



LESSON EIGHTEEN

**Insurance: Managing Your Risk**

**TEACHERS**

**Introduction**

When buying a car or home, we purchase insurance to help cover our risk of owning it. Basically, this means we buy insurance to protect against any losses from accidents or natural disasters. We have several choices to make when buying insurance, such as the amount of our deductibles and coverage. Deductibles are the amount we pay when we file a claim to use the insurance; the coverage amount is the maximum amount we can receive to repair or replace our property. While deductibles and coverage affect insurance costs, they are two of the many other factors that determine insurance rates. Insurance companies base rates on our ability to manage credit, our level of education, our grades in school and our age to name a few. The cost of buying insurance is outweighed by the benefit of being protected against financial loss. Paying for insurance may seem expensive, but it can actually be a good tool to help us manage unforeseen costs and is an important part of our financial planning.

**Purpose**

This lesson will help students learn what affects insurance rates. Students will calculate differences in insurance premiums.

**Definition of the Week**

**Insurance:** A tool used to manage risk or protect people from financial losses

**Tool Kit**

Go to [http://www.bankrate.com/brm/rate/brmins\\_autosearch.asp?web=brm&ins\\_type=2](http://www.bankrate.com/brm/rate/brmins_autosearch.asp?web=brm&ins_type=2); select Oklahoma, then a city. Record average insurance premium for each category.

**Procedure**

1. Discuss differences between “low risk” and “high risk” choices. Have students list risks of driving or owning a car or home. Note how insurance protects owners from financial loss for car repairs, medical costs, or lawsuits that might result from an accident.
2. Explain the following: Insurance companies spread out potential risk over a pool of people; they expect only a few customers will actually need to use insurance. Companies compute the odds of someone filing a claim and estimate the total amount to be paid. Statistics show 16-year-old drivers have 10 times more accidents than drivers aged 30–59 and three times more than drivers aged 17–19. Ask students how that impacts insurance costs. Show average rates from Tool Kit. Have students calculate percentage differences in rates for each category and discuss possible reasons for differences.

**PARENT OPTION**

Talk with your child about the different kinds of insurance your family uses. Help your child research and review factors influencing insurance rates to determine if your family has the appropriate level of insurance coverage. Make an appointment with your insurance agent to explain the purpose of insurance and the different kinds of insurance policies available. Have your agent discuss a career in insurance with your child. Find an article in the newspaper about an accident or natural disaster; have your child write a summary of the article and identify the types of insurance that would be needed to cover the losses. Visit [www.familyeducation.com](http://www.familyeducation.com) or <http://www.hwysafety.org/>; search for information on “teen driving.” Spend time answering questions with your child about the responsibilities and risks of driving. Help your child construct graphs or bar graphs with the statistics on seat belt use and other data available on the websites. Have your child develop a list of “do’s and don’ts” while driving.

**Car Insurance**

Draw a picture of your favorite car or cut one from the newspaper to put in the space below. Be sure to write the price of the car next to it. This will help remind you of the vehicle’s value and the need for insurance to cover your risk of owning it. Complete the application below and talk to your family’s insurance agent to see if you are a good potential customer. Ask your agent to calculate your insurance rates for driving the vehicle you placed in the above box.

**Driver Profile**

Your name \_\_\_\_\_

Male \_\_\_\_\_ Female \_\_\_\_\_ Age \_\_\_\_\_

Address \_\_\_\_\_

How many miles per year do you drive? \_\_\_\_\_

Car is parked in a garage \_\_\_\_\_ in a driveway \_\_\_\_\_ on the street \_\_\_\_\_

You have been driving \_\_\_\_\_ years.

Do you wear a seatbelt? Yes \_\_\_\_\_ No \_\_\_\_\_

No. of moving violations \_\_\_\_\_

No. of accidents \_\_\_\_\_

Do you drink and drive? Yes \_\_\_\_\_ No \_\_\_\_\_

What are your grades in school? \_\_\_\_\_

**Coming next week: Income Taxes**

Newspapers for this educational program provided by:

