

# Analyzing auto insurance scenarios

Students use real-world scenarios to explore how people's auto insurance coverage choices can affect them financially when unexpected events happen.

## Learning goals

### Big idea

Insurance can help lower the financial risks associated with owning and driving a car.

### Essential questions

- What types of auto insurance coverage are available and what do they cover?
- How does auto insurance help limit your financial risks?

### Objectives

- Analyze real-world scenarios to identify types of auto insurance coverage and concerns
- Evaluate risk factors, premiums, and financial responsibility related to auto insurance



### NOTE

---

Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

#### KEY INFORMATION

Building block:

-  Executive function
-  Financial knowledge and decision-making skills

**Grade level:** High school (11-12)

**Age range:** 16-19

**Topic:** Protect (Managing risk, Using insurance)

**School subject:** CTE (Career and technical education), Math, Physical education or health, Social studies or history

**Teaching strategy:** Cooperative learning, Simulation

**Bloom's Taxonomy level:** Analyze, Evaluate

**Activity duration:** 45-60 minutes

---

#### National Standards for Personal Financial Education, 2021

Managing risks: 12-1, 12-2, 12-3, 12-4, 12-7

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

## What students will do

- Read about different types of auto insurance.
- Work in groups to select three types of coverage to buy.
- Read a scenario about a person with auto insurance and, based on the insurance coverage selected, determine how much they and the insurance company would be responsible for paying.
- Reflect on the need for auto insurance.

## Preparing for this activity

- While it's not necessary, completing the "[Exploring types of insurance](#)" activity or the "[Reading about insurance](#)" activity first may make this one more meaningful. You also can share the "What is insurance" poster with your students. Download or order free copies at <https://pueblo.gpo.gov/CFPBPubs/CFPBPubs.php?PubID=13471>.
- Print copies of all student materials for each student, or prepare for students to access them electronically.
- Print one single-sided copy of the "Insurance scenarios" page in this guide and cut the scenarios into individual strips.

### What you'll need

#### THIS TEACHER GUIDE

- [Analyzing auto insurance scenarios \(guide\)](#)  
[cfpb\\_building\\_block\\_activities\\_analyzing-auto-insurance-scenarios\\_guide.pdf](#)

#### STUDENT MATERIALS

- [Analyzing auto insurance scenarios \(worksheet\)](#)  
[cfpb\\_building\\_block\\_activities\\_analyzing-auto-insurance-scenarios\\_worksheet.pdf](#)
- [Insurance scenario strips \(in this guide\)](#)

## Exploring key financial concepts

Auto insurance protects a person against financial loss in the event of an auto accident, damage to a vehicle, or theft. Most states require a minimum level of auto insurance, but there are different types of additional insurance coverage you may want to consider when purchasing an auto insurance policy. If you have an

accident and file a claim, your out-of-pocket cost will depend on what types of coverage your policy includes, your deductible, and the policy limits (the maximum the insurance company will pay). The amount you pay for your policy (your premium) generally depends on how much of a risk you are to an insurance company. Because a major accident could cause severe injuries to multiple people and cause thousands of dollars in property damage, it's helpful to carefully consider the types of insurance coverage to have in your policy.

## TIP

---

Because insurance products, terms, and laws change, students should be encouraged to always look for the most up-to-date information.

## Teaching this activity

### Whole-group introduction

- Ask students if they or someone they know has auto insurance.
  - If they do, ask if they or that person has ever had to use it.
  - Ask volunteers to share what they know about that experience.
- Read the “Exploring key financial concepts” section to students.
- Distribute the “Analyzing auto insurance scenarios” worksheet and review the six types of auto insurance coverage listed: collision, comprehensive, medical payments, bodily injury, property damage, and uninsured/underinsured driver. Make sure students understand what each means and what types of expenses each covers.
  - Be sure to explain that most states require liability insurance, which covers losses that we cause to other people or their property. Liability insurance includes two types of coverage that are in the scenarios: bodily injury and property damage. Explain that for the purposes of this activity, students don't necessarily have to choose those two types of coverage.
- Be sure students understand key vocabulary:
  - **Beneficiary:** Someone or something named to receive proceeds or benefits. In the insurance context, it's the person, charity, trust, or estate designated by the policyholder to receive the policy's benefits or payments.
  - **Claim:** The insured's request for payment due to loss incurred and covered under the policy agreement.
  - **Deductible:** The amount of expenses the insured must pay before the insurance company will contribute toward the covered item. For example, the amount you pay for covered health care services before your insurance plan starts to pay is your deductible.

- **Insurance:** The practice or arrangement in which a company or government agency provides a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a premium.
- **Insured:** The person, group, or organization whose life or property is covered by an insurance policy.
- **Insurer:** A person or company offering insurance policies in return for premiums; person or organization that insures.
- **Out-of-pocket cost:** The expenses and losses that are not reimbursed by insurance. This cost includes deductibles, copayments, and amounts paid for services or repairs that are excluded from coverage. It's the amount paid before insurance coverage kicks in.
- **Policy:** In the insurance context, it is a written contract between the insured and the insurer.
- **Policyholder:** The individual or firm that acquires and wants protection from the risk and generally in whose name an insurance policy is written. The holder is not necessarily the insured. For instance, life insurance policies might be bought by employers of key employees, or a person may buy and be the holder of a life insurance policy on their spouse. In such cases, the buyer is the policyholder.
- **Premium:** The amount of money that has to be paid for an insurance policy.
- **Risk:** Exposure to danger, harm, or loss.

## TIP

---

Visit CFPB's financial education glossary at [consumerfinance.gov/financial-education-glossary/](https://consumerfinance.gov/financial-education-glossary/).

## Group work

- Tell students they'll choose different types of auto insurance coverage for a young man named Isaac and then review a scenario where he experiences an unexpected event related to his car.
- Divide students into six groups, one for each insurance scenario from this guide.
  - You also can have students work on this activity as a whole class. You can project the worksheet and scenarios on a screen and review them together.
- Each group should select three of the six types of auto coverage for Isaac to include in his auto insurance policy.
  - Explain that while all six might be considered important, the groups must select the three they think are most important for Isaac.

- Give each group a scenario.
- As the groups read their scenario, they should use the worksheet to document and analyze the extent to which Isaac is or isn't covered for the damages described.
- Ask students to calculate Isaac's financial liability in their scenario, given the coverage he has on his auto insurance policy.
- Have students complete the worksheet's 3-2-1 reflection on their own.
- After the groups have finished, ask them to share their scenario and totals with classmates. Explain that the groups with the lowest totals chose insurance coverage that best protects Isaac financially for their scenario.

## Wrap-up

If time allows, ask volunteers to share their answers to the 3-2-1 reflection.

## Suggested next steps

Consider searching for other [CFPB activities](#) that address the topic of protection, including managing risk and using insurance. Suggested activities include ["Illustrating insurance concepts"](#), ["Understanding how insurance works: A case study about Lucy"](#), or ["Understanding how insurance works: A case study about Omar"](#).

## Measuring student learning

Students' answers on their worksheets and during discussion can give you a sense of their understanding.

This answer guide provides possible answers for the "Analyzing auto insurance scenarios" worksheet. **Keep in mind that students' answers may vary.** The important thing is for students to have reasonable justification for their answers.

## Answer guide

Students' answers will depend on the three types of insurance they selected. This answer guide shows the results if all insurance coverages were in effect. They'll need to calculate the totals for their scenario based on the coverages they did or didn't choose.

### Scenario 1

Type(s) of coverage needed (note up to three)	Does Isaac have this coverage?	How much is the deductible?	Amount Isaac's insurance company will pay If you have coverage (subtract deductible, consider coverage limit)	Amount Isaac will pay With coverage: Deductible plus amount over the coverage limit No coverage: Full amount
Property damage		\$0 No deductible	\$6,000	With coverage: \$0 No coverage: \$6,000
Collision		\$500	\$8,000	With coverage: \$500 No coverage: \$8,000
Bodily injury		\$0 No deductible	\$45,000	With coverage: \$0 No coverage: \$45,000

### Scenario 2

Type(s) of coverage needed (note up to three)	Does Isaac have this coverage?	How much is the deductible?	Amount Isaac's insurance company will pay If you have coverage (subtract deductible, consider coverage limit)	Amount Isaac will pay With coverage: Deductible plus amount over the coverage limit No coverage: Full amount
Collision		\$500	\$3,000	With coverage: \$500 No coverage: \$2,500
Property damage		\$0 No deductible	\$6,000	With coverage: \$0 No coverage: \$6,000

### Scenario 3

Type(s) of coverage needed (note up to three)	Does Isaac have this coverage?	How much is the deductible?	Amount Isaac's insurance company will pay If you have coverage (subtract deductible, consider coverage limit)	Amount Isaac will pay With coverage: Deductible plus amount over the coverage limit No coverage: Full amount
Comprehensive		\$500	\$6,500	With coverage: \$500 No coverage: \$7,000

### Scenario 4

Type(s) of coverage needed (note up to three)	Does Isaac have this coverage?	How much is the deductible?	Amount Isaac's insurance company will pay If you have coverage (subtract deductible, consider coverage limit)	Amount Isaac will pay With coverage: Deductible plus amount over the coverage limit No coverage: Full amount
Comprehensive		\$500	\$14,500 (\$15,000 limit)	With coverage: \$1,500 No coverage: \$16,000

### Scenario 5

Type(s) of coverage needed (note up to three)	Does Isaac have this coverage?	How much is the deductible?	Amount Isaac's insurance company will pay If you have coverage (subtract deductible, consider coverage limit)	Amount Isaac will pay With coverage: Deductible plus amount over the coverage limit No coverage: Full amount
Uninsured driver		\$0 No deductible	\$3,500	With coverage: \$0 No coverage: \$3,500

### Scenario 6

Type(s) of coverage needed (note up to three)	Does Isaac have this coverage?	How much is the deductible?	Amount Isaac's insurance company will pay If you have coverage (subtract deductible, consider coverage limit)	Amount Isaac will pay With coverage: Deductible plus amount over the coverage limit No coverage: Full amount
Collision		\$500	\$5,500	With coverage: \$500 No coverage: \$6,000
Property damage		\$0 No deductible	\$2,500	With coverage: \$0 No coverage: \$2,500

## Isaac's auto insurance scenarios

Print this page single-sided and cut into six scenario strips. Give one strip to each group.



### Scenario 1

Isaac accidentally turned into the wrong lane and hit another car. The other driver and his passenger were both hurt. The driver's medical bills were \$20,000, and the passenger's were \$25,000. The accident caused \$15,000 worth of damage to the other car. Isaac's car had \$8,000 worth of damage, and he was unhurt.



### Scenario 2

Isaac forgot to check his blind spot before changing lanes, and he sideswiped another car. The accident caused \$3,000 worth of damage to Isaac's car and \$6,000 of damage to the other car. Neither Isaac nor the other driver were injured.



### Scenario 3

A big storm blew through Isaac's town last night. When he woke up this morning, he saw that a tree branch had fallen on his car. It caused \$7,000 in damage.



### Scenario 4

A large deer ran in front of Isaac's car while he was driving on the highway, and he hit it. The impact totaled his car. The cash value of Isaac's car is \$16,000.



### Scenario 5

Isaac returned to his car in the mall parking lot to find that someone had hit it, causing \$3,500 of damage to the rear side panel and bumper. The driver of the other car did not have insurance.



### Scenario 6

Isaac was changing the radio station while driving, and the distraction caused him to lose control of the car and hit a light pole. The accident caused \$6,000 worth of damage to Isaac's car. The light pole cost \$2,500 to replace.

