

Identifying Risk

Overview

This lesson explores the role of risk and how to manage it.

Lesson Objectives

Students will be able to:

- Identify possible risks.
- Explain strategies for handling risk.
- Recognize the role of risk.
- Explain how insurance transfers risk to a third party.

Lesson Procedures

1. Have students read Lesson 11.1. Use the Introduction scenario in the lesson as an overview for the lesson.
2. Review the lesson content, reminding students that everything involves some kind of risk – even doing nothing. Explain the different ways to manage risk and how insurance becomes a tool for transferring risk to a third party. Use Activity 11.1 to reinforce the concept of risk management. Review and discuss the activity.
3. Conclude the lesson by revisiting the FINAL NOTE.
4. Use Review 11.1 to assess student learning.

PERSONAL FINANCIAL LITERACY

PASS OBJECTIVE

Objective 11.1: Identify common risks to life and property (e.g., illness, death, natural catastrophe, and accident).

Objective 11.2: Explain the purpose and importance of insurance protection as a risk management strategy (e.g., life, health, property, liability, disability, and automobile).

“You should never make predictions, especially about the future.”

Samuel Goldwyn

VOCABULARY

Risk

Different Types of Insurance

Overview

This lesson discusses the role of insurance in helping people manage risk.

Lesson Objectives

Students will be able to:

- Examine the different types of insurance available.
- Identify key terms associated with insurance and risks: natural disaster, liability, disability, deductibles, and risk management.
- Explain the purpose and importance of different types of insurance protection as a risk management strategy (e.g., life, health, property, liability, disability, and automobile).

Lesson Procedures

1. Have students read Lesson 11.2. Use the Introduction scenario in the lesson. Ask students to identify the different types of insurance that could be used in Jermaine's situation.
2. Review the lesson content, emphasizing the different types of insurance. Remind students that insurance needs vary from family to family, or person to person. Ask if they can identify some of the types of insurance policies their family has or may need. Encourage them to assess the costs and benefits of having insurance.
3. Use Activity 11.2 to review the different types of insurance and discuss the activity.
4. Conclude the lesson by revisiting the FINAL NOTE.
5. Use Review 11.2 to assess student learning.

PERSONAL FINANCIAL LITERACY

PASS OBJECTIVE

Objective 11.1: Identify common risks to life and property (e.g., illness, death, natural catastrophe, and accident).

Objective 11.2: Explain the purpose and importance of insurance protection as a risk management strategy (e.g., life, health, property, liability, disability, and automobile).

“Risk is like fire. If controlled it will help you; if uncontrolled it will rise up and destroy you.”

Theodore Roosevelt

VOCABULARY

Claim
Deductible
Premium

Using Insurance to Manage Risk

Overview

This lesson focuses on the practical application of using insurance by familiarizing students with fundamental features such as deductibles, co-insurance, and co-payments.

Lesson Objectives

Students will be able to:

- Examine how deductibles affect insurance premiums.
- Determine how out-of-pocket expenses impact the cost of using insurance.
- Identify ways to save money on insurance premiums.
- Demonstrate the ability to select appropriate amounts of insurance in selected situations.

Lesson Procedures

1. Have students read Lesson 11.3. Use the Introduction scenario in the lesson.
2. Review the lesson content, stressing the fundamentals of insurance and ways to save money on insurance. Ask students to share any experiences they have had with car or motorcycle insurance. (Note: some students may be familiar with other types of insurance used by their family, especially health insurance or property insurance.)
3. Use Activity 11.3 to help students apply these concepts. Review the activity.
4. Conclude the lesson by revisiting the FINAL NOTE.
5. Use Review 11.3 to assess student learning.

PERSONAL FINANCIAL LITERACY

PASS OBJECTIVE

Objective 11.1: Identify common risks to life and property (e.g., illness, death, natural catastrophe, and accident).

Objective 11.2: Explain the purpose and importance of insurance protection as a risk management strategy (e.g., life, health, property, liability, disability, and automobile).

“Resilience isn't a single skill. It's a variety of skills and coping mechanisms.”

Jean Chatzky

VOCABULARY

Co-insurance

Co-payment

Deductible

Probability

Insurance Card Shuffle Game

Overview

This activity can be used as a review of the content in Standard 11.

Materials

- One set of Personal Event cards per student
- One set of Financial Impact cards per student
- One set of Protection Strategies per student
- Laminate cards, if possible to use with multiple classes

Procedures

1. Print one set of Personal Event cards, one set of Financial Impact cards, and one set of Protection Strategies cards for each student in class. Use a different color of paper for the three different types of cards. Cut apart each set of cards to create a “deck” of cards, containing the Personal Event, Financial Impact, and Protection Strategies cards.
2. Put students into groups of four and give the group four “decks” of cards to shuffle into one large deck for the group to use. Be sure each group shuffles their cards like a traditional deck of cards. Have students place the deck of shuffled cards in the middle of the group. Each student should draw two cards. After each student has drawn two cards, the top card should be turned over and set next to the first deck to start a “discard” stack of cards. Students can lay down any cards that complete a set of the four Personal Events: Disability, Death, Property Loss, and Liability. They can lay down one or two cards at a time, completing their set as they continue drawing cards. They should draw from the deck or use the top card in the discard stack to replace the card(s) they laid down. These four cards are needed before they can start collecting the Financial Impact cards that relate to each Personal Event. Once they have collected the Personal Impact cards, then they will lay down the appropriate Financial Impact cards until they have completed their set of cards. Students should take turns drawing cards from the deck or the discard stack, discarding any card they cannot use. Once all of the cards are drawn from the original deck, the cards in the discard stack can be shuffled and used until students can complete their set of cards. The goal is to have each student draw a complete set of cards that aligns with the chart shown on Page 5.
3. Review the activity by asking students to discuss the potential benefits of having insurance. Remind students that having savings and investments can also help offset the costs associated with personal events.

Answer Chart			
Disability	Death	Property Loss	Liability
Loss of personal income	Loss of household income	Theft	Lawsuit for negligence
Increased expenses	Funeral and burial expenses	Repair or replacement costs	Injury to a third party
Disability Insurance	Life Insurance	Property Insurance	Liability Insurance

Personal Event Cards (two sets on this sheet)

Disability	Disability
Death	Death
Property Loss	Property Loss
Liability	Liability

Financial Impact Cards (one set on this sheet)

<p>Theft</p>	<p>Loss of personal income</p>
<p>Repair or replacement costs</p>	<p>Increased expenses</p>
<p>Lawsuit for negligence</p>	<p>Loss of household income</p>
<p>Injury to a third party</p>	<p>Funeral and burial expense</p>

Protection Strategies Cards (two sets on this sheet)

Disability Insurance	Disability Insurance
Life Insurance	Life Insurance
Property Insurance	Property Insurance
Liability Insurance	Liability Insurance

Does Insurance Cover This?

Overview

This activity can be used to review the content in Standard 11.

Materials

- Two popsicle sticks per student

Procedures

1. Give each student two popsicle sticks. Tell students they will be using these sticks to respond to a series of statements about the types of events that are **generally** covered by homeowner's insurance, medical insurance, life insurance, disability insurance, and full-coverage auto insurance. Each one will have caveats but the idea is to get discussion going.

They should raise ONE stick if they think the statement is something usually covered by insurance and TWO sticks if they think it is not something usually covered by insurance. (Note: you could also use this activity with small groups of students, allowing them 30 seconds to discuss the statement in the group before raising their sticks.)

2. Read each of the following statements, reminding them to raise their sticks in response. (Note: you may also want to ask students what kind of insurance would be used, if covered.)
 - You are at an intersection. The light turns green and you proceed, but a car going the other direction does not stop, hitting you halfway through the intersection. (*Insurance Typically Covered: Auto*)
 - Your house is hit by lightning, causing a fire and significant damage to the house and contents. (*Insurance Typically Covered: Homeowner's*)
 - A heavy rain comes, and your house is flooded from rising water. You need to replace all of the carpet and most of the furniture. (*Not Covered: Flood Insurance is Needed*)
 - A pipe bursts under your sink and floods the house. (*Insurance Typically Covered: Homeowner's*)
 - Your car breaks down and you need to get a new transmission. (*Not Typically Covered*)
 - As you pull into the grocery store parking, you accidentally hit a car in the next parking space. (*Insurance Typically Covered: Auto*)
 - You fall on your job, hurting your back, and you cannot return to work. (*Insurance Typically Covered: Disability*)
 - Your grandmother has to go to a nursing home. (*Not Typically Covered: Long Term Care Policy needed*)
 - You slide into home base and break your ankle. (*Insurance Typically Covered: Medical*)
 - After a hailstorm, the roof on your house is damaged and needs to be replaced. (*Insurance Typically Covered: Homeowner's*)

Procedures Continued

- You have a new apartment. After returning from a movie, you discover that someone broke in and your new TV and other items were stolen. (*Insurance Typically Covered: Homeowner's*)
 - You drop your cell phone in the lake. (*Not Typically Covered/Could have a cell phone replacement policy with phone carrier*)
 - Dad dies, leaving Mom with four children still in school. (*Insurance Typically Covered: Life*)
 - A storm comes through town, and a tree falls on your car while parked in the driveway. (*Insurance Typically Covered: Auto*)
 - You get a flu shot at the local clinic. (*Insurance Typically Covered: Medical*)
3. Discuss the activity, reminding students that not all events are covered by insurance – and sometimes it is better to pay the cost rather than file a claim, even if insurance is available.

Extending the Lessons

Use the quotes in the Teacher’s Guide as an introductory discussion or review for the lessons.

Have students prepare a list of questions about insurance and invite an insurance agent to come to class to answer their questions.

Have students research teen driving issues and prepare a class presentation.

Resources

Lessons:

Free lesson plans at <http://www.econedlink.org/>

Free lesson plans and other resources at <http://moneyisok.com/standards/standard-11-insurance/>

Videos/Online Resources:

Free Videos at www.bettermoneyhabits.com. Free lesson plans for some videos available at <http://www.econedlink.org/> under the Topics tab, Better Money Habits

Teaching Tools:

Free resources at <http://www.insureuonline.org/index.htm>

General personal finance resources available at:

- www.federalreserveeducation.org
- www.mymoney.gov
- www.jumpstart.org