PFL Academy

Teacher Guide: Chapter 7.2 — Insurance as a Risk Management Tool

OVERVIEW

TIME	MATERIALS	PREREQUISITES
45-50 Minutes	Student Activity Packet, Calculator	L-33 Risk Management

LESSON FLOW

5 min — THE CHALLENGE

- Read Sarah's appendectomy scenario aloud.
- Ask: "Before we calculate, guess how much Sarah will pay out of $20,000."
- Record guesses to compare after the lesson.

10 min — CORE CONCEPTS

- Review the five key terms. Use visual diagram showing how costs flow through deductible, then co-insurance.
- Briefly cover different insurance types and their purposes.
- Quick check: Have students name one thing each type of insurance covers.

25 min — APPLY IT

- **Part A (8 min):** Insurance matching. Students work individually, then compare with partner.
- **Part B (12 min):** Sarah's cost calculation. Walk through step-by-step on board. This is the key skill.
- **Part C (5 min):** Jordan's insurance evaluation. Discuss as class—there's no single right answer.

10 min — CHECK YOUR UNDERSTANDING

- Complete in class or assign as homework.
- Review Q3 (liability limits) carefully—this trips up many students.
- Compare initial guesses about Sarah's costs to actual calculation.

DIFFERENTIATION

Support

- Create visual flowchart: Bill → Deductible → Remaining → Co-insurance → Total.
- Provide partially completed calculation tables.
- Work through Part B as a class step-by-step.
- Use simpler numbers for additional practice (e.g., $10,000 bill, $1,000 deductible).

Extension

- Research actual insurance quotes for a first-time renter.
- Compare costs with and without out-of-pocket maximums.
- Calculate break-even point for term vs. whole life insurance.
- Analyze how credit score affects auto insurance premiums.

ANSWER KEY

Part A: Insurance Type Matching

Scenario 1: Homeowner's Insurance

Scenario 2: Life Insurance; Specific product: Term Life (20-year term covers while child grows up, more affordable than whole life)

Scenario 3: Liability Only (collision/comprehensive not worth it on a $3,000 car—premiums would exceed car's value over time)

Part B: Sarah's Health Insurance Calculation

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Step 1: Sarah pays deductible first
$2,000 deductible

Step 2: Calculate remaining after deductible
$20,000 - $2,000 = $18,000

Step 3: Calculate Sarah's co-insurance (20% of remaining)
$18,000 × 20% = $3,600

Step 4: Total out-of-pocket for Sarah
$2,000 + $3,600 = $5,600

Step 5: Insurance pays the rest
$20,000 - $5,600 = $14,400
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Part C & Check Your Understanding

Q5 (Jordan): Consider: coverage quality, network of doctors, future health needs, cost if staying free, independence/portability, tax benefits of own plan. There's no single right answer.

CYU 1: C (Flood damage) — Floods require separate flood insurance policy.

CYU 2: Term life: Temporary coverage for a set period (10-30 years), lower premiums, no cash value. Good for young families needing coverage while children grow up. Whole life: Permanent coverage for entire life, higher premiums, builds cash value. Good for estate planning or lifelong dependents.

CYU 3: Person A: $100,000 (capped at per-person limit). Person B: $80,000 (full amount, under limit). Total: $180,000, which is under the $300,000 per-accident limit. Marcus pays $20,000 out of pocket for Person A's remaining bills.

CYU 4: $15,000 - $500 deductible = **$14,500** (well under the $20,000 coverage limit).

> *CYU 5: Accept thoughtful responses that identify a specific insurance type with reasoning related to family circumstances.*

COMMON MISCONCEPTIONS

Misconception	Clarification
"After I pay the deductible, insurance covers everything."	After the deductible, you still pay co-insurance (your percentage) until you reach the out-of-pocket maximum.
"Homeowner's insurance covers flood damage."	Standard homeowner's policies exclude floods. You need a separate flood insurance policy, often through FEMA's National Flood Insurance Program.

"Young people don't need life insurance."	Life insurance is actually cheapest when you're young and healthy. If you have dependents or co-signed debt, you may need coverage.