



STUDENT ACTIVITY

Risks and Responsibilities

Session Overview and Objectives

In this lesson students learn about risk and its role in insurance. They learn about the differences between insurable and noninsurable risks. Students also identify strategies for managing risks.

STUDENTS WILL:

- Identify risks in life and how to protect against the consequences of risk.
- Investigate categories of specific risks they may face.
- Examine ways to mitigate those risks.
- Calculate the probability of those risks occurring.

Standards

NATIONAL BUSINESS EDUCATION ASSOCIATION

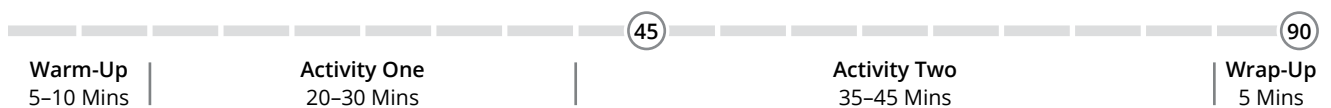
- Personal Finance VIII. Protecting Against Risk: Analyze choices available to consumers for protection against risk and financial loss.
- Personal Finance I. Personal Decision Making: Use a rational decision-making process as it applies to the roles of citizens, workers, and consumers.

COMMON CAREER TECHNICAL CORE

- FN-INS 1.2: Explain legal concepts pertinent to the insurance industry.

Activity Time Estimate

Time estimates for the activities in this session are shown to help you plan for your class. The total time for the activities can range from 60 to 90 minutes. You could also use the activities in two 45-minute sessions.



Preparation and Materials

Prior to the session do the following:

- ☐ Review the teacher guide, online session, quiz, and student materials.
 - The online session includes interactive features. If you are projecting the session, practice navigating and using the interactive features.
- ☐ Preview the following video:
 - “We Asked Kids: What Is Insurance?” <https://www.allstate.com/tools-and-resources/videos/kids-explain-insurance.aspx>
- ☐ Provide students access to the following materials:
 - Student Activity: Risks and Responsibilities
 - Online Session: Risks and Responsibilities (available in the online course or at the following link: <https://data.ja.org/s/7wQAAA>)
 - Risks and Responsibilities Quiz (1 per student)
- ☐ Ensure that students have access to these additional resources:
 - Paper
 - Pens or pencils
 - Internet

Please use this space to record any supplemental resources you might include in this session.

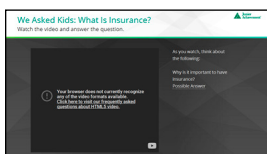
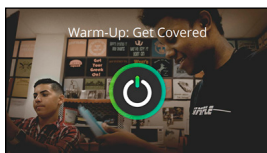
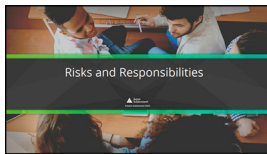
Insert your ideas here.

Teacher Guide

The following are talking points and instructions designed to help you facilitate the session and enhance student discussions. Headings correspond to the on-screen headings in the online program.

WARM-UP: GET COVERED

5-10 MIN.



Objectives

1. Welcome students to the class. Tell them that in this session, they will learn about risks and how risks are managed.
2. Review the objectives for this session.
 - Identify risks in life and how to protect against the consequences of risk.
 - Investigate categories of specific risks they may face.
 - Examine ways to mitigate those risks.
 - Calculate the probability of those risks occurring.
3. Direct students to their student activity pages.
 - If they are using the activity pages digitally, have them download the document and give it a logical file name that they can quickly locate.
 - Ask students to preview the activity pages and prepare to take notes throughout the session.

Riddle: What Am I?

1. Ask a student to read the clues.
 - The people who buy me never want to use me.
 - People are the happiest to have me when they are the saddest to need me.
2. Ask students what item the clues describe.

? What am I?

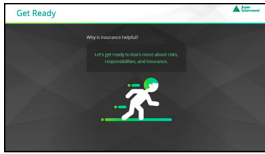
Answer: insurance.

We Asked Kids: What Is Insurance?

1. Play the video "We Asked Kids: What Is Insurance?" at <https://www.allstate.com/tools-and-resources/videos/kids-explain-insurance.aspx>.
2. Ask students to consider the following question as they watch the video:

? Why is it important to have insurance?

Answers will vary. Insurance protects important things, such as a house, by paying the owner money if those things are damaged or destroyed.

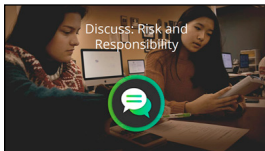


Get Ready

1. Tell students that in the first activity they will learn more about risks, responsibilities, and insurance.

DISCUSS: RISK AND RESPONSIBILITY

20-30 MIN.

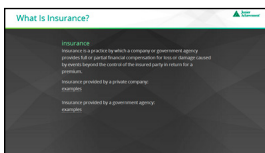


What Is Insurance?

1. Define *insurance*.

Insurance is a practice by which a company or government agency provides full or partial financial compensation for loss or damage caused by events beyond the control of the insured party in return for a premium.

2. Ask a student volunteer to restate the definition in his or her own words.
3. Mention that both private companies and government agencies can provide insurance.
4. Ask students to do research online and find examples of insurance provided by a private company.
 - Invite students to share what they found.
 - Examples include health, auto, life, and property.
5. Ask students to do research online and find examples of insurance provided by a government agency.
 - Invite students to share what they found.
 - Examples include health and unemployment insurance.



What Did People Do Before Insurance?

1. Explain that insurance wasn't always available, so people had to find other ways to help themselves when things went wrong.

? What do you think people did before insurance?

Answer: In the days before insurance, when misfortune hit a family, community members pitched in to help. If your barn burned down and you lost all your cows, your neighbors would pitch in and rebuild the barn and provide you with enough cows to start another herd. It was in everyone's best interest to pitch in and help.

2. Remind students that community members sharing misfortune still works today, but there are limitations.



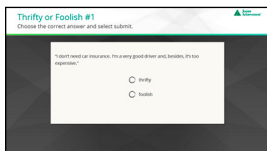
? What do you think creates those limitations today?

Answer: Today's communities are not close-knit. People are not dependent on each other in the same way as they were in the past. It doesn't make sense for a community to replace the valuable luxuries that people have acquired.



In the Beginning

1. Explain that the first insurance company was formed in London in 1668 to fight fires.
 - ... The insurance company would send wagons to save a customer's property but not the house next door. If another company insured the burning house, the insurance company would just let it burn. Eventually the towns began fighting fires, taking the job away from the insurance companies.
 - ... Fun fact: In 1752, Benjamin Franklin started an insurance company (The Philadelphia Contributorship) that still exists today. The company provided fire insurance coverage for customers but would only insure houses and other structures that followed strict building codes.

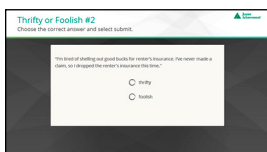


Thrifty or Foolish #1

1. Explain to students that you are going to share several scenarios with them. In each case you want them to decide if the person is being thrifty or foolish.
2. Ask a student volunteer to read aloud the first scenario.

? Is the decision not to get car insurance thrifty or foolish?

Answer: foolish. While many car accidents are preventable, some are not. It is foolish (and illegal) to drive without automobile insurance.

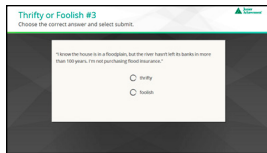


Thrifty or Foolish #2

1. Ask another student volunteer to read aloud the next scenario.

? Is the decision to drop renter's insurance coverage thrifty or foolish?

Answer: foolish. Some students may agree with the renter that renter's insurance is not worthwhile. However, a landlord's insurance policy only covers their own property, not the renter's. If the renter's personal property (clothes, computer, TV, furniture) are damaged due to fire or weather, or if they are stolen, renter's insurance will cover the loss up to the amount listed in the policy.

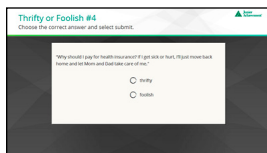


Thrifty or Foolish #3

1. Ask a student volunteer to read aloud the third scenario.

? Is the decision not to purchase flood insurance for a home in a floodplain (a low-lying area where flooding is possible) thrifty or foolish?

Answer: foolish. In areas where flooding is fairly common, the mortgage holder may require flood insurance. Even if flood insurance isn't required, it may be a good idea. Many people in areas such as Louisiana, New Jersey, and New York who lost their homes due to flooding caused by storms or hurricanes probably wish they had bought flood insurance.

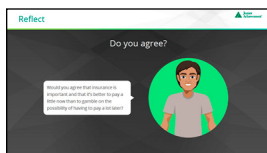


Thrifty or Foolish #4

1. Ask a student volunteer to read aloud the last scenario.

? Is the person's decision not to get health insurance thrifty or foolish?

Answer: foolish. Federal law requires that nearly all adults carry health insurance. Exceptions include people with a very low income, Native Americans, and individuals living outside the United States. The financial costs of a catastrophic illness or injury can bankrupt a family very quickly.



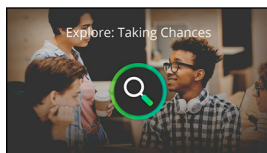
Reflect

1. Ask students if they agree with this statement:

... Insurance is important and it's better to pay a little now than to gamble on the possibility of having to pay a lot later.

EXPLORE: TAKING CHANCES

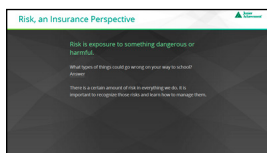
35-45 MIN.



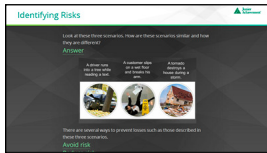
Risk, an Insurance Perspective

1. Define *risk*.
... Risk is exposure to something dangerous or harmful.
2. Ask students what types of things could go wrong on their way to school.

Answers will vary but could include oversleeping and missing the bus, forgetting their books or homework, having an accident at home or on the way to school, falling in the hallway.



- Point out that there is a certain amount of risk in everything we do. It is important to recognize those risks and learn how to manage them.



Identifying Risks

- Present these three scenarios to students:

- A driver runs into a tree while reading a text.
- A customer slips on a wet floor and breaks his arm.
- A tornado destroys a house during a storm.

? How are these scenarios similar and how are they are different?

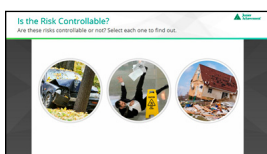
Answer: They are similar in that all three result in damages—to the car, to the customer, and to the house. They are different in the type of risk involved—the first two are controllable, while the third one is not.

- Explain that there are several ways to prevent losses such as those described in the three scenarios.
 - Avoid risk: In the first scenario, the accident would not have happened if the driver had not looked at his phone while driving.
 - Reduce risk: In the second scenario, the customer would not have been likely to fall if the floor had not been wet.
 - Shift the risk: In the third scenario, the damage from the tornado could not be avoided, but the owner of the house could shift the financial risk to an insurance company by purchasing insurance.
- Tell students that while you can't prevent all risks, making careful choices about the actions you take can often reduce how those risks affect you.



Controllable vs. Uncontrollable Risks

- Explain that insurance companies evaluate risks and offer insurance—in exchange for premium payments—to compensate people if they suffer damage or losses.
- Tell students that insurers classify risks into two categories:
 - Those that can be controlled
 - Those that we have no control over



Is the Risk Controllable?

- Tell students that the examples presented earlier demonstrate the difference between risks that are controllable and risks that are not.

- Ask students if the risks in the earlier scenario were controllable or not.

? Is driving into a tree while texting a controllable risk?

Answer: yes. If the driver had not been looking at his phone, he would not have driven into the tree.

? Is falling on a wet floor a controllable risk?

Answer: yes. If the floor hadn't been wet, the customer probably wouldn't have fallen.

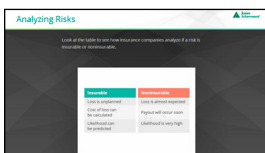
? Is having your house destroyed by a tornado a controllable risk?

Answer: no. You can't control when or where a tornado will strike. But you do control where you live, and you may have chosen to live in an area prone to tornadoes.



Mitigating Risk

- Explain that risks you can control can often be mitigated.
 - ... Mitigate means to reduce the likelihood of an event happening.**
- Show students examples of actions they can take to mitigate risk:
 - Wear a helmet while riding a bicycle.
 - Install smoke detectors in a house or apartment.
 - Look both ways before walking across a busy street.
- Explain that uncontrollable risks, such as damage from very strong tornadoes, cannot be mitigated in the same way that you can mitigate other safety hazards, such as fires or accidents.
- Tell students that insurance companies do not insure all risks, regardless of whether those risks are controllable or not.



Analyzing Risks

- Point out that insurance companies classify risks as insurable or noninsurable.
- Explain that insurable risks have certain characteristics, including:
 - The loss must be unplanned.
 - The amount of the loss can be calculated.
 - The likelihood of the loss can be predicted.

? Is nursing home care for an elderly person insurable?

Answer: yes. People enter nursing homes because of a medical problem. Those problems aren't planned. The cost of a nursing home stay can be determined. The number of people who will enter a nursing home each year can be predicted.

3. Explain that noninsurable risks also have certain characteristics, including:
 - A loss is basically expected.
 - The payout would likely occur soon.
 - The likelihood of loss is very high.
4. Emphasize that insurance companies limit their losses by not taking on risks that would likely require a payout soon.

Noninsurable Risks

1. Ask students which of the examples is noninsurable based on the idea that the insurance company will not insure something that is likely to result in a payout soon.

- Property damage in a war zone

Answer: noninsurable because there is an extremely high likelihood of loss that will require a payout

- Heart attack

Answer: insurable because it's not possible to accurately predict the date or time a heart attack will occur or even if a heart attack will occur, so it's unlikely that a payout will be made soon after the policy is issued

- Common cold

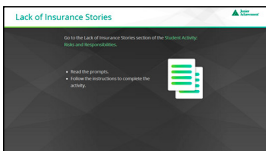
Answer: noninsurable because colds occur frequently, so there is a high likelihood of payout in the near future

- Loss of power from a storm

Answer: noninsurable because power losses due to storms occur frequently, which would lead to a payout soon

Lack of Insurance Stories

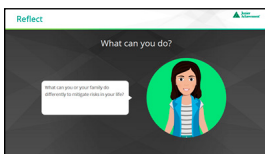
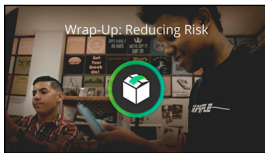
1. Direct students to the Lack of Insurance Stories section of their activity pages. Decide if you want to divide students into small groups or have them work independently on the activity.



2. Tell students they are going to create a story about a person who suffered a loss due to a lack of insurance.
 - Students will need to determine how the outcome would have been different if the person had insurance.
 - Students will also need to decide what the person could have done to reduce the risk of the event.
3. Ask students to share their stories with the class.
4. Encourage students to discuss how the outcome would have been different if the person had had insurance and what that person could have done to prevent the event.
5. Remind students that while some risks can be mitigated and the loss from certain events can be reduced, insurance provides a safety net to help when the worst happens.

WRAP-UP: REDUCING RISK

5 MIN.



Understanding Risk and Insurance.

1. People purchase insurance to receive compensation for losses or damage caused by events beyond their control.
2. To reduce their losses, insurance companies will not insure risks that are likely to require a payout soon.
3. Being careful about the actions you take can help you avoid or mitigate (reduce) risks.

Reflect

1. Ask students what they or their families can do to mitigate risks.

Answers will vary but may include buying insurance, reducing safety hazards in the home, or driving safely.
2. Direct students to complete the Risks and Responsibilities Quiz.