LESSON PLAN – AUTO INSURANCE

1 EDUCATIONAL STANDARD

NRS 389.074(1)(g)(h)

1. The board of trustees of each school district and the governing body of each charter school shall ensure that instruction in financial literacy is provided to pupils enrolled in grades 3 to 12, inclusive, in each public school within the school district or in the charter school, as applicable. The instruction must include, without limitation:

(g) The skills necessary to understand the basic principles of insurance, including, without limitation:

(1) Understanding the function of various insurance policies; and

(2) Determining the quality of an insurance provider.

(h) The skills necessary to plan for higher education and career choices, including, without limitation:

Nevada Academic Content Standards for Social Studies

SS.9-12.FL.10. Analyze the purpose and specifics of various insurance plans as well as compare quality of insurance providers.

2 OBJECTIVES

1. *Identify risk exposures (property, people, medical bills, earning potential) and transfer of risk*
2. *Recognize the legal requirements for insurance and underlying reasons for them (third parties, passengers, property owners affected by accident, lienholders)*
3. *Distinguish between types of coverage (comprehensive, collision, bodily injury and property damage liability, medical payments, uninsured and underinsured motorists)*
4. *Understand that minimum legal insurance requirements do not replace vehicles*
5. *Examine how discounts and rating factors affect premiums*
6. *Summarize how to shop for rates and types of coverage*

3 RESOURCES

(2) NAIC Eye-Opening Facts for New Car Owners - Auto Infographic – This graphic demonstrates risks unrelated to vehicle crashes. (PDF)

NAIC Auto Insurance 101 - https://www.insureuonline.org/auto_101/story_html5.html This 14-minute presentation includes descriptions of auto insurance terminology, types of coverage, methods to purchase a policy, rating considerations, and risk mitigation. Instructors can pause the presentation for discussion.

(3) Auto Insurance 101 – Guided Notes Handout (Student version PDF)
(3a) Auto Insurance 101 – Guided Notes Handout – Answer Key (Teacher version PDF)

(4) Nevada Consumer's Guide to Auto Insurance Rates – The first part of this guide describes auto insurance terms, the underwriting and rating processes, credit-based scoring, discounts, and types of coverage. The majority of the guide includes rate comparisons from insurers for two sample vehicles and several policyholder situations. (PDF)

(5) Auto Policy Declarations Page Activity (Student version PDF)
(5a) Auto Policy Declarations Page Activity (Teacher version PDF)

(6) Terms List – Auto Insurance (PDF)

Alternative Plans: Consumer-Action.org provides a 2-1/2-hour lesson on auto insurance. It includes https://www.consumer-action.org/downloads/english/AutoInsuranceLesson_Final.pdf

NAIC has a full downloadable lesson plan available at https://www.insureuonline.org/insureu_special_teendriving_auto_ed_module.zip

4 Learning Plan

Intro Activity – The Dream Car (4 min)

Take a poll of the class. What types of vehicles do the students drive? What are their dream vehicles? How much would that dream vehicle cost? What could happen to the vehicle?

Most suggestions may relate to crashes. Show NAIC Eye-Opening Facts infographic to broaden the discussion. (Also available for download from https://www.insureuonline.org/events_new_car_infographic.pdf.)

Briefly discuss how to protect the investment in that dream car.

Presentation – 3 Content Options

1. To cover content, provide students with Guided Notes handout and show NAIC Auto Insurance 101. Have students look over handout before starting the presentation, as the terminology is introduced quickly. (15 min)

2. To cover content, prepare your own lesson using Nevada Consumer's Guide to Auto Insurance Rates as a reference.

3. To cover content, assign pages 6-27 of the Nevada Consumer's Guide to Auto Insurance Rates as a pre- or post-class reading assignment.

Class Discussion

Follow up the content presentation with class discussion using the following prompts.

What are some of the risks of driving a vehicle?

- *Injury to driver, passengers or third parties such as pedestrians or occupants of other vehicles.*
- *Damage to property and vehicles, either your own or belonging to others.*
- *Medical bills for injured parties.*
- *Disability and loss of income to injured parties.*
- *Other assets of the car owner if sued.*

Why are some coverages required ($25,000 bodily injury per person, $50,000 bodily injury per accident, $20,000 property damage or 25/50/20 in Nevada) while other coverages (comprehensive, collision) are not required?

Essentially, the law requires protection of <u>others</u> through the required coverages, so that other parties won't suffer as a result of a driver's actions (legally known as negligence/liability). The optional coverages protect the owner/driver and the investment in the vehicle.

Why would owners choose optional coverages, like comprehensive and collision, if they are not required?

- *While optional coverages may not be required by law, they may be required by the lienholder as part of the loan contract.*
- *The legally required coverages do not protect the owner's investment (car). A vehicle owner can meet the minimum limits required by law but not have coverage for the repair or replacement of the owner's vehicle. If the owner is not able or willing to assume all the risks of repair or loss of the vehicle, the owner should purchase optional coverages.*

Does personal auto insurance cover my car if I drive for a company like Uber or Lyft?

It depends on the policy. Traditionally, Nevada policies excluded any commercial driving under a personal policy. Now a combination of commercial insurance provided by the company (e.g. Uber or Lyft) when driving for hire and personal insurance for personal use provide coverage. Not all personal policies permit and cover driving others for income, so read the fine print of your policy.

Teacher note: Frequently car loans included language that excluded commercial use of the vehicle as well. Borrowers must read the fine print of loan agreements.

How do you provide proof of insurance if you are stopped for a traffic violation?

Traditionally, the driver was required to present a small card as proof of insurance. With the advent of cell phones and technology, drivers in Nevada may now show proof of insurance with a cell phone.

PRACTICE/ASSIGNMENT/EVALUATION

Use the Auto Policy Declarations Page Activity handout as an individual assignment, small group project or classroom discussion. This activity includes a sample auto policy information page with questions related to coverages, premiums and discounts.

Review student responses using the answer key.

CLOSURE

Discuss (summarize) why some cars are more (or less) expensive to insure. Students should be able to recognize that value of the vehicle, usage, driver history, types and levels of coverage affect the premiums.

5 ENRICHMENT

The activities presented below can be used as discussion points, individual or group projects or in place of suggested practice/assignment/evaluation activities.

1. Ask students or small groups to obtain three insurance quotes for the same vehicle and coverage levels and then describe the differences in the quotes. (Consider whether all quotes may be from online sources versus agents.)

2. Research the effects of DUIs and tickets on insurance costs and availability.

3. Ask students to list factors that may affect auto premiums and identify whether each factor may result in a discount (decrease in premium) or a surcharge (increase in premium). It may be helpful to summarize the information in chart form.

4. Nevada permits the use of a traditional automobile policy or an operator policy. Research the differences and describe when the use of each type is appropriate.