

Exploring types of insurance

Students investigate different types of insurance and determine which types they will most likely use in their lifetimes.

Learning goals

Big idea

We all face risks in life, and insurance is one way to help reduce financial costs when these challenging events happen.

Essential questions

- Which types of insurance will I most likely purchase in my lifetime?
- Without insurance, what financial risks might I face?

Objectives



- Identify the purpose of different types of insurance
- Understand the risks of not having insurance

NOTE

Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

KEY INFORMATION

Building block:

-  Executive Function
-  Financial knowledge and decision-making skills

Grade level: High school (9-12)

Age range: 13-19

Topic: Protect (Managing risk, Using insurance)

School subject: CTE (Career and technical education), Physical education and health, Social studies or history

Teaching strategy: Cooperative learning

Bloom's Taxonomy level: Understand, Evaluate

Activity duration: 45-60 minutes

National Standards for Personal Financial Education, 2021

Managing risk: 12-1, 12-2, 12-3, 12-5, 12-6, 12-7, 12-8

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

What students will do

- Review types of insurance and identify who or what each type insures.
- Consider the likelihood that they would buy each type of insurance in the future.
- Select three types of insurance they think would be most important to them in the future and explain why they selected these types.

Preparing for this activity

- While it's not necessary, completing the "Reading about insurance" activity first may make this one more meaningful. You also can share the "What is insurance" poster with your students. Download or order free copies at <https://pueblo.gpo.gov/CFPBpubs/CFPBpubs.php?PubID=13471>.
- Print copies of all student materials for each student, or prepare for students to access them electronically.

What you'll need

THIS TEACHER GUIDE

- Exploring types of insurance (guide)
[cfpb_building_block_activities_exploring-types-insurance_guide.pdf](#)

STUDENT MATERIALS

- Exploring types of insurance (worksheet)
[cfpb_building_block_activities_exploring-types-insurance_worksheet.pdf](#)
- Types of insurance (handout)
[cfpb_building_block_activities_types-of-insurance_handout.pdf](#)

Exploring key financial concepts

A risk is something that exposes us to danger, harm, or loss. We face risks every day, and often these risks can have a financial impact on our lives. Getting sick, breaking a leg, having a car accident, or experiencing a house fire are examples of risks that may happen to any of us. If we had to pay the full costs for doctor's visits, surgeries, and automobile repairs ourselves, it could cause a substantial financial burden in our lives.

To protect against the financial consequences associated with these risks, people often choose or are required to purchase insurance policies. Insurance policies

reduce a person's financial risk in areas such as health (medical insurance), eyesight (vision insurance), automobiles (auto insurance), property (homeowner's or renter's insurance), and death (life insurance). Consumers pay a fee for these policies, called a premium, which is typically much less than the costs associated with this risk without insurance. The consumer who buys the insurance policy is called a policyholder. The policyholder might pay the premium all at once or through a payment plan that divides the total cost into payments that are made monthly, quarterly, or some other agreed payment schedule.

Premiums aren't the only costs to consumers with insurance. Two other common costs are deductibles and copayments. A deductible is the amount of expenses the insured must pay before the insurance company will contribute toward the covered item. For example, the amount you pay for covered health care services before your insurance plan starts to pay is your deductible.

A copayment (or copay) is a fixed amount (\$20, for example) you pay for a covered health care service in addition to the amount your insurer pays.

Note: It's also helpful to know that people get insurance not only to help with risks from unexpected events but also to help pay for routine things, such as annual medical checkups and dental visits. In addition, insurance companies negotiate discounts with health care providers, so their customers pay those discounted rates.

TIP

Because insurance products, terms, and laws change, students should be encouraged to always look for the most up-to-date information.

Teaching this activity

Whole-class introduction

- Ask students to share if they or someone they know has insurance.
 - If they do, ask volunteers to share what type of insurance they or the person has.
- Read the "Exploring key financial concepts" section to students.
- Be sure students understand key vocabulary:
 - **Beneficiary:** Someone or something named to receive proceeds or benefits. In the insurance context, it's the person, charity, trust, or estate designated by the policyholder to receive the policy's benefits or payments.
 - **Copayment (or copay):** A fixed amount (\$20, for example) you pay for a covered health care service in addition to the amount your insurer pays.

- **Deductible:** The amount of expenses the insured must pay before the insurance company will contribute toward the covered item. For example, the amount you pay for covered health care services before your insurance plan starts to pay is your deductible.
- **Insurance:** The practice or arrangement in which a company or government agency provides a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a premium.
- **Insured:** The person, group, or organization whose life or property is covered by an insurance policy.
- **Insurer:** A person or company offering insurance policies in return for premiums; person or organization that insures.
- **Policy:** In the insurance context, it is a written contract between the insured and the insurer.
- **Policyholder:** The individual or firm that acquires and wants protection from the risk and generally in whose name an insurance policy is written. The holder is not necessarily the insured. For instance, life insurance policies might be bought by employers of key employees, or a person may buy and be the holder of a life insurance policy on their spouse. In such cases, the buyer is the policyholder.
- **Premium:** The amount of money that has to be paid for an insurance policy.
- **Risk:** Exposure to danger, harm, or loss.

TIP

Visit CFPB's financial education glossary at consumerfinance.gov/financial-education-glossary/.

Individual and group work

- Distribute the "Types of insurance" handout and the "Exploring types of insurance" worksheet, or direct students to access them electronically.
- Ask students to review the handout.
- For each listing in the handout, students will:
 - Identify who or what is being insured (person or property) and write the answer on the worksheet.
 - Decide how important this insurance would be to them in the future and then explain their thinking.
- Ask students to write down three types of insurance they think would be most important to them in the future and why.

Wrap-up

- Bring students back together to review and discuss their responses.
- Whenever students have differing answers, ask them to share the reasons for their answers.
 - Emphasize that insurance needs will vary, since different people have different risk factors based on their age and circumstances. The important takeaway is for students to understand that, to the extent their monthly budget allows, they'll want to dedicate a portion of their budget toward insurance protections.
- Optional: Create a graph or chart depicting students' votes for the most important types of insurance to determine trends and outliers.

Suggested next steps

Consider searching for other [CFPB activities](#) that address the topic of protection, including managing risk and using insurance. Suggested activities include ["Reading about insurance"](#) and ["Illustrating insurance concepts"](#).

Measuring student learning

Students' answers on their worksheets and during discussion can give you a sense of their understanding. **Keep in mind that students' answers may vary.** The important thing is for students to have reasonable justification for their answers.