

UNIT 1: INSURANCE Middle Secondary

PROTECT YOURSELF

Unit focus

These activities will inform young people about the nature and purpose of insurance, increase their awareness of financial risk and responsibility, and develop their decision-making skills. As informed citizens and consumers, they will be better equipped to make choices about their future financial wellbeing.

Expected learning outcomes

By the end of this investigation, students will be able to:

- understand the rights and responsibilities of citizens, particularly those designed to protect individuals, family and property from unexpected events
- understand that attitudes to risk vary
- broadly describe what insurance is, how it works and how best to select insurance policies
- recognise the pitfalls of underinsurance and failure to abide by the duty of disclosure
- understand how to access reliable information about insurance
- identify appropriate insurance policies for different situations
- evaluate and reflect on decision-making.

Curriculum connections

The framework below provides an indication of how this topic may be positioned in each State and Territory curriculum. The Curriculum Links table on pages 4–6 provides a general listing of learning areas relevant to this unit.

National Consumer and Financial Literacy Framework: students explore the idea of insurance as a wealth protection strategy, learn to compare insurance products and consider insurance as a responsibility.

National Statements of Learning

for Civics and Citizenship: students consider insurance as a responsibility and a contribution to social cohesion.

ACT – students investigate the idea of insurance as a personal risk management strategy.

NSW – students analyse insurance as a consumer/financial right and responsibility. Students analyse insurance as a real-life situation and apply problem-solving strategies to insurance-related problems.

NT/SA – students explore and apply insurance as a personal financial management strategy. Students investigate and evaluate insurance options available within Australia and in the context of socio-economic situations.

QLD – students explore frameworks to make decisions about insurance and explore the links between consumers and institutions when managing insurance.

TAS – students explore the nature of insurance and gain insights into the insurance industry, including the increasing number of insurance products.

VIC – students explore the link between insurance and values, and build financial management skills as they explore the role and significance of insurance as a wealth management strategy.

WA – students explore the nature of insurance and the role of insurance in the satisfaction of needs and wants.

Key concepts

Insurance, policies, underinsurance, duty of disclosure, contracts, liabilities, exclusions, claims, premiums, excess, terms and conditions, compensation, product disclosure statements, contents, third party, property, protection.

The laws governing insurance may change in the future. This resource is current as at the date of production. Teachers need to be aware that the terminology used in insurance policies usually has a quite specific meaning.

Attitudes to insurance in terms of protection against risk can vary according to age and culture. Teachers should be aware that religious beliefs such as Shari'a rules (Islamic) may prohibit participation in typical individual insurance schemes.

Resources

- Insurance Fact Sheets 1 to 8
- *Safe or sorry* – Insurance interactive learning object
- FIDO website, www.fido.gov.au – About financial products/ How insurance works
- Financial Literacy Foundation website, www.understandingmoney.gov.au/content/consumer/financialliteracy/insurance
- Australian Bankers' Association (ABA) website, www.bankers.asn.au – Financial Literacy/booklets, *Smart Insurance* a brochure published by ABA, Investment and Financial Services Association (IFSA) and the Insurance Council of Australia (ICA).



Teaching and learning activities

ACTIVITY 1

What is insurance and why do young people need to think about it?

Students brainstorm what they know about insurance and list their ideas on a board, drawing on any personal experiences they have had with insurance claims. Keep this list in a place where students can revisit it and add ideas through the unit.

Insurance is a way of transferring the risk of a loss from an individual or business to an insurer. The insurer agrees to pay the policyholder a sum of money should a specific event occur, in return for payment (the premium). Insurance is designed to protect the financial safety of an individual or business in case of unexpected loss.

Review the list and invite the class to rank the factors in order of importance.

R Dividing the class into pairs, introduce Task A on **Resource Sheet 1**. Students determine which statements are true and which are false, giving reasons for their views.

Share responses as a class. Discuss how different views on insurance can be based on cultural background and family attitudes.

Shari'a rules forbid insurance because it involves the elements of uncertainty (Al-gharar), gambling (Al-maisir) and interest (Al-riba). Takaful is an alternative form of cover, in which compensation is the shared responsibility of the community.

In pairs, students list factors that should be considered when deciding whether or not to take out insurance. Invite them to consider the three scenarios listed in Task B on **Resource Sheet 1** and decide whether they would take out insurance for each scenario.

As a class, students list the positive and negative factors they considered when forming their advice and add these factors to the concept list.

F Referring to **Insurance Fact Sheet 1**, students develop concept maps to identify possible consequences of not taking out insurance. Students consider:

- what sorts of things can affect families and cause financial distress
- how families can protect themselves against financial distress.

ACTIVITY 2

Is insurance a right or a responsibility?


Students revisit their understandings of rights and responsibilities. Discuss the ideas implied in the rights and responsibilities of citizens. Are people responsible for their own financial security and future? Should they protect themselves, their family and their property from unexpected events?

Students consider:

- times when they, their friends or their family have either used insurance or wished that they had been able to
- how insurance could help alleviate financial distress.

Insurance policies are contracts between consumers and insurers that recognise the risks covered by the insurer, as well as identifying the risks not covered (exclusions). They transfer the risk of financial loss from the individual to the insurer.

Explain that an insurance policy is a contract with responsibilities as well as rights. As a class, students discuss whether being uninsured affects more than just the individual. Invite students to consider any potential burdens that not being insured might place on family and society, both on a financial and a social level. Compulsory Third Party (CTP) insurance is compulsory for all vehicle owners. Discuss views about whether other types of insurance should be a requirement for everyone.

 Students consider how experiences, values and attitudes may influence or affect young people's decisions about insurance. To facilitate the discussion, write the following considerations on the board:

- parents' attitudes towards insurance
- friends' attitudes towards insurance
- available resources or money
- laws
- personal family experience related to loss of property or a health crisis
- personal responsibilities (such as caring for children)
- ownership of assets
- religious beliefs.

ACTIVITY 3

How does insurance work?

Students revisit their understanding of what insurance is, what situations members of their family typically have insurance for and what happens if people don't have insurance policies.

- R** Students consider the events listed in Task A on **Resource Sheet 2**, and what the impact of being covered and not being covered would have in those scenarios. Refer to **Insurance Fact Sheet 1**.
- F**

Insurance involves an individual, group or business entering into an agreement with the insurer (a contract) whereby the insurer will pay compensation if specific events covered by the contract occur. Some forms of insurance are required by law.

An insurance policy is a contract which sets out:

- what is being insured ('the terms and conditions')
- how much it will cost ('the premium')
- what compensation or payment will be paid if an event covered in the policy has taken place ('a claim')
- what is not covered under the policy ('exclusions').

Discuss different types of insurance policies and explain why they take a number of forms.

- 1 Car insurance. Cover can include injury to third parties, plus damage to the insured car and damage to other people's property if it has been involved in an accident.
- 2 Travel insurance. Primarily covers risks arising from loss or damage to personal belongings (e.g. baggage), cancelled flights or tours, and sickness or death while travelling.
- 3 Health insurance. Consists of two parts in Australia: Medicare and private health insurance. Medicare is an insurance arrangement operated by the Australian Government that covers all Australian residents for essential health services. Private health insurance can provide additional cover for many of the risks that are not funded by Medicare (e.g. dental costs).
- 4 Home contents insurance. Cover can include damage to, or loss of, personal possessions within the insured person's home or residence (e.g. clothes, furniture, whitegoods, electrical appliances and computer equipment).
- 5 Life insurance. Cover can include death, income, disability or trauma.

Students generate a list of reasons why people take out insurance to protect themselves, their family and their property, choosing three types of insurance to illustrate their answers.

- F** For more information, see **Insurance Fact Sheets 3, 4, 5 and 6**.

ACTIVITY 4

How do I choose an insurance policy?

Selecting the most appropriate insurance policy involves matching your needs to the best available policy. Students complete Task A and Task B on **Resource Sheet 3**, referring to **Insurance Fact Sheets 1, 3, 4, 5 and 6**.

- R** Students examine insurance policy details outlined in the advertisement on **Resource Sheet 3** and identify the factors that influence decision-making about insurance. Which are most important?
- F**

Product disclosure statements include information about features of the policy such as fees and charges, claims procedures and 'cooling off' rights.

ACTIVITY 5

What are the potential pitfalls with insurance?

- R** Students consider the scenarios in Task A on **Resource Sheet 4** (referring to **Insurance Fact Sheet 1**).
- F** Students identify the pitfalls (underinsurance, not understanding exclusions and duty of disclosure) experienced by each young person and offer some advice.

Students summarise their ideas concerning:

- the quality of information provided on insurance company websites (in particular, whether they assist consumers to avoid pitfalls and make appropriate decisions)
- how young people can be helped to avoid insurance pitfalls.



ACTIVITY 6


How do I choose the best policy?

R Students consider whether to be insured by completing Task B on **Resource Sheet 4**. Students summarise their ideas concerning knowledge of consumer rights (e.g. choice, safety, quality, information and redress) relevant to decision-making about insurance.



ACTIVITY 7

Where can I access information about car insurance policies?

 Students participate in the *Safe or sorry – Insurance* interactive learning object in pairs.

In pairs, students assess the viability of their decisions by completing a SWOT analysis (as outlined below). Students should also predict problems or opportunities in relation to the selection of their car insurance policy.

Strengths	Weaknesses	Opportunities	Threats

After completion of the SWOT analysis, students present their analysis to the class by recording a whole-class SWOT analysis on a board, noting the frequency and range of responses.

Discuss how to:

- address the group-identified weaknesses of car insurance policies
- overcome threats to taking out car insurance policies
- maximise opportunities.

ACTIVITY 8

What are my rights when dealing with insurance companies?

Students brainstorm different views of insurance companies, recording the ideas on sheets. Then they scan recent news stories regarding insurance and claims processes and add any additional ideas discovered to the list.

Students review the list and identify ideas that are related to questions of remuneration and claims. Discuss:

- what issues are most commonly raised in the media
- how insurance companies are generally viewed
- whether these views are fair.

Alternatively, students may view the courtroom scene depicted in the Australian film *The Man Who Sued God* (Buena Vista, 2001) and discuss the validity of:

- how insurance companies are portrayed in the movie
- the legal process Myers undertakes against the insurance company. (Note: this movie has an 'M' rating.)

Students discuss the importance of knowing their rights when dealing with insurance companies.


F Referring to **Insurance Fact Sheet 7**, students develop a storyboard featuring two young people talking about a situation where one received less than expected from his or her insurance company for a claim.

The storyboard should detail:

- the rights of the young person
- the credentials of the insurance brokers or agents (are they licensed by ASIC?)
- the process for making a claim
- appropriate advice if the claim is rejected
- external dispute resolution (EDR) schemes that could help
- where further information can be accessed.

Students identify:

- the things they need to consider when taking out insurance
- where they can access useful, practical and accessible information.

 Students devise a 300-500 word web page or pamphlet for young people that:

- explains the reasons people take out insurance
- presents the advantages and disadvantages of taking out insurance
- describes what insurance is, how insurance works and how to select insurance policies
- identifies some risks and pitfalls of insurance policies and how these can be addressed by consumers
- provides advice on where to access appropriate information and factors to consider when making decisions
- articulates a strong message of the role of the citizen when making decisions about insurance.

RESOURCE SHEET #1

Task A

Consider the following statements about insurance. Determine which statements are true and which are false. Give reasons to support your views.

- We pay for insurance to give us protection when something goes wrong.
- My most valuable possessions are my laptop, bike, mobile and MP3 player – there is no point in considering insurance.
- Insurance is for old people.
- If your laptop computer is stolen, your insurer pays the cost of replacing it if it is covered by your home and contents insurance.
- Insurance policies involve the transfer of risk of financial loss from you to the insurer.
- Insurance is a waste of money if nothing goes wrong.

Task B

Consider the following three scenarios and what you would say to each individual about whether or not they should get insurance.

Tako

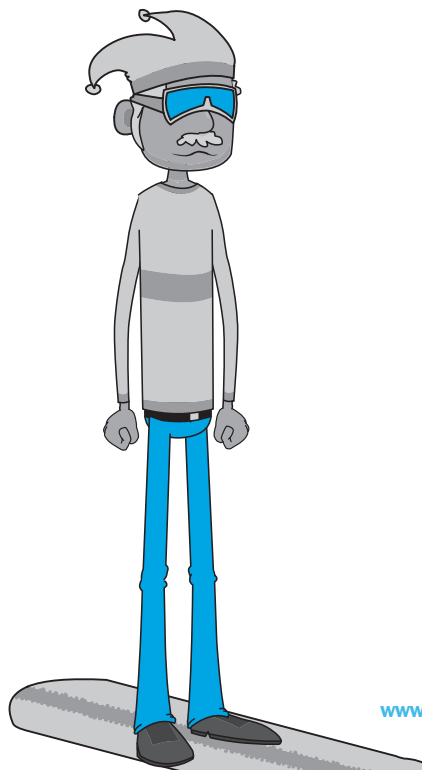
Tako is 19, has started his apprenticeship and has been saving for a car since his first part-time job. He has just purchased a five-year-old car. His parents say he should take out a car insurance policy before driving the car home. He can't see what the fuss is about as he only plans to drive the car to and from work and he couldn't afford the car repayments if he paid insurance.

Julia

Julia is 25 and has just started working full-time. She has always been asthmatic and has been in and out of hospital. These stays (in a private hospital) have always been covered by her parents' health insurance policy. Her parents keep reminding her that, now she is working, she needs to take out her own health insurance policy.

Ahmed

Ahmed is 19 and works for a bank. He loves watching extreme sports on television and is a keen skier. He is planning a two-week holiday to go powder skiing in the New Zealand Alps with a group of mates. His parents are nagging him to get travel insurance in case he has a skiing accident. Because he's a good skier, he can't see the point of paying for insurance.



RESOURCE SHEET #2

Task A

Complete the following table.

Event	Impact on individual or family	Is there anything that can be done to minimise the risk of the event happening?	Is the risk insurable?	What type of insurance is applicable?
A family member breaks a leg in a skiing accident while on holiday in New Zealand				
A family member's bag is stolen in Bali				
Theft of the recently purchased new family car				
A family member drives into the back of someone else's car				
The family home suffers fire damage				
Theft of household items (television, jewellery and DVD collection)				
A family member is diagnosed with a life-threatening illness, such as cancer or a stroke				

Task B

Investigate features of typical insurance policies in a table like that shown opposite. Devise four examples of where insurance is typically sought, and identify key information that insurers may require you to tell them, under your duty of disclosure.

Situation	What type of insurance is applicable?	Key information under duty of disclosure
Purchase of a new car	Car insurance (comprehensive)	Examples include: <ul style="list-style-type: none"> • your driving record • who will be driving the car • what modifications will be made to the car.
Travelling overseas		
	Contents insurance	
	Health insurance	

RESOURCE SHEET #3

Task A

Refer to Insurance Fact Sheet 1 to complete the table below.

What are you insuring?	Types of insurance	Which would you choose and why?
Your home		
Your health		
Your income		
Your car		
Your life		

Task B

Consider the advertisement below. Which pieces of information are important when selecting an appropriate insurance policy? Make a list of the key ideas and then arrange the ideas in order of priority using a diamond ranking process, with the most important idea at the top of the diamond and the least important idea at the bottom.

All Wheels Insurance Ltd

Car insurance packages for young drivers

So, you've just bought your first car and you're ready to take to the road. NOW is the time to protect it and you against unfortunate events. BUT finding an insurer who understands your needs and your budget can be difficult. If you are under 25 and looking for something affordable and simple, then look no further than All Wheels Insurance. We specialise in car insurance, it's our business. Our Young Drivers' Comprehensive Car Insurance Package covers you for accidental damage, theft, fire as well as \$20 million liability for damage you may cause to others.

Young Drivers' Comprehensive Package Features*

- Cover for accidental loss or damage to your car
- New vehicle replacement for total loss of cars under 2 years old
- An agreed or market valuation option
- Up to \$20 million of legal liability for damage to other people's property
- Emergency repairs and accommodation
- Windscreen cover
- Special discounts for drivers who complete an approved defensive driving course
- Simple claims process with personal case management
- 24-hour insurance hotline

* For full details, please refer to our Young Drivers' Car Insurance Product Disclosure Statement.

Call **All Wheels** now on **13 00 55** or go online at **www.allwheelsinsurance.com.au** and request a quote

Terms and Conditions apply. All Wheels Insurance Limited is a registered business name in Australia. ABN 81 666 777 111 AFSL 123456. Full details of the package and cover available is provided in Product Disclosure Statement. For further information, please contact our office on 130055. The information above has been prepared without considering your objectives, financial situation or needs. Before acting on this advice, you should consider its appropriateness to your circumstances.



RESOURCE SHEET #4

Task A

Referring to **Insurance Fact Sheet 1**, identify the insurance pitfalls (e.g. underinsurance, not understanding exclusions and failure to abide by the duty of disclosure) experienced by each person in the table below and offer some advice.

Scenario	What is the potential pitfall?	Relevant question	Your advice
Family home burns down		Do you have enough insurance?	
19-year-old re-injures old sports injury while hiking in Nepal		Do you understand your duty of disclosure?	
18-year-old has his car smashed into after smashing into someone else's car the year before		Do you understand your duty of disclosure?	
Grandma's jewellery stolen in house burglary		Do you understand exclusions?	
18-year-old has luggage stolen after leaving it unattended in a shared dorm in a backpackers.		Do you understand exclusions?	
19-year-old reports that car fitted with expensive sound system is stolen		Do you understand exclusions?	

Task B

Referring to **Insurance Fact Sheets 3, 4, 5 and 6**, complete the following table.

Situation	Should you insure? Why or why not?	Type of policy
Purchase of new computer		
Purchase of \$20,000 car		
About to start a family		
Sole income earner who supports a spouse and four kids		
Purchase of electrical items for family home		