“The Trouble with Chocolate Bunnies: Introduction to Insurance”

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Lesson Targeted to 9-12 Grade

II. Abstract:

Insurance is not usually an exciting topic for teenagers, but making sure my students in Economics and Personal Finance understand insurance is a major focus of the course. Before branching off into the many different types of insurance, my students need to have a fundamental concept of how insurance actually works. After a brief discussion about what they already know about insurance, my students get an overview of how insurance work by watching a short, amusing video in class. <https://www.youtube.com/watch?v=FvjxCiHofQc>

 Our discussion centers on what insurance does (compensates a person financially for a loss) and how it works (purchasing a policy, paying premiums, and sharing risk in a pool of other insurance buyers). This lesson focuses on EPF 14a [CTE 103] “Evaluate insurance as a risk-management strategy” by using a simulation I created with three students up at the front of the class. In this lesson, I am also combatting two misconceptions about insurance: that insurance replaces things for you and that the insurance company is paying for your loss from its own self-generated funds.

For the final part of the lesson, the students write a brief exit ticket on a Padlet to individually apply their knowledge of common insurance terms.

III. Economics Content and Key Concepts:

Risk

Insurance

Policy

Floater/Rider

Premium

Claim

Deductible

IV. Economic Standards and Student Learning Outcomes:

From the Virginia Standards of Learning EPF 14a

The student will demonstrate knowledge of the role of insurance in risk management by a) evaluating insurance as a risk management strategy.

Essential Understandings: Insurance can reduce financial risk. There are pros and cons of insurance as a risk management strategy in financial planning.

Essential Questions: Why do people buy insurance?

Essential Knowledge: Insurance provides protection from loss due to unforeseen or unavoidable events or circumstances (e.g., illness, death, fire, theft, liability, act of nature, automobile accident). http://www.doe.virginia.gov/testing/sol/frameworks/economics\_personal\_finance/economics\_personal\_finance\_curriculum\_frmwrk.pdf

V. Instructional Process:

**BUILD BACKGROUND:**

Previous to the lesson, students should ask their parents what kinds of insurance they have and whether they have ever had to use their insurance. Students are usually eager to share insurance usage stories, and sometimes they are riveting—houses flooding or burning down, cars stolen. You might want to limit this to 5 minutes—it can be intense.

**HOOK/ATTENTION GETTER**: We watch the short video together—it is a little tongue in cheek, which teenagers tend to like, and it’s funny, so they pay attention.

<https://www.youtube.com/watch?v=FvjxCiHofQc>

**DIRECT INSTRUCTION/ SIMULATION:**

I use the attached PowerPoint to go through a simulation.

Give three volunteers a chocolate bunny each, 5 play-money one dollar bills each, and a ticket for a drawing. I offer each student insurance on their bunny, telling them I am an actuary from an insurance company and I KNOW one of them will suffer the loss of a bunny, I just don’t know which one. I put the replacement cost of the bunny at $6 (which none of them could afford to replace on their own). The premium is $2 for a rider with a $1 deductible or $3 for a rider with a $0 deductible. I reinforce the idea of “the lower the deductible, the higher the premium.” So I tell the students about the rider or floater since the bunny is so easily “stealable” that it could just “float away” with the help of a light-fingered thief. Most students choose to buy insurance (especially when I stress that the play money is no good outside of this simulation and they will be able to keep the bunny if they still have one at the end of the sim!) So I collect the $2 or $3 from each student, and I show that the money I am collecting is from THEM (sharing the risk) by using a magnet to put the money on the whiteboard instead of in my pocket. I draw a number, and “steal” a bunny. I have the unlucky student fill out a claim form, and I look around to be sure they don’t still have the bunny. Then I pull the money off the whiteboard and give the student $6 if they have a zero deductible or $5 if they have a $1 deductible. So the insurance company made money, the person with the loss has the choice to buy a bunny from ‘the store’ or keep the money. If they buy the bunny, they have a bunny and some money left while the other kids have a bunny and usually more money. I point out that this is how insurance works—sometimes you still lose a little, but not as much as you would have without the insurance. And it’s better not to have to use your insurance—that’s money you HOPE you throw away!

**INDIVIDUAL PRACTICE/HOMEWORK:**

Students write the definitions for the following terms in their interactive notebooks: risk, insurance, policy, floater/rider, premium, claim, deductible

VI. Evaluation of Student Learning:

As an exit ticket at the end of this lesson, students were given the following assignment in Padlet :

How does insurance work? Give a brief overview, using the words: POLICY, PREMIUM, DEDUCTIBLE, RISK

The comments on the Padlet wall (click on the links or scan the QR codes below) show that most students came away from the lesson with a solid understanding of the basics of insurance.

<https://padlet.com/clpedersen/insurance2>



<https://padlet.com/clpedersen/insurance4>



Appendix:

1. **Materials needed for simulation:**

Tickets (or slips of paper) to determine whose bunny will be “stolen”

Play Money—15 dollars in one dollar bills

Insurance “floater/rider”

Insurance “claim form”

3 chocolate bunnies—the bigger the better

A fairly large magnet or clip

 **B. Handouts, Worksheets, and Links:**