**Homework:”8 of the weirdest insurance policies”** Read the following article about insurance and answer the questions below. <http://www.bankrate.com/finance/insurance/8-of-the-weirdest-insurance-policies.aspx>

1. What is “specialty lines insurance?” Insurance that covers bizarre risks that are difficult to calculate.

2. Why does the law of large numbers work for mainstream insurance companies but not for specialty lines? Because mainstream insurance companies insure lots of people for lots of different things, which spreads the risk, but there aren’t that many celebrities to insure, and what they want to insure is often celebrity-specific, so it isn’t possible to spread the risk.

3. Why are promotional policies (like the one insuring supermodel Heidi Klum’s legs for $2.2 million dollars) actually quite reasonably priced? They’re unlikely to ever pay out.

4. Do you think buying wedding insurance would be a good idea? Why or why not? Answers will vary.

5. Imagine you are picked out of a crowd at a basketball game to attempt a half-court free throw. The prize if you make it is a million dollars! Explain how insurance could be used to offer such a large prize, and what would happen if you actually make the basket. Answers will vary, but should include that the sponsors of the contest could buy an insurance policy that will pay the million dollars in the event someone makes the basket. The sponsors will pay a one-time premium for the policy, which is money they will not recover whether you make the shot or not; the insurance company will pay the million dollars if you do make the shot, but either way, the insurance company will keep the premium.

6. Why would the price of coverage for a sports insurance policy vary so widely? Different sports have a wide range of risks.

**THINK ABOUT IT:**

7. You could pay car insurance all your life (which could add up to a lot of money over time) but never use your insurance at all. Is this “fair”? Explain. (Students should see that whether they used it or not, they had the potential of making a claim at any time; if they had had a policy for 5 minutes and got in a covered accident, the insurance company would have honored the policy. Someone who doesn’t use their insurance should be happy nothing bad happened to them--they had peace of mind all those years!)

8. Think of one thing of value at your home that money could easily replace, and one thing that no amount of money could replace. Would you pay for an insurance policy on either of these items? Explain your answer. Answers will vary

9. How is insurance different from just guessing whether something will happen? Guessing is random; insurance uses statistics and probability to figure out the likelihood of an event occurring, so it is possible to know how much to charge for a policy to make it worth taking on the risk.

10. What questions do you still have about insurance?