

Protecting Your Future: Property and Liability Insurance

LESSON DESCRIPTION (Background for the Instructor)

In this lesson, students will learn about the purpose and characteristics of property and liability insurance as tools to protect their financial security. They will also learn key insurance terminology (e.g., deductible, policy, and premium) and what can happen when people are uninsured or underinsured for major financial risks such as the destruction of a home or being held liable by a court decision for damages to other people.

The lesson includes five activities that instructors can select from. In these activities, students will:

- ◆ View three short YouTube *Insurance 101* videos (*Personal Auto Limits, Renters Insurance, and Personal Umbrella Policy*) about property insurance topics and answer debriefing questions
- ◆ View the YouTube *Insurance 101* video *Deductibles* and answer debriefing questions about deductibles
- ◆ Review property insurance case studies and complete a series of debriefing questions
- ◆ Conduct a *Web Quest* to learn what happens when people are sued and have to pay a liability judgment
- ◆ Complete a *Protecting Your Property Crossword Puzzle* with questions about property insurance

The lesson also contains 10 assessment questions (5 multiple choice and 5 True-False), learning extensions (i.e., suggested learning activities beyond the scope of the lesson plan), and references and resources.

INTRODUCTION (Background for the Instructor)

Insurance is risk protection provided by paying an insurance company to share the risk of losses with you and others who pay into the insurance plan. The main reason to purchase insurance is to protect your money, your health, and your assets. Risk is a part of life and there are three common types of risk:

- ◆ **Personal risk** includes loss of income due to death, illness, disability or unemployment.
- ◆ **Property risk** is loss of or damage to property by fire, theft, and storms
- ◆ **Liability** is risk of losses caused by negligence or events that result in injury to others

Insurance is one of four ways to handle the risk of financial loss in our lives:

- ◆ **Risk Avoidance**- Not doing something that can cause a financial loss (e.g., driving in snow)
- ◆ **Risk Reduction**- Taking steps to reduce the severity of a loss (e.g., wearing seat belts)
- ◆ **Risk Assumption**- Paying some of the loss yourself through self-insurance and deductibles
- ◆ **Risk Transfer**- Transferring the risk of loss to a third party (insurance company)

Insurance helps to protect income and assets from damage or loss, personal injury, or a law suit. It is regulated at the state level. In New Jersey, the state Department of Banking and Insurance (<http://www.state.nj.us/dobi>) oversees the sale of insurance and the licensing of insurance sellers.

Some insurance coverage may be required by lenders. If you have a secured loan, such as a car loan or a mortgage, you'll be required to have insurance to cover at least the amount owed. Other insurance, such as liability insurance, is required by law. For example, if you drive a car in New Jersey, you must have at least a specified minimum amount (15/30/5) of bodily injury and property damage liability coverage.

An insurance *policy* is a written contract that spells out what is and what is not covered. *Coverage* is what insurance will pay for. Coverage can include covering all or part of losses due to fire, theft, injury, illness, or storm. Coverage will generally exclude damage due to floods, wars, or terrorism. The *term* is the length of time that the contract is in force. The term *premium* is the cost of the policy. It refers to the amount that you pay. If you pay \$100 a month for car insurance, you would say that your premium is \$100 a month.

If you have a situation where you want your insurance to pay for a loss, you will file a *claim*. Claims can be accepted or denied. Too many claims will make you a higher risk and could lead to cancellation of your coverage. Most insurance policies require that the person who is insured pay a part of each claim. The *deductible* is the amount that the insured person will pay before the insurance company pays. Generally speaking, the higher the deductible, the lower the premium for a given amount of insurance (any type).

Auto (and motor cycle) insurance generally has the following components:

- ◆ **Collision** coverage pays for damage to a car to repair it following an accident with another car.
- ◆ **Comprehensive** coverage pays for damage to a car that is not due to a collision. Damage by a fire, running into a deer, or theft would be covered under comprehensive coverage.
- ◆ **Bodily Injury and Property Damage Liability** covers financial losses when a person is injured or loses wages due to a collision. It also covers damage to other's property from the accident.
- ◆ **Uninsured Motorists Coverage** protects against losses suffered in a "hit and run" accident or an accident with an uninsured vehicle (about 14% of U.S. drivers are uninsured; 11% in New Jersey).

New Jersey state law requires drivers to carry liability insurance to show they can cover the cost of any damages caused in an auto accident. The minimum required split limit liability coverage in New Jersey is expressed as 15/30/5. This means that the minimum liability limits for bodily injury are \$15,000/person and \$30,000/accident. The last number in the 15/30/5 split limit is \$5,000 coverage for property damage.

These limits are very low and leave drivers under-insured. Adequate liability limits are at least 100/300/50. Insurance agents recommend carrying the same liability limits on uninsured motorists coverage as for your own personal liability (i.e., 100/300/50 or higher). This provides a much higher level of protection if you are in an accident with someone with no insurance or inadequate insurance (i.e., an underinsured driver).

People who own a home need homeowners insurance. A standard homeowners policy includes coverage for the home, other structures on the property (e.g., a free-standing garage or shed), and personal property, as well as liability coverage (at least \$300,000 is recommended). Renters insurance coverage is similar except that a renter does not own, and therefore the insurance does not cover, the structure they live in.

Renters insurance covers a renter's property such as a computer or furniture, and pays temporary living expenses (up to a specified maximum limit) if a renter must live somewhere else while an apartment is being repaired due to a fire, perhaps. It is relatively inexpensive and highly recommended for all tenants. *Replacement cost coverage* pays the cost of replacing damaged property without a deduction for depreciation (loss of value). *Actual cash value coverage* provides an amount equal to the replacement value of damaged property minus an allowance for depreciation.

Umbrella liability coverage is enhanced liability coverage above the underlying \$300,000 liability coverage limit on regular property insurance (auto and homeowners) policies. Some people may want to increase their liability coverage because: 1. they own a substantial amount of assets that could be lost in a law suit or 2. there is a risk of losing valuable assets due to increased risks. For example, homeowners may want to have umbrella liability coverage if they have a pool, serve as a volunteer emergency responder, or own a boat. Umbrella coverage does not kick in until the liability limit on auto or renters/homeowners policies is reached (e.g., there is a liability claim above a \$300,000 underlying limit on their other property insurance).

OBJECTIVES

Students will be able to:

- ◆ Differentiate between property and liability insurance protection.
- ◆ Explain common insurance terms such as policy, premium, claim, and deductible.
- ◆ Complete property insurance case study questions and math calculations to apply lesson content.
- ◆ Explain what can happen when people are sued for damages and lack adequate liability insurance.
- ◆ Demonstrate an understanding of insurance topics via completion of the lesson plan learning activities.

NEW JERSEY PERSONAL FINANCIAL LITERACY STANDARD

- ◆ Standard 9.1.12.G.2: Differentiate between property and liability insurance protection. See <http://www.state.nj.us/education/aps/cccs/career/FLFAQ.htm#gradcredit> and <http://www.state.nj.us/education/cccs/2014/career/91.pdf> for information about Standard 9.1

TIME REQUIRED

45 to 180 minutes (depending upon student progress and content depth and number of activities used)

MATERIALS

- ◆ YouTube Video (2:27): *Insurance 101: Personal Auto Limits*: <https://www.youtube.com/watch?v=KJnN0yKIRYk>
- ◆ YouTube Video (3:31): *Insurance 101: Renters Insurance*: <https://www.youtube.com/watch?v=8y23U2VkyDA>
- ◆ YouTube Video (1:57): *Insurance 101: Personal Umbrella Policy*: <https://www.youtube.com/watch?v=FMRfWyorCFE>
- ◆ *Video Vocabulary* activity handout
- ◆ YouTube Video (2:30): *Deductibles (Insurance)*: https://www.youtube.com/watch?v=_k3frGJuk6o
- ◆ *Deductible Decisions* activity handout
- ◆ *Property Insurance Case Studies* activity handout
- ◆ *Web Quest: What if You Are at Fault?* activity handout
- ◆ *Protecting Your Property Crossword Puzzle* activity handout
- ◆ *Property and Liability Insurance Quiz* (ASSESSMENT)

Teachers are encouraged to use as many of the student learning activities as time permits to provide a fuller understanding of property and liability insurance. The activities can also be used for extra credit assignments, homework, or after-school activities.

PROCEDURE

1. As an introductory activity, ask students to describe different types of risks that people face in daily life that can cause financial losses. After discussing these risks, explain that most people cannot afford to pay for large financial losses from their income and/or assets alone so they must transfer the risk of loss to a third party (insurance company) in exchange for the payment of a premium. Insurance works because many people pay premiums to a “pot” of money and only a small percentage make claims.

Answers will vary. Students may describe property damage caused by fires, floods, and hurricanes, car accidents, thefts, an accident or illness resulting in medical expenses, and the loss of income when a parent dies or is disabled and unable to work. Fill in the discussion with types of insurance that are not discussed by students (e.g., renters and homeowners insurance and umbrella liability coverage).

2. **Activity 1:** Distribute the *Video Vocabulary* activity handout. Show the three short *Insurance 101* videos (*Personal Auto Limits*, *Renters Insurance*, and *Personal Umbrella Policy*) and ask students to answer the debriefing questions. Below are answers to the *Video Vocabulary* questions:

What is the term used to describe the maximum amount an insurance policy will pay for a loss?

Policy limit

Which part of an auto insurance policy pays for injuries to other people after a car accident?

Bodily injury liability

Which number in a 250/500/100 split limit pays for injuries to all others after a car accident?

The second number (500 = \$500,000) is the maximum amount that would be paid to others per accident

What two parts of an auto insurance policy pay for damage to a policyholder’s own car?

Comprehensive and Collision coverage

What are the two main sections of a renters insurance policy?

Property coverage (including loss of use coverage) and liability coverage

What part of a renters policy pays expenses when you must vacate an apartment after a disaster?

Loss of use coverage

What part of a renters policy pays for damages to people who are injured in your apartment?

Liability coverage

How is an umbrella insurance policy related to automobile and renters insurance?

Umbrella policies pay for damages over the liability limit on underlying auto and renters insurance

What are some risks that umbrella insurance covers that other insurance policies do not?

Libel, slander, false arrest, invasion of privacy, wrongful eviction, and defense costs in a lawsuit

If you have a \$1 million umbrella policy, \$300,000 of auto and renters liability coverage, and an \$800,000 damage claim against you, what is the most that the umbrella insurance will pay?

\$800,000 (insurance policies will never pay more than the amount of a claim)

3. **Activity 2:** Distribute the *Deductible Decisions* activity handout. Show the *Insurance 101* video *Deductibles* and ask students to answer the debriefing questions. Below are suggested answers:

What is a deductible on an insurance policy?

The amount that a policyholder must pay out-of-pocket for a loss before insurance benefits are paid

Why is a deductible charged as part of an insurance policy?

Insurance is not meant to cover small losses that people can pay out-of-pocket; it covers large losses

How often are deductibles applied on an auto insurance or renters insurance policy?

The deductible applies separately to each claim; i.e., it is charged each time that a claim is made

How often are deductibles applied on a medical (health) insurance policy?

The deductible is applied until you reach a certain designated amount for the year and then it ends

How do deductibles affect the cost of insurance premiums?

The higher the deductible on an insurance policy, the lower the premium because the policyholder is assuming more of the risk of a loss

What happens when people have a claim and can't afford to pay their insurance deductible?

They borrow from other people, use credit cards, take out payday loans, etc. That is why it is so important to have an adequate emergency fund (three to six months of expenses) to avoid borrowing

4. **Activity 3:** Review information in the Introduction to “fill in” content that was covered in the four videos described above. Ask students if they have any questions about property and liability coverage.

Distribute the *Property Insurance Case Studies* activity handout and ask students to work together in small groups to answer the questions on the handout. Answers to the questions are shown below:

Joey Chapa has auto insurance with minimum NJ liability limits of 15/30/5. What does this mean?

A 15/30/5 split limit policy means that \$15,000 will be paid for bodily injury to each person per accident, \$30,000 would be the total paid to all persons per accident, and \$5,000 would be paid for property damage (e.g., hitting a fence or a telephone pole) per accident

Is Joey's 15/30/5 auto liability coverage considered adequate? Why or why not?

No, the limits are very low considering the cost of medical bills, lawsuits, and property damage repairs

What is considered an adequate split liability coverage limit to have on an auto insurance policy?

100/300/50 or higher (e.g., 250/500/100)

Required auto insurance liability limits for all states can be found at the following web site: <http://personalinsure.about.com/cs/vehicleratings/a/blautomimum.htm>. **Visit the web site and review the state liability limits. Write a paragraph describing what you found and why you think state liability limits are set the way that they are.**

A review of the split limits listed for all 50 states indicates that they are all very low. Coverage for bodily injury liability for injuries to one person ranges from \$10,000 (e.g., Florida) to \$50,000 (e.g., Alaska and Maine). Coverage for total bodily injury liability for injuries to two or more people ranges from \$20,000 (e.g., Florida) to \$100,000 (e.g., Wisconsin, Wyoming). Property damage liability limits range from \$5,000 (e.g., New Jersey and Massachusetts) to \$55,000 (Wisconsin). The New Jersey 15/30/5 split liability limit is one of the lowest in the country and remains low because it is not indexed for inflation.

One reason that is often given to justify low required auto insurance liability limits is that there would be even more uninsured drivers on the road than there are today if liability limits were raised and drivers had to pay higher premiums. Currently, about 14% of drivers in the U.S. and 11% in New Jersey are uninsured (see <http://www.autoinsurance.org/how-many-drivers-dont-have-auto-insurance/>). The flip side of this argument is that liability insurance does not just protect individual policyholders; it protects everyone by paying for claims caused by negligent drivers. One way or another, someone pays for these damages.

Anita Cummings has a \$500 deductible on her auto insurance. She had three “at fault” accidents with claims of \$600, \$2,250, and \$3,000, respectively. How much will she need to pay out of pocket? Anita will have to pay a \$500 deductible for each claim for a total of \$1,500 (3 x \$500) out-of-pocket. In addition, it is likely that the auto insurance company will raise her insurance premiums significantly after incurring expenses for three “at-fault” accidents, or, worse yet, simply cancel her insurance policy.

Anita is thinking about lowering her auto insurance deductible to \$250. Is this a good idea?

Probably not. First, her auto insurance premium will rise because she is assuming less risk. Second, with a lower deductible, she would be able to make claims above a lower dollar threshold, which will exacerbate her current insurance woes (i.e., she would be at greater risk for higher premiums or policy cancellation).

Anita’s father advised her to raise her auto insurance deductible to \$750. Is this a good idea?

Probably. First, her auto insurance premium will decrease because she is assuming more risk. Second, she would only be able to make claims above a higher dollar threshold. The “catch” is that she will need additional savings in an emergency fund to cover out-of-pocket losses. This should be in place before making a change in the deductible. Unfortunately, many Americans have inadequate emergency funds. A Federal Reserve Study in 2016 found that 47% of Americans would have trouble coming up with \$400 (see <http://www.npr.org/2016/04/24/475432149/could-you-come-up-with-400-if-disaster-struck>).

Anita wiped out her savings to pay the deductible for her three previous accidents. What would be Anita’s options to pay the deductible (any amount) on her policy if she had another auto accident?

Anita’s options are similar as those for anyone with insufficient emergency savings to pay an unanticipated expense. She could borrow from friends or family members, sell possessions online or at a garage sale, take out a loan, use a credit card cash advance, or use costly alternative financial services such as payday loans. All of these options have a monetary or relationship “cost” and can be avoided with emergency savings.

Carrie Garay bought a renters insurance policy before moving into an apartment for her senior year of college. Three weeks into the fall semester, a neighboring apartment had a fire and she was forced to live in a hotel for two weeks. Will she be reimbursed for this expense?

Yes, the temporary living expenses section of the property coverage section of her renters insurance policy will cover this expense up to a maximum specified limit.

Carrie's laptop was destroyed by the sprinklers that went off in her apartment building. Luckily, her data was saved to a cloud but her computer was destroyed. Carrie chose to pay a slightly higher premium to have a replacement cost policy rider. How much will she be reimbursed for her loss?

Replacement cost coverage would reimburse Carrie what it would cost at current prices to purchase a computer that is similar to the one that was destroyed (up to the policy limit). Otherwise, if she did not have replacement cost coverage, she would be reimbursed the actual cash value (original purchase price minus an adjustment for depreciation) of her computer and the remainder of the loss would be out-of-pocket.

Carrie's roommate, Jenn, did not have renter's insurance. What are her options to cope with a loss?

Jenn could room with Carrie at the hotel, perhaps at no expense. That's what friends are for. Another option would be to stay in a community shelter set up for displaced apartment dwellers, perhaps through the Red Cross. Jenn's personal property may or may not be covered. Since she has no renter's insurance herself, some coverage for property losses could possibly come from her parent's homeowners insurance policy.

Carrie's dad, Steven, who is a millionaire, recently decided to buy a \$1 million umbrella liability insurance policy. What does this policy cover?

Steve's umbrella liability insurance policy will extend the limits of the liability coverage on underlying homeowners and auto insurance from their current amount (say \$300,000 per accident) up to \$1 million. Thus, it will provide another \$700,000 of coverage against the risk of causing injury to others and being required by a court judgement to pay damages. The annual cost for coverage should be about \$200 to \$300.

Should Carrie also buy an umbrella liability insurance policy?

Probably not at this time. She is a college senior with minimal assets to protect. She probably also has higher financial priorities in young adulthood (e.g., disability insurance and repaying student loan debt). Just because her finances are modest, however, does not mean that Carrie could not be sued and held liable for damages to others. If she had no assets to liquidate, her future earnings could be at risk. For this reason, Carrie should avoid risky behaviors, such as wild parties, drunk driving, and driving while texting.

5. **Activity 4:** Distribute the *Web Quest: What if You Are at Fault?* activity handout and ask students to work together in small groups and use an Internet search engine to find information about the consequences of being sued and held liable for damages by others and not having adequate liability insurance to cover the risk of loss.

Answers will vary. Students will probably report that a judgment is a court order to pay a sum of money to a plaintiff (the person who files a lawsuit). In this situation, the person who is held liable for damages and owes the money (called a judgement debtor) may have to pay a sum of money directly to the court or to the plaintiff. If the judgment debtor lacks insurance and/or assets to pay the judgment, the court might set up an installment payment plan or garnish the debtor's future wages to collect the money. Courts can also seize personal property, including cars and real estate, and even suspend drivers or professional licenses.

6. **Activity 5:** Distribute the *Protecting Your Property Crossword Puzzle* and direct students to the Puzzle Maker web site (<http://www.puzzle-maker.com>) to create a crossword puzzle containing ten property and liability insurance terms listed below. As part of the puzzle-making process, students will work together in small groups to write a definition for each insurance term and develop the format of their puzzle. Ask students to save and print out their crossword puzzle and share their definitions with the class. Below are the words to be used in the puzzle and sample definitions of these terms.

Claim/ The process of requesting insurance benefits to pay for a financial loss.

Collision/ Auto insurance that pays for car repairs following an accident with another car.

Comprehensive/ Auto insurance that covers theft, fire, and deer damage to a car.

Coverage/ The amount that an insurance policy will pay for (e.g., \$300,000 of liability coverage).

Deductible/ Amount that a policyholder must pay out-of-pocket before insurance benefits begin.

Liability/ Responsibility for damages to other people due to a person's negligence.

Policy/ Contract issued by an insurance company to provide insurance coverage to policyholders.

Premium/ The amount paid by a policyholder to obtain insurance to protect against financial risks.

Uninsured/ When someone drives a car without having an insurance policy.

Underinsured/ When someone has an auto insurance policy but carries inadequate low liability limits.

CLOSURE

Ask students if they have any remaining questions about property and liability insurance. Remind them that insurance is meant to cover large financial risks that people can't afford to pay for themselves. Examples include major damage to a home or car and large liability claims. In addition, insurance is only sustainable when many policyholders pay premiums for coverage and a small percentage of them make claims.

GLOSSARY

See the 10 items in the description of Activity #5 (crossword puzzle). Additional definitions are as follows:

Actual Cash Value- The original purchase price for an item of value minus an adjustment for depreciation. For example, a sofa might have cost \$1,200 when it was purchased and is worth \$500 six years later.

Adjuster- An insurance company representative who investigates claims and settles losses.

Depreciation- The gradual decrease in the value of an item (e.g., car, computer) as it is being used.

Insurance Agent- A person who is licensed to sell insurance policies to consumers.

Insurer- Insurance company that provides coverage to policyholders in exchange for premium payments.

Policyholder- A person who has an insurance policy and pays premiums in exchange for coverage.

Policy Limit- The maximum amount of benefits that an insurance company will pay to settle a claim.

Replacement Cost- The current price to purchase an item similar to one that was stolen or destroyed.

Risk- The chance of a financial loss as a result of performing daily activities and property ownership.

LEARNING EXTENSIONS

If time permits, the following activities can be used to extend the depth of this lesson:

- ◆ Incorporate the *Managing Risk* lesson (Lesson 10) from the Council for Economic Education *Financial Fitness for Life* Grade 9-12 curriculum (<http://fffl.councilforeconed.org/>). The lesson includes two learning activities including an insurance simulation using game cards.
- ◆ Show the *Insurance 101* video *UM/UIM Coverages (Personal Auto)* <https://www.youtube.com/watch?v=i7OPhDvtKVY> (2:11) to reinforce class content about what happens when drivers have an accident with an uninsured or an underinsured motorist.
- ◆ Invite a local property insurance agent as a guest speaker in your class to discuss actual cases of people who had adequate and inadequate amounts of property and liability insurance.
- ◆ Ask your students to do a *Web Quest* to search for information about personal injury lawsuits including the circumstances of the case (who, what, where, when), the amount of the court settlement, and whether or not the negligent party had adequate liability insurance.
- ◆ Ask your students to do a *Web Quest* to search for information about ways to reduce auto insurance premiums (e.g., bundle an auto policy with renters insurance, good grades for teenage drivers, higher deductibles for collision and comprehensive coverage).
- ◆ Assign the *Car Insurance Comparison Shopping* activity from the Next Gen Personal Finance (NGPF) insurance curriculum (<https://www.gooru.org/#collection-play&id=82e18bda-3031-48df-a033-46de5f2b8e52&rid=de296e21-2aa0-45f9-b3e1-4b266fb76358>). Ask students to compare coverage from the three sample companies in the activity and pick the best policy based on the policy features that are presented. Information about answers for teachers is available at the end of the lesson.
- ◆ Use content and activities from the remainder of the free online NGPF insurance curriculum: <http://nextgenpersonalfinance.org/curriculum/insurance-activities/>. Among the activities in this section are an activity to evaluate a person's risk and a role play about completing a car insurance claim.
- ◆ Use content and activities from TD Bank *Car Insurance* lesson for grades 9-12: <https://www.tdbank.com/wowzone/lessons/Gr9-12Lesson8.pdf>
- ◆ Use the game *PlayInsure* developed by the Texas Classroom Teachers Association: https://tcta.org/node/14089-online_game_helps_students_understand_insurance
- ◆ Hold an "Is it Fair?" debate about whether auto insurance companies should be able to set insurance premiums based upon a policy holder's driving record, age, gender, and/or credit score.

ASSESSMENT: *Property and Liability Insurance Quiz*

Instructors are encouraged to use the questions below for content review or as a pre-and/or post-test to determine gains in student knowledge about property and liability insurance after teaching this lesson.

Correct answers to the multiple choice and True-False questions are shown in boldface type.

Multiple Choice Questions

1. The part of a standard auto insurance policy that covers damages if the insured (driver) injures someone or damages someone's property is called _____ coverage.
 - a. Collision
 - b. Liability**
 - c. Comprehensive
 - d. Umbrella

2. The part of a standard auto insurance policy that pays for damage to an insured vehicle if it is involved in an accident with another car is called _____ coverage.
 - a. Collision**
 - b. Liability
 - c. Comprehensive
 - d. Umbrella

3. The part of a standard auto insurance policy that covers damage to an insured vehicle if the damage results from causes other than an accident with another vehicle is called _____ coverage.
 - a. Collision
 - b. Liability
 - c. Comprehensive**
 - d. Umbrella

4. The type of property insurance that provides coverage of at least \$1 million to supplement underlying property insurance coverage limits.
 - a. Liability
 - b. Title
 - c. Comprehensive
 - d. Umbrella**

5. The part of a standard auto insurance policy that covers bodily injury caused by a "hit and run" driver or an at-fault driver who has no auto liability insurance is called _____ coverage.
 - a. Bodily injury liability
 - b. Uninsured motorists (UM)**
 - c. Underinsured motorists (UIM)
 - d. Medical payments

True-False Questions

1. State laws require that all drivers have auto insurance. (**TRUE: According to the Insurance Information Institute, virtually all states require drivers to have auto liability coverage to operate a motor vehicle legally. The minimum required liability limits for bodily injury (BI) and property damage (PD) vary from state to state. In New Jersey, the minimum BI/PD limits are 15/30/5**)
2. If you have an auto accident, your insurance company will pay for all the damages. (**FALSE: Insurance should never be considered a “blank check” because there is always a maximum limit. The amount of coverage provided will depend upon the policy limit and exclusions stated in the policy**)
3. State laws require that all homeowners have homeowners insurance (**FALSE: Only auto insurance is mandated by state law. However, if a homeowner has a home mortgage, the lender may require a policy to cover at least the amount of the mortgage loan**)
4. Periodic payments to maintain property insurance coverage are called deductibles (**FALSE: The definition provided in the question is for insurance premiums. Deductibles are not paid unless someone has a claim and has to pay a portion of the loss out of pocket**)
5. If your car is damaged in an auto accident, you must file a claim with your insurance company to receive coverage for your loss. (**TRUE: Paperwork must be completed before insurance benefits are paid. Be sure to obtain a copy of the police report about the accident to submit with your claim**)

REFERENCES AND RESOURCES

Car Insurance (lesson for grades 9-12). TD Bank Wow! Zone Lesson 8:
<https://www.tdbank.com/wowzone/lessons/Gr9-12Lesson8.pdf>.

Credit-Based Insurance Scores Impact Insurance Rates. Ohio Insurance Institute:
https://www.ohioinsurance.org/wp-content/uploads/2009/04/insurance_scores.pdf.

Crossword of Insurance Terms. Ohio Insurance Institute: https://www.ohioinsurance.org/wp-content/uploads/2009/04/crossword_insurance_terms.pdf.

Homeowners and Renters Insurance (2016). Insurance Information Institute: <http://www.iii.org/insurance-topics/homeowners-and-renters-insurance>.

Insurance Information Institute (2016): <http://www.iii.org/>.

Insurance and Risk Management: Curriculum Content Frameworks. Arkansas Department of Workforce Education (2008):
<http://ace.arkansas.gov/cte/informationForms/curriculumFrameworks/Documents/Frameworks/Business/Insurance%20%20Risk%20Mgmt-6%2006-20-08.pdf>.

Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hart, M.M. (2016). *Focus on Personal Finance*. New York, NY: McGraw Hill Education.

Teaching Tools (2016). Ohio Insurance Institute: <https://www.ohioinsurance.org/info/for-teachers/teacher-tools/>

Video Vocabulary

Instructions:

1. You will be shown three short YouTube videos about insurance: *Personal Auto Limits*, *Renters Insurance*, and *Personal Umbrella Policy*.
2. Watch each video closely and answer the questions below.
3. Be prepared to discuss what you learned with the entire class.

What is the term used to describe the maximum amount an insurance policy will pay for a loss?

Which part of an auto insurance policy pays for injuries to other people after a car accident?

Which number in a 250/500/100 split limit pays for injuries to all others after a car accident?

What two parts of an auto insurance policy pay for damage to a policyholder's own car?

What are the two main sections of a renters insurance policy?

What part of a renters policy pays expenses when you must vacate an apartment after a disaster?

What part of a renters policy pays for damages to people who are injured in your apartment?

How is an umbrella insurance policy related to automobile and renters insurance?

What are some risks that umbrella insurance covers that other insurance policies do not?

If you have a \$1 million umbrella policy, \$300,000 of auto and renters liability coverage, and an \$800,000 damage claim against you, what is the most that the umbrella insurance will pay?

Deductible Decisions

Instructions:

1. You will be shown a short YouTube video about insurance called *Deductibles*
2. Watch the video closely and answer the questions below.
3. Be prepared to discuss what you learned with the entire class.

What is a deductible on an insurance policy?

Why is a deductible charged as part of an insurance policy?

How often are deductibles applied on an auto insurance or a renters insurance policy?

How often are deductibles applied on a medical (health) insurance policy?

How do deductibles affect the cost of insurance premiums?

What happens when people have a claim and can't afford to pay their insurance deductible?

Property Insurance Case Studies

Form a small group and read and discuss the case study questions below. Be prepared to discuss your answers with the entire class and defend your answers.

- ◆ **Joey Chapa has auto insurance with minimum NJ liability limits of 15/30/5. What does this mean?**

Is Joey's 15/30/5 auto liability coverage considered adequate? Why or why not?

What is considered an adequate split liability coverage limit to have on an auto insurance policy?

- ◆ **Required auto insurance liability limits for all states can be found at the following web site: <http://personalinsure.about.com/cs/vehicleratings/a/blautominimum.htm>. Visit the web site and review the state liability limits. Write a paragraph describing what you found and why you think state liability limits are set the way that they are.**
- ◆ **Anita Cummings has a \$500 deductible on her auto insurance. She had three "at fault" accidents with claims of \$600, \$2,250, and \$3,000, respectively. How much will she need to pay out of pocket?**

Anita is thinking about lowering her auto insurance deductible to \$250. Is this a good idea?

Anita's father advised her to raise her auto insurance deductible to \$750. Is this a good idea?

Anita wiped out her savings to pay the deductible for her three previous accidents. What would be Anita's options to pay the deductible (any amount) on her policy if she had another auto accident?

- ◆ **Carrie Garay bought a renters insurance policy before moving into an apartment for her senior year of college. Three weeks into the fall semester, a neighboring apartment had a fire and she was forced to live in a hotel for two weeks. Will she be reimbursed for this expense?**

Carrie's laptop was destroyed by the sprinklers that went off in her apartment building. Luckily, her data was saved to a cloud but her computer was destroyed. Carrie chose to pay a slightly higher premium to have a replacement cost policy rider. How much will she be reimbursed for her loss?

Carrie's roommate, Jenn, did not have renter's insurance. What are her options to cope with a loss?

Carrie's dad, Steven, who is a millionaire, recently decided to buy a \$1 million umbrella liability insurance policy. What does this policy cover?

Should Carrie also buy an umbrella liability insurance policy?

Web Quest: What If You are at Fault?

Instructions:

1. Go to an online search engine (e.g., Google, Bing) and search for terms such as “liability,” “liability damages,” “negligence lawsuits,” “damages to others,” and “judgement debts.”
2. Read three articles (not paid advertisements) that describe what happens when people are sued for damages to other people and are required to make payments to them.
3. When you are done reading, complete the table below by listing the source of the three articles that you read and a summary of what you learned.
4. Be prepared to discuss the information that you found with the entire class.

Source of Information	Description of What Happens When Someone is at Fault

Protecting Your Property Crossword Puzzle

Instructions:

Form a small group. Go to the Puzzle Maker web site (<http://www.puzzle-maker.com>) and click on "Crossword Puzzle" to create a crossword puzzle containing the ten property and liability insurance terms listed below. Write a definition for each insurance term as you develop your puzzle in the space below.

Save and print out your crossword puzzle and be prepared to share your definitions with the class.

Below are the words to be used in the puzzle:

Claim

Collision

Comprehensive

Coverage

Deductible

Liability

Policy

Premium

Uninsured

Underinsured

The *Protecting Your Future: Property and Liability Insurance* lesson plan was written by Dr. Barbara O'Neill, CFP®, Extension Specialist in Financial Resource Management for Rutgers Cooperative Extension (oneill@aesop.rutgers.edu).

Publication Date: May 2016

This publication was supported with funding provided via August 2011 legislation, (N.J.S.A. 17:9-43.2.D) that authorizes New Jersey credit unions to serve as public depositories for the purpose of promoting personal financial literacy education.