

Reading about insurance

By analyzing a text about insurance, students learn ways they can protect themselves from risk and avoid high costs when something goes wrong.

Learning goals

Big idea

Insurance helps protect people from financial risks.

Essential questions

- What are some common types of insurance people buy to protect themselves from risk?
- How does insurance protect you from paying high costs if something goes wrong?

Objectives

- Identify some common types of insurance
- Describe how insurance works

What students will do

- Read and analyze a text about insurance to understand how insurance can help people manage risk.
- Answer reading comprehension questions.
- Discuss the reading to deepen their understanding of 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:

 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), English or language arts, Social studies or history

Teaching strategy: Direct instruction

Bloom's Taxonomy level: Understand

Activity duration: 45-60 minutes

National Standards for Personal Financial Education, 2021

Managing risk: 12-1, 12-2, 12-3, 12-4, 12-5, 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.

Preparing for this activity

- Print copies of all student materials for each student, or prepare for students to access them electronically.

What you'll need

THIS TEACHER GUIDE

- Reading about insurance (guide)
[cfpb_building_block_activities_reading-about-insurance_guide.pdf](#)

STUDENT MATERIALS

- Reading about insurance (worksheet)
[cfpb_building_block_activities_reading-about-insurance_worksheet.pdf](#)
- What is insurance? (handout)
[cfpb_building_block_activities_what-is-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 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.

TIP

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

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.

Teaching this activity

Whole-class introduction

- Ask students to share some types of risks people face that can affect their health or things they own.
 - Answers may include illness, a car accident, theft, or a house fire.
- Read the "Exploring key financial concepts" section to students to explain what insurance is.
- Explain that they'll learn about why insurance is important and how insurance helps people manage their risk.

TIP

Visit [CFPB's financial education glossary](#) for terms and definitions you may find useful.

Individual and group work

- Distribute the "What is insurance?" handout and the "Reading about insurance" worksheet, or direct students to access them electronically.
- Students can work individually or with a partner on this activity.
- Ask students to review the worksheet first; that will help them think about what information they'll need from the handout to answer the questions.
- Ask students to read the handout quietly and then answer the worksheet's reading response questions.
- Students will answer the "Digging deeper" questions on their own.

- When students have finished, bring them together to engage in a discussion about insurance and why it's an important part of managing risk.
 - Review students' definitions and make sure they understand the terms.
 - Ask students to discuss how insurance works, providing a few examples.

Wrap-up

If time allows, ask volunteers to share their answers to the "Digging deeper" questions.

Suggested next steps

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

Measuring student learning

Students' answers on their worksheets and during discussion can give you a sense of their understanding.

This answer guide provides possible answers for the "Reading about insurance" worksheet. **Keep in mind that students' answers may vary.** The important thing is for students to have reasonable justification for their answers.

Answer guide

Student definitions should be similar to the following:

- **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.

Fill-in-the-blank answers:

Each year, you must pay the PREMIUM on your car insurance policy to keep it active. If you're in an accident, you must first pay your DEDUCTIBLE and then the insurance company will often cover the remainder of the costs related to repairing your car.

The company offering the insurance policy is called the INSURER and the person who is covered by the policy is the INSURED.