

SESSION 19: Insuring

Session Description

After an explanation of how insurance works, students will choose insurance to purchase and experience the costs and benefits of those choices.

Talking Points

1. Insurance is a product that allows people to pay a fee (called a premium) now to transfer the costs of potential loss to a third party. A premium is the amount a person pays to an insurance company for protection. Typically, the price of insurance increases as the amount of protection increases.
2. Insurance can be purchased for almost any kind of potential loss, but the most common types of insurance are home, automobile, medical, dental, disability, life, and renters.
3. Insurance companies pool premiums from many people to cover the losses of a few (and, much like banks, they take the pooled premiums and make investments).
4. Insurance companies set premiums to cover the expected losses plus a rate of return for the company.
5. Choosing the right amount of insurance is a matter of weighing the benefits of additional protection, or coverage (lower losses in the case of a covered event), against the costs (the premium, any uncovered losses, and other opportunity costs).
6. Most people pay more for insurance than what it will save them in terms of losses, while some people pay less for insurance than what it will cost them in terms of losses. Unfortunately, when deciding how much insurance to buy, people don't know in which groups they will end up.

Session 19: Standards and Benchmarks

Arkansas Economic Standards

Strand: Personal Financial Management

Content Standard 8: Students will analyze factors affecting income, wealth, and financial risk.

- PFM.8.E.3 Analyze insurance as a risk management strategy to protect against financial loss (e.g., auto, health, life, homeowners, renters, disability, liability)

Common Core State Standards

- CCSS.ELA-Literacy.RH.9-10.1 Cite specific textual evidence to support analysis of primary and secondary sources, attending to such features as the date and origin of the information.
- CCSS.ELA-Literacy.RH.9-10.2 Determine the central ideas or information of a primary or secondary source; provide an accurate summary of how key events or ideas develop over the course of the text.
- CCSS.ELA-Literacy.RH.9-10.4 Determine the meaning of words and phrases as they are used in a text, including vocabulary describing political, social, or economic aspects of history/social science.
- CCSS.ELA-Literacy.SL.9-10.1 Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 9–10 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.
- CCSS.ELA-Literacy.SL.9-10.1d Respond thoughtfully to diverse perspectives, summarize points of agreement and disagreement, and, when warranted, qualify or justify their own views and understanding and make new connections in light of the evidence and reasoning presented.
- CCSS.ELA-Literacy.L.9-10.4 Determine or clarify the meaning of unknown and multiple-meaning words and phrases based on *grades 9–10 reading and content*, choosing flexibly from a range of strategies.
- CCSS.ELA-Literacy.L.9-10.6 Acquire and use accurately general academic and domain-specific words and phrases, sufficient for reading, writing, speaking, and listening at the college and career readiness level; demonstrate independence in gathering vocabulary knowledge when considering a word or phrase important to comprehension or expression.
- CCSS.ELA-Literacy.RH.11-12.1 Cite specific textual evidence to support analysis of primary and secondary sources, connecting insights gained from specific details to an understanding of the text as a whole.
- CCSS.ELA-Literacy.RH.11-12.2 Determine the central ideas or information of a primary or secondary source; provide an accurate summary that makes clear the relationships among the key details and ideas.

- CCSS.ELA-Literacy.SL.11-12.1 Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 11–12 topics, texts, and issues, building on others’ ideas and expressing their own clearly and persuasively.
- CCSS.ELA-Literacy.SL.11-12.1d Respond thoughtfully to diverse perspectives; synthesize comments, claims, and evidence made on all sides of an issue; resolve contradictions when possible; and determine what additional information or research is required to deepen the investigation or complete the task.
- CCSS.ELA-Literacy.L.11-12.4 Determine or clarify the meaning of unknown and multiple-meaning words and phrases based on *grades 11–12 reading and content*, choosing flexibly from a range of strategies.
- CCSS.ELA-Literacy.L.11-12.6 Acquire and use accurately general academic and domain-specific words and phrases, sufficient for reading, writing, speaking, and listening at the college and career readiness level; demonstrate independence in gathering vocabulary knowledge when considering a word or phrase important to comprehension or expression.

Session 19: Resources

1. Financial Fitness for Life (9–12) (*Virtual Economics*® 4.5)
 - a. Lesson 10: Managing Risk

2. Personal Finance 101 Chats (Federal Reserve Bank of St. Louis)
 - a. Car Insurance;
<https://www.stlouisfed.org/education/personal-finance-101-chats>