

Unit 5 - Financial Risks & Insurance

Objectives

In this lesson we will be learning about financial decision making.

- We will learn how to protect ourselves against fraud and financial scams.
- We will learn the importance of mitigating financial risks.
- We will be able to identify common types of risks and basic risk management methods.
- We will learn the basics of insurance.

Students will complete the Stock Game and Budget Game, giving an in-class presentation in groups on what they learned.

[Slideshow](#)

Included in the Financial Risks and Insurance slideshow are all the challenge questions, key terminology and project prompts.

Unit 5.1 - Insurance Basics

Activity	Type	Summary	Time
Class Discussion	Lecture	Slideshow Follow through the slides for Unit 5.1	15 min.
Watch Video	In-Class	Intro to Insurance - It's a Money Thing <ul style="list-style-type: none"> ● View Video 	4 min.
Read Article	In-Class	Contracts <ul style="list-style-type: none"> ● View Lesson 	10 min.
Read Article	In-Class	Risk <ul style="list-style-type: none"> ● View Lesson 	10 min.
Interactive Activity	Home Work	Play 1 month of the Budget Game	10 min.

Unit 5.2 - Liability Insurance

Activity	Type	Summary	Time
Class Discussion	Lecture	Slideshow Follow through the slides for Unit 5.2	15 min.
Read Article	In-Class	Rental Insurance <ul style="list-style-type: none"> • View Lesson 	6 min.
Read Article	In-Class	Homeowner's Insurance <ul style="list-style-type: none"> • View Lesson 	9 min.
Read Article	In-Class	Car Insurance <ul style="list-style-type: none"> • View Lesson • View Slides 	14 min.
Interactive Activity	Home Work	Stock Game: Manage Portfolio	10 min.

Unit 5.3 - Health and Life Insurance

Activity	Type	Summary	Time
Class Discussion	Lecture	Slideshow Follow through the slides for Unit 5.3	15 min.
Read Article	In-Class	Life Insurance <ul style="list-style-type: none"> • View Lesson 	14 min.
Read Article	In-Class	Health Insurance <ul style="list-style-type: none"> • View Lesson 	11 min.
Read Article	In-Class	Protection Against Fraud <ul style="list-style-type: none"> • View Lesson 	10 min.
Interactive Activity	Home Work	Play final month of the Budget Game and begin preparing final report <ul style="list-style-type: none"> • See Teacher Packet 	20 min.
Interactive Activity	Home Work	Finish stock portfolio and begin preparing final report <ul style="list-style-type: none"> • See Teacher Packet 	20 min.

Unit 5.4 - Financial Decision Making

Activity	Type	Summary	Time
Class Discussion	Lecture	Slideshow Follow through the slides for Unit 5.4	5 min.
Read Article	Home Work	Tax Professional <ul style="list-style-type: none"> • View Lesson 	8 min
Watch Video	In-Class	What are the biggest myths about financial aid? <ul style="list-style-type: none"> • View Lesson 	1 min. Reading
Class Activity	In-Class	Budget Game and Stock: Final Group Presentation <ul style="list-style-type: none"> • Refer to teacher packet 	45-60 min.

By the end of the lesson, students will:

- Understand the concept of opportunity cost when making financial decisions
- Understand the financial risks of investing their money
- Understand the importance of insurance to mitigate risk
-

Key Glossary Terms

The key terminology is covered in each of the sub-units, here is a complete list of all the terms introduced in the Financial Risks and Insurance Unit.

Contract	A contract is a legally binding agreement between two parties (people, companies, or both) in which something of value is exchanged. All the following elements are required for a contract to be binding, along with the contract itself must be for something legal.
Consideration	Both parties have something required of them, something they would not normally be doing except as part of the agreement.

Offer and Acceptance	An offer refers to a promise one party makes in exchange for something in return by the other party. It's an invitation to enter into a contract based on specific terms. An offer can be made orally or in writing. An acceptance is when the party receiving the offer agrees to the terms being proposed. The acceptance must be relayed in the manner that the offer specified.
Intent	Both parties need to actually intend to make a legally-binding contract.
Legal Capacity	Legal capacity means that both parties have authority under law to make a contract in the first place.
No Forced Agreement	All contracts must be created through the free will of both parties. You cannot force someone to enter into a legally-binding contract.
Well-Defined Risk	There is an exact probability of things turning out well or failing.
Poorly Defined Risk	When there is not enough data or information to know the potential risks when making a decision.
Risk Aversion	The inclination to choose a more predictable option, with a possibly lower payoff, than a course of action that is less predictable and therefore higher risk.
Insurance	An arrangement where a company or government agency provides a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a premium.
Premium	The amount of money paid to the insurance company for the insurance policy you are purchasing.
Deductible	The amount of money you will pay on an insurance claim before the coverage kicks in and pays the rest.
Claim	A formal request by a policyholder to an insurance company for coverage or compensation for a covered loss or policy event.
Renter's Insurance	Is taken out on property you rent to insure against damage or loss. It applies to most events where your personal property is damaged or stolen. Traditionally does not cover floods, earthquakes, hurricanes or intentional damage
Homeowner's Insurance	A broad type of insurance coverage designed to cover a home, its contents, and the property it sits on

Loss of Use	A clause that if you cannot use your rental apartment, your insurance company will pay for lodging expenses while the damage is being repaired.
Replacement Cost Value	Pays you the amount of money needed to cover the replacement of your possessions at current market prices
Actual Cash Value	Your insurance company will estimate the current value of your items, not the price you paid when you purchased them.
Coverage Limits	The maximum the insurance company will pay for a certain occurrence or claim.
Liability Insurance	For the protection against third-party insurance claims. For instance, i.e. someone suffering a loss who is not a party to the insurance contract.
Collision Coverage	A type of car insurance that includes liability insurance, plus damage to your own vehicle.
Personal Injury Protection (PIP)	A component of a car insurance policy that covers the healthcare expenses associated with a car accident.
Uninsured Motorist Coverage	Pays the medical bills for you and any passengers in your car if you are in an accident where the at-fault driver does not have liability insurance.
Comprehensive Coverage	A type of insurance that helps pay to replace or repair your vehicle if it's stolen or damaged in an incident that's not a collision. For instance, fire, vandalism or falling objects.
Tort State	At-fault drivers in a crash are responsible for paying the other driver's medical expenses and damages. The at-fault driver must also pay for additional damages, such as loss of wages and "pain and suffering."
No-Fault States	Regardless of who caused the incident, everyone is required to file a claim with their own insurance.
Life Insurance	Pays out a sum of money either on the death of the insured person or after a set period.
Policy Owner	This is the person who is responsible for paying the premiums on the policy and is the legal owner of the policy.
Insurer	This is the insurance company, the entity the policy owner pays in exchange for life insurance coverage.
Insured	This is the individual whose life is actually being insured. If this person

	dies, the Insurer will pay out the death benefits.
Beneficiary	This is the person who receives the death benefits from the Insurer when the Insured dies. The policy owner can usually change the beneficiary at any time.
Disability Insurance	This insurance will replace a percentage of the income you lose due to your inability to earn a paycheck.
Health Insurance	Covers medical and surgical expenses of an insured individual.
Co-payments	A fee that a health insurer requires the patient to pay upon incurring a medical expense
Coinsurance	A type of insurance in which the insured pays a share of the payment made against a claim.
In-Network healthcare providers	Providers that your insurance company has contracts and agreements with. If you visit an in-network doctor or hospital, your costs will be much lower.