

# Tools for Teaching the Arkansas High School Economics with Personal Finance Course

Session 19:

## Insuring

---

### Session Description

After learning how insurance works, students will understand the costs and benefits of choices when making decisions.

---

### Standards and Benchmarks (see page 19.3)

---

### 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.

## Resources

NOTE: See p. v for instructions on how to set up an [Econ Lowdown](#) account and assign resources found in the Resource Gallery to your students.

### Video Q&A

Allow time for students to view the videos and answer the questions:

- No-Frills Money Skills Video Series—Understanding Car Insurance: Premiums and How Coverage Works, Segment 1 (10:00)  
<https://www.econlowdown.org/resource-gallery/no-frills-money-skills-episode-7-segment-1-understanding-car-insurance-premiums-and-how-coverage-works>
- No-Frills Money Skills Video Series—Understanding Car Insurance: Losses, Deductibles and Types of Coverage, Segment 2 (10:00)  
<https://www.econlowdown.org/resource-gallery/no-frills-money-skills-episode-7-segment-2-understanding-car-insurance-losses-deductibles-and-types-of-coverage>
- No-Frills Money Skills Video Series—Understanding Car Insurance: Applying for Coverage, Segment 3 (5:00)  
<https://www.econlowdown.org/resource-gallery/no-frills-money-skills-episode-7-segment-3-understanding-car-insurance-applying-for-coverage>
- No-Frills Money Skills Video Series—Insurance: Protecting Yourself from Damage (10:00)  
<https://www.econlowdown.org/resource-gallery/no-frills-money-skills-episode-6-insurance-protecting-yourself-from-damage>
- Personal Finance 101 Conversations—Insurance: Coverage and Cost Basics, Segment 1 (10:00)  
<https://www.econlowdown.org/resource-gallery/insurance-segment-1-coverage-and-cost-basics>
- Personal Finance 101 Conversations—Insurance: Types of Coverage, Optional Add-ons, and Possible Discounts, Segment 2 (10:00)  
<https://www.econlowdown.org/resource-gallery/insurance-segment-2-types-of-coverage-optional-add-ons-and-possible-discounts>

### Lessons

Allow time for students to complete the lesson:

- *Making Personal Finance Decisions*
  - Unit 10: Protecting—Lesson 10B: Is Insurance Worth Buying?  
<https://www.stlouisfed.org/education/making-personal-finance-decisions-curriculum-unit/insurance>

## Standards and Benchmarks

### Arkansas Economic Standards

**Content Standard E.2:** Students will understand the impact of economic decision-making. This includes considering the marginal costs and benefits of alternatives.

- **E.2.ECON.2:** Evaluate the roles of scarcity, incentives, trade-offs, and opportunity cost in decision-making (e.g., PACED decision-making model, cost/benefit analysis, employment choices, the four factors of production).

### Personal Finance Alignment

- **PF.7.SI.4:** Analyze the relationship between risk and return.

**Content Standard E.6:** Students will understand the factors affecting income, wealth, and financial risk. This includes the role of credit in personal finance.

- **E.6.ECON.PF.3:** Analyze insurance as a risk-management strategy to protect against unforeseen financial loss (e.g., auto, health, life, homeowners, renters, disability, liability).

### Personal Finance Alignment

- **PF.6.I.2:** Investigate the relationship between insurance premiums and deductibles.
- **PF.6.I.3:** Evaluate auto insurance options and factors affecting the cost of coverage including split limit.
- **PF.6.I.4:** Assess health-related insurance options and types of coverage (e.g., health, dental, vision, stroke/heart disease, cancer, accident, short-term/long-term disability, long-term care)
- **PF.6.I.5:** Analyze various types of life insurance (e.g., term, whole)
- **PF.6.I.6:** Investigate property insurance and potential riders including, but not limited to, homeowner's, renter's, and mortgage.
- **PF.6.I.1:** Analyze the need for insurance in managing risk and how risk affects cost.

