such as fire, falling trees, lightning, etc.
- Property insurance protects the insured from financial losses due to destruction or damage to property or possessions. Liability insurance protects from being held liable for other's financial losses.
- Renter's insurance protects the insured from loss of the contents of the dwelling. Renter's insurance covers major perils, provides liability protection, and provides for additional living expenses if the dwelling is uninhabitable by one of the covered perils.

Activity – What Covers This Risk?

Resources:

Family Economics & Financial Education - <http://www.familyfinance.montana.edu/>

NEFE High School Financial Planning Program - <http://nefe.org/hsfppportal/index.html>

Insurance Education Foundation -- <http://www.ief.org/>

Decisions for Health Care in North Dakota: Understanding Health Insurance and Disability Income Insurance, Debra Pankow, Family Economics Specialist, NDSU Extension Service, February 1993

Activities:

Activity - Auto Insurance in ND

- Assign students to find out the types of auto insurance and minimum amounts that are required by the state of ND.

Activity – What Covers This Risk?

- Prior to class, create a set of game cards and put them into a hat or bowl.
- Divide the students into groups of three. Each group should have a piece of paper and pen/pencil. Keep score for each group on the board.
- Draw a card from the hat and read the risk card to the class. Each group must then decide what type of insurance may cover the risk which was read – OR if none of the types of insurance cover the risk/situation. They should write their answer down on paper.
- After every group has had a chance to guess, reveal the answer. Discuss each risk and answer with the class before drawing another risk card out of the hat.
- For every correct answer, the team(s) receives one point.

Evaluation Plan:

Participation in group activity

Test questions from notes/discussion

Insurance Quiz – Answer Key

1. True or False – Within a person's first three years of driving, there is a 50% chance a person will be involved in an automobile accident.
 - a. False – There is a 70% chance a person will be involved in an automobile accident within the first three years of driving.
2. True or False – Auto insurance is required by law to drive an automobile.
 - a. True – Liability is the minimum amount of insurance required by law to be driving an automobile.
3. True or False – Insurance plays a small role in most individual's financial plan.
 - a. False – Insurance plays a large role in most individual's financial management plan. Almost 1 in 12 dollars in the U.S. economy is spent on insurance.
4. True or False – Most individuals or families can afford health care and medical expenses.
 - a. False – Health care costs are extremely high and it can be hard for the average person to afford health care. Large medical expenses could wipe out an individual's savings.
5. True or False – Most Americans have employer-based health insurance.
 - a. True – 61% of Americans have employer-based health insurance.
6. True or False – Life insurance is necessary for everyone.
 - a. False – Life insurance is necessary for anyone who has someone depending on them financially.
7. True or False – Disability insurance is necessary only for people with disabilities.
 - a. False – Disability insurance is necessary for anyone with a job. 1 out of 10 people will become disabled before age 65.
8. True or False – When renting an apartment, the renter should purchase renter's insurance because the owner's insurance will not cover the renter's possessions.
 - a. True – The owner's insurance will cover the building's structure, but not the contents in all of the rented apartments.

WHAT COVER'S THIS RISK GAME CARDS

You hit and injured a pedestrian in a crosswalk.

Hospital visit due to snake bite while camping in Yellowstone.

Kitchen destroyed by fire.

Injured in an auto accident, unable to work for two months.

Brake failure. Hit a telephone pole and caused damage to the front of the car.

Sick at home from food poisoning after eating a carnival corndog.

Stereo was stolen from home.

Need a cast after breaking an ankle while roller-blading.

Speeding ticket.

Stereo stolen from car.

Car needs dent repaired after being hit while parked at the grocery store.

Lost a neighbor's tool.

Need new muffler.

Computer crashes from virus.

Increase in power bill due to weather conditions.

After losing her husband to a heart attack, the wife is left alone to care for two children.

A daughter, who is financially responsible for her mother's nursing home bills, dies from an undetected heart defect.

Buy new tires for your truck.

Toilet cracked and needs to be replaced.

A single and independent college student dies in an avalanche.

Garage destroyed by fire after being struck by lightning.

Chose to get a nose job.

A doctor diagnoses a child with tonsillitis during a visit to a clinic.

Broken ribs keep a worker home for two days.

