

# Reducing Risk with Insurance – Teacher’s Instructions

## Overview:

In this activity, students will choose whether or not to buy insurance. They roll a dice to find out if they have experienced a catastrophe involving a financial loss. They decide whether or not having insurance benefits them and if it is worth the cost.

## Items Needed:

- ✓ Dice (Students can work individually, in pairs, or on a team. That will determine how many dice are needed.)
- ✓ Handout – Reducing Risk with Insurance

## Procedure:

Students have a \$3,000 budget for insurance.

- ✓ Students are to calculate the annual premium for each type of insurance.
- ✓ After calculating the annual premium, they decide whether or not they want each type of coverage. Remind students they only have \$3,000 budgeted for insurance.
- ✓ Each student rolls the dice 6 times.
  - Each roll identifies a situation that may involve a financial loss.
  - If the student has insurance, they avoid the loss. However, they still may be responsible for a deductible or co-pay.
  - If they don't have insurance, they have to pay for the loss out of their own pocket.
- ✓ After the students have completed rolling the dice, they then calculate the payments (co-pays, deductibles, and non-insurance losses).
- ✓ Students fill in the chart (like the one below) each time they roll the dice. Please remind students that they calculated the annual premium in Step 1. An example is provided in the first row.

A	B	C	D	E	F
Roll on Dice	Annual premium*	Deductible or co-pay (if insured)	If insured, add B & C Together:	Enter amount of loss (not insured)	Is column D greater or less than column E
Ex: 2	\$900.00	\$25.00	\$925.00	\$0.00	Yes
TOTAL	n/a				n/a

- ✓ If column E is greater than column D, it means their insurance premiums and deductibles/co-pays were less than the financial loss.
- ✓ If column D is greater than column E, that means that they spent more on premiums and deductibles than the amount of the loss.
- ✓ After students complete the chart, ask them: Was having insurance worth it?

Wrap-Up:

People often complain if they pay for car insurance and never have an accident, but one fender bender can cost tens of thousands of dollars to repair. You have no way of knowing if and when disaster will strike, so insurance helps you plan ahead --- just in case