



Lesson Plan: Auto Insurance

This lesson plan is the collaborative efforts of John Korte and Janet Duncan of the Missouri Department of Insurance Financial Institutions & Professional Registration. Reference material was supplied by Jeff Zink of Shackleford Insurance Agency in Iberia, MO.

- Subject:** Consumer Economics
- Grade Level:** 11 - 12
- Length:** Two Class Periods
- Objective:** Students will develop their knowledge of automobile insurance definitions during the first class period. Then, during the second class period they will apply that knowledge to determine levels of coverage.
- Materials:** Student - pen or pencil and worksheets.
Teacher - copies of worksheets, transparencies and overhead projector
- Background:** Students will have obtained a copy of their personal automobile declarations page, and attempt to determine the level of coverage they have on their own (or parents') vehicles.
- Activities:** The teacher will present the "Don't Risk It: Cover Your Car" Worksheet and use it to provide orientation to the subject matter. Next, students will learn financial responsibility requirements from the sample declarations page worksheets. This should be done as group work to encourage further discussion. Also, included is a crossword puzzle and word search to assist in term recognition and recall.
- Show-Me Standards:** For more information access the MO Department of Elementary and Secondary Education website at: <http://www.dese.mo.gov/standards>
- Knowledge Standards:** Communication Arts (1, 2, 5, 6)
Health/Phys Ed. (6)
Mathematics (1, 3)
Science (8)
Social Studies (4)
- Performance Standards:** 1-5, 1-8, 1-10, 2-3, 2-7, 3-1, 3-2, 3-4, 3-5, 3-6, 3-7, 3-8, 4-1, 4-5, 4-6

Missouri Department of Insurance,
Financial Institutions & Professional Registration
P.O. Box 690
Jefferson City, MO 65102

Consumer Insurance Hotline
1-800-726-7390

<http://insurance.mo.gov>

Don't

RISK IT

1

2

3

4

Step 3: Cover your car

Get Car Insurance - It's the Law

Before you get out of high school, you'll probably be behind the wheel of a car. At some point you'll ask, "Why do I need Car Insurance?" The easiest answer is that it's the **LAW!**

If you're headed out on your own...

Get off mom and dad's policy and get your own policy. Fraud is committed when someone lies to the insurance company about who owns the car, who's driving the car, and/or where it's kept. If you're looking to move out, update your auto policy.

If you're headed to the military...

Some companies offer great discounts to military personnel. There are some companies that cater to the military. Shop around for the best deal. Remember, the company needs to know where you park the car. If you're shipping out, tell the insurance company where you will store your car or motorcycle.

If you're headed to college...

You can probably stay on your parent's policy, but your insurance company needs to know that your car is not at home. If you get above average grades, see if your insurance company offers a "good student" discount. You may qualify!

What your policy covers

These are generalized statements. You will need to **read your policy** for specific items and events covered.

- Auto liability insurance pays for someone else's property or injuries if you are liable, or at fault, in an accident. The policy will list this as bodily injury and property damage.
- Your insurance pays if the other person does not have any insurance. Your policy is required to have uninsured motorist coverage for your injuries. UM does not pay for your car.

- Comprehensive pays you if your car is stolen or damaged by basic acts of nature.
- If you're at fault, or the other guy doesn't have insurance; Collision pays to fix your car.

What you should know

Every driver in Missouri is required to be "financially responsible". Being financially responsible means that you can pay for the damage for which you are legally liable.

The minimum liability amounts in an auto insurance policy are \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident and \$10,000 for property damage. This is typically referred to as 25/50/10. Before you get into an accident, you may wish to consider more than the required state minimum. Ask yourself this: "How many cars on the road today cost more than \$10,000?"

Giving others your keys

Did you know that if your friend wrecks your car, the accident is on you? You are responsible for who drives your car. So, even if you ask your friend if they have insurance before they drive, it may not matter. As far as your insurance company is concerned, the accident will go on your insurance record and you will pay the surcharge. Be careful about who you give the keys to.

Grace Period

If you do not pay your premium before the due date, you have no insurance.

High-Risk Policies

Current Missouri law does not prevent an insurer from putting you into a high-risk policy if you have not been insured in the last 30 days. Paying your premiums on time and not letting your policy lapse can avoid this situation.

Insurable Interest

A big part of how a company sets the price of your insurance is generally based on where the car is located, who drives it, and how it's driven. The titled owner of a vehicle is the only person who can take out insurance on a vehicle. This is called "insurable interest". For example: If your Uncle Bob loans you his pickup truck, you will want to make sure you're covered. But, since your name is not on the title, you cannot get insurance in your name. Uncle Bob will have to do that.

Deductible

A deductible is a clause in your insurance policy that states you will pay a specific amount of a claim before the company pays. *The higher your deductible, the lower your premium.*

Finance Companies

If under the terms of your auto loan, you agree to provide comprehensive and collision insurance and you fail to do so, the bank may take out a policy to protect its interest in your car. These policies typically **do not** offer liability insurance coverage to meet the state's mandatory liability laws and typically only cover the amount of the loan, not what the car is worth.

Claims

If you're in an accident and your car is "totaled" most insurance companies pay the Actual Cash Value (ACV) of your vehicle. A company will search several different ways to find the "actual cash value" of your vehicle. Some of these ways may include: NADA, Kelly Blue Book, CCC etc. Companies are not required by state law to use a specific source to establish the ACV.

Comparative Fault

Missouri uses the rules of pure comparative fault. Pure comparative fault allows your damages to be reduced by the percentage you are at fault in a loss. Insurers are allowed to investigate an accident and make a decision as to the percentage of fault of all parties involved. They will make voluntary offers based on this opinion. If you disagree with their evaluation, you can consult an attorney or turn over the matter to your own insurance company to handle under your collision coverage.

50/50 Comparative Fault

Many parking lot accidents end up being half your fault and half the other person's fault. Parking lots are considered private property where the property owner, not the state, places the lines and road signs. Some of your general road laws do

not apply, but common sense does. If you're in a parking lot accident, get the names of witnesses, take photos, and check with the business to see if they have a parking lot security tape.

What do I do if I get into an accident?

- Make sure everyone in your car is OK
- Check the other car to see if they are OK
- Call the police
- Get the following information from the other driver: *name, address, telephone number, license plate number, drivers license number, insurance information*
- Give the same information to the other driver
- Get the name and phone number of any witnesses
- Keep a disposable camera in your car and take accident pictures
- Call your insurance agent as soon as possible

Simple Lesson

1. Let's say you carry the state minimum liability insurance on your car. That's listed on an auto policy as ____ / ____ / ____
2. Now, let's say that you have the state minimum liability amount and you're at fault. Your insurance company is legally liable to pay up to \$_____ for the other person's car?
3. What if the other guy is driving a new Corvette worth \$50,000 and you totaled it?
4. Now let's say that you've only been **thinking** about getting insurance on your car, but didn't actually get the insurance. Now how much are you in for?

Answer:
1. 25/50/10 2. \$10,000 3. You could get sued above the amount you carry. 4. You now owe for the other person's car, the other person's injuries, and you may owe the bank. Plus, now you need new wheels to get around.

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HOMETOWN INSURANCE COMPANY
 P.O. BOX 123
 HOMETOWN, MO 65486

24 Hour Policy Services 1-800-555-5555
 24 Hour Bill Questions 1-800-555-6666
 24 Hour Claims Services 1-800-555-7777

JOHN & JANE DOE
 P.O. BOX 456
 HOMETOWN, MO 65486

PERSONAL AUTO POLICY DECLARATIONS PAGE
 FOR NAMED INSURED:

JOHN AND/OR JANE DOE

POLICY NUMBER: 123ABC123ABC
 POLICY PERIOD: 07/01/03 TO 01/01/04

VEH #	YR	MAKE	MODEL	SERIAL NUMBER	STATED AMOUNT	DRV #	LISTED DRIVERS	EXCLUDED	SR22	
1	1993	DODGE	DAKOTA 4X4	123FLCKGN24CK		1	JOHN DOE	NO	NO	
2						2	JANE DOE	NO	NO	
3						3				
4						4				
						5				
COVERAGES - LIMITS OF LIABILITY						PREMIUMS				
THE COVERAGE IS APPLICABLE ONLY IF A PREMIUM IS INDICATED.						VEH #1	VEH #2	VEH #3	VEH #4	TOTAL
BODILY INJURY & PROPERTY DAMAGE LIABILITY						\$699				\$699
BI \$25,000 EACH PERSON - \$50,000 EACH ACCIDENT										
PROPERTY DAMAGE LIABILITY - \$10,000 EACH ACCIDENT										
UNINSURED MOTORIST:										
\$25,000 EACH PERSON - \$50,000 EACH ACCIDENT						\$19				\$19
PREMIUM BY VEHICLE						\$718				
TOTAL POLICY PREMIUM										\$718

AUTOMOBILE POLICY DECLARATIONS



Duncan Insurance Company

INSURED:

Tom and/or Sue Jones
 200 Main Street
 Smalltown, MO 65486

RENEWAL

POLICY PERIOD FROM: July 1, 2003
 TO: Jan. 1, 2003

POLICY NUMBER:
 123ABC123ABC

at 12:01 A.M. standard time at
 the address of the insured as
 stated herein.

AGENT:
 J. L. Duncan

AGENT TELEPHONE:
 (573) 555-5555

ALL DRIVERS	Tom Jones
IN HOUSEHOLD	Sue Jones
RATED DRIVERS	None
1988 FORD	RANGER PICK-UP ID#123ABC456
1996 CHEVROLET	SUBURBAN ID#456DEF789

Insurance is afforded only for the coverages for which limits of liability or premium charges are indicated.

COVERAGES	1988 FORD LIMITS	PREMIUMS	1996 CHEV LIMITS	PREMIUMS
LIABILITY:				
BODILY INJURY	\$100,000 Each Person	\$ 51.70	\$100,000 Each Person	\$ 51.70
	\$300,000 Each Occurrence		\$300,000 Each Occurrence	
PROPERTY DAMAGE	\$100,000 Each Occurrence	44.00	\$100,000 Each Occurrence	44.00
UNINSURED MOTORISTS:				
BODILY INJURY	\$50,000 Each Person	12.60	\$50,000 Each Person	12.60
	\$100,000 Each Accident		\$100,000 Each Accident	
UNDERINSURED MOTORISTS:				
BODILY INJURY	\$50,000 Each Person	5.40	\$50,000 Each Person	5.40
	\$100,000 Each Accident		\$100,000 Each Accident	
COMPREHENSIVE	Actual Cash Value	22.70	Actual Cash Value	53.00
	Less \$100 Deductible		Less \$100 Deductible	
COLLISION	Actual Cash Value	25.70	Actual Cash Value	63.20
	Less \$500 Deductible	-----	Less \$500 Deductible	-----
		\$ 162.10		\$ 229.90

C & C INSURANCE COMPANY

STANDARD AUTO POLICY

PAGE 1 OF 1

NAMED INSURED & ADDRESS	SAM AND/OR ANN SMITH 100 OAK STREET LITTLETOWN, MO 65486	POLICY NUMBER	TERM	BILLING	STATUS	N/R	DECLARATIONS
		123ABC123ABC	06	Monthly			AMENDED
		POLICY PERIOD	MONEY W/APP		SUSPENSE NO.		
		070103 010104					

AGENCY	C & C INSURANCE COMPANY P.O. BOX 123 LITTLETOWN, MO 65486	EFF. DATE OF AMENDMENT	CHANGES:	LIENHOLDER INFORMATION
		080103		

AUTO	BODILY INJURY		PROP DAM	LIABILITY	MED PAY	OTC	COLL	UNINS MOTORIST		UMPO	UNDINS MOTORIST				
	Ea. Person	Ea. Accident	Ea. Accident	Ea. Accident	Ea. Person			Ea. Person	Ea. Accident		Ea. Accident	Ea. Accident			
1	25	50	25		1,000			25	50						
2	25	50	25		1,000	50	250	25	50						

ENDT NO'S	ABC123	DEF456	GHI789
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OTHER

AUTO	BODILY INJURY	PROPERTY DAMAGE	LIABILITY	MEDICAL	OTHER THAN COLLISION	UNINSURED MOTORISTS	COLLISION	UMPO	UNDERINSURED MOTORISTS	P-P LIM	PERS INJ PROTECTION	TOWING	RENTAL REIMB
1	213.00	216.00		37.00		10.00							
2	47.00	48.00		6.00	179.00	10.00	220.00						INCL

AUTO	Total Premium Each Auto	Other Misc. Endts. Requiring Premium	Auto Sub-Total Endorsements
1	476.00		986.00
2	510.00		

Membership Fee Full Term Prem Add'l Amount

AUTO(S) OR TRAILER(S)

AUTO	YEAR	MAKE	MODEL	TYPE	IDENTIFICATION NUMBER	CLASS	COST ST/AMT	RATING ST TERR CO	CYCLE CC	AUTO USE	DR. TO WORK Y/N DA MI	CAR POOL	ANNUAL MILEAGE
1	1996	CHEV	SUBURB	SUV	123ABC456			MO 77 66		PLEA	Y 5 22	N	5,720
2	2001	DODGE	INTREPID	SEDAN	456DEF789			MO 77 66		PLEA	Y 5 50	Y	3,250

AUTO	GARAGE LOCATION	AUTO
1		
2		

AUTO	LIEN	LOSS PAYEE (L)	ADDITIONAL INSURED (A)	COMB. LOSS PAYEE/ADD'L INSURED (C)
1	N			
2	Y	BANK OF LITTLETOWN	P.O. BOX 100	LITTLETOWN, MO 65486

NO	DRIVER NAMES	IDENTIFICATION NUMBER	SEX	D.O.B.	MAR	VEH	RESTR
1	SAM SMITH	111-11-1111	M	1/1/1958	M	1	A
2	ANN SMITH	222-22-2222	F	7/7/1963	M	2	A

NO	EXCLUDED DRIVERS	HOUSEHOLD MEMBERS NOT DRIVING	LIVE W/PAR
1	NONE	DICK SMITH JANE SMITH	Y
2	NONE	DICK SMITH JANE SMITH	Y

Scenario Worksheet:

Directions: Determine what each person and each company will

Case #1	Case #2	Case #3
<p>John & Jane Doe have the following auto insurance:</p> <p>Hometown Insurance Company</p> <p>Includes:</p> <ul style="list-style-type: none"> \$25,000 bodily injury per person \$50,000 bodily injury per accident \$10,000 property damage per accident \$25,000 uninsured motorist per person \$50,000 uninsured motorist per accident 	<p>Sam & Ann Smith have the following auto insurance:</p> <p>C&C Insurance Company</p> <p>Includes:</p> <ul style="list-style-type: none"> \$25,000 bodily injury per person \$50,000 bodily injury per accident \$25,000 property damage per accident \$1,000 Medical pay per person \$25,000 uninsured motorist per person \$50,000 uninsured motorist per accident \$250,000 collision 	<p>Tom & Sue Jones has the following auto insurance:</p> <p>Duncan Insurance Company</p> <p>Includes:</p> <ul style="list-style-type: none"> \$100,000 bodily injury per person \$300,000 bodily injury per accident \$100,000 property damage per accident \$50,000 uninsured motorist per person \$100,000 uninsured motorist per accident Comprehensive ACV - \$100 deductible Collision ACV - \$500 deductible

SCENARIO:

On the way to the lake last weekend, Sam & Ann Smith were towing their 20-foot boat on the back of their pickup truck. While approaching the green traffic light, Ann could see that another car, driven by Tom Jones, was going to run his red light and and was not going to stop. Ann slammed on her breaks to attempt to stop before the intersection, but slid into the middle of the intersection anyway. Needless to say, you can imagine the impact that the Jones's car caused when it slammed into the side of the Smith's pickup truck.

In a hurry, John & Jane Doe might have been traveling too close behind the Smiths'. The Doe's ended up running into the back of the Smith's boat. Since the boat trailer wasn't quite hitched properly, the accident unhitched the Smith's boat trailer from the back of the pickup. The good news is that the boat only slid 20 feet away and didn't hit the video rental store. The bad news is that it knocked over a pedestrian named Mr. Bullwinkle.

PROPERTY DAMAGE:

Smith's Pickup - \$28,500
 Smith's Boat - \$30,000 (totaled)
 Jones's Car - \$9,500
 Doe's Car - \$5,000

BODILY INJURIES:

Ann Smith: minor bumps & bruises, one broken arm, ER visit = \$1,200
Sam Smith: broken arm, broken leg, punctured lung, concussion, loss of vision in right eye, ambulance, ER visit, 2 nights hospital stay, 26 rehabilitation visits, and "Pain & Suffering" = \$75,680

Tom Jones: minor bumps & bruises, concussion = \$900

John Doe: broken leg, ambulance, concussion = \$3,500

Jane Doe: Stitches in forehead, dislocated shoulder, 12 rehabilitation visits = \$12,000

Mr. Bullwinkle: broken leg, broken back, hospital stay, 26 rehabilitation visits, "Pain & Suffering" = \$100,000

Answer Key:

IMPORTANT NOTE: Generally, when a boat is attached and being pulled by a vehicle, liability coverage extends from the vehicle to the trailer being pulled. For this exercise, please assume that the insurance company takes this same general liability approach. To be certain, you will want to check with your insurance company prior to towing a trailer.

IMPORTANT NOTE: "Pain & Suffering" is not a bodily injury that can specifically be proven. Some insurance companies will negotiate "pain & suffering" with a claimant. Other insurance companies will not settle and will leave "pain & suffering" up to the determination of a jury. For this exercise, please assume that these insurance companies will negotiate and settle "pain & suffering".

- Tom Jones's insurance company accepted liability for Mr. Jones's part of the accident. They are willing to pay for repairs to the Smith's pickup and bodily injuries sustained by the Smiths'. Also, repairs to Mr. Jones's car.
- John & Jane Doe's insurance company agreed with the Smith's insurance company that the Doe's are 75% liable for the damage to the boat. Yes, the Doe's ran into the Smith's boat, which caused a lot of the damage, but the Smiths' didn't hitch the boat up correctly. Therefore, part of the damage for the trailer becoming unhitched is the Smiths' fault.
- Sam & Ann Smith's insurance company accepted liability for 25% of the damage to the boat. The Smiths' insurer also accepted liability for Mr. Bullwinkle's bodily injury.

Case #1	Case #2	Case #3
Hometown Insurance Company pays:	C&C Insurance Company pays:	Duncan Insurance Company pays:
Smith's Boat (75%) (maximum PD allowed)	Smith's Boat (25%)	Smith's pickup
\$10,000	\$7,500	\$28,500
Doe's Car	Mr. Bullwinkle's bodily injury (maximum per person)	Ann Smith's bodily injury
+ 0	+ 25,000	1,200
\$10,000	\$32,500	Sam Smith's bodily injury
		Jones' car
		+ 9,000
John & Jane Doe pay:	Sam & Ann Smith pay:	\$114,380
Cost to repair their own car	No out-of-pocket cost	Tom Jones pays:
\$5,000	\$0	Property damage deductible
Additional due for boat		\$500
+ 12,500		
\$17,500		

An insurance company is only legally obligated to pay for the amount of coverage that a person carries. Therefore, C & C Insurance Company could only pay out \$25,000 to Mr. Bullwinkle on behalf of the Smith's. It would be Mr. Bullwinkle's choice to sue the Smith's for the rest of his Bodily Injury.

Since an insurance company is only legally obligated to pay for the amount of coverage that a person carries, Hometown Insurance Company did not have much to pay out. This is because the Doe's only carried the minimum amount of liability insurance. Their policy indicates that they only have \$25,000 of Property Damage liability coverage. Additionally, the Doe's do not have coverage that that would cover the cost of repair to their vehicle (this type of coverage is listed as Comprehensive, Collision, and/or Other Than Collision).

- The Smith's were lucky that they got all of their bills paid for because Mr. & Mrs. Jones had adequate insurance coverage.
- The smart characters were the Jones'. By carrying adequate insurance, their insurance company paid for the damages that Mr. Jones caused and was legally liable to pay.
- The unlucky bystander was Mr. Bullwinkle. He will have to discuss his medical bills with his own Health Insurance Carrier.
- The Doe's were also unlucky. Since they did not have enough insurance, they may be legally liable to pay for an additional \$12,500 to the Smiths' for boat damage. And they didn't get their car fixed.



**Missouri Department of Insurance, Financial Institutions,
& Professional Registration**
Insurance Education Initiative
 Teen Worksheets and Lesson plans - Educator Survey

PLEASE MAIL TO:
 Missouri Department of Insurance
 PO Box 690
 Jefferson City, MO 65102-0690

<http://insurance.mo.gov>
 800-726-7390

The Missouri Department of Insurance, Financial Institutions, & Professional Registration supports the use of educational insurance programs for Missouri youth. Teaching teens & young adults the importance of insurance coverage will further prepare them for life's journey. DIFP realizes that one of the best ways to teach teens about insurance is in the classroom. Please provide your feedback to for the insurance educational material used in your classroom.

Your Name _____

Name of your school _____

Subject or Class and Grade Level with which you used this material _____

Email and/or phone number _____

Check all that apply:

DIFP Lesson Plan used

- Health Insurance Lesson Plan
- Auto Insurance Lesson Plan
- Renters Insurance Lesson Plan

Supplemental DIFP classroom material used

- Teen Insurance Crossword Puzzle
- Teen Insurance Word Search
- Teen *Renters* Ins Crossword Puzzle
- Teen *Renters* Ins Word Search

What are the other insurance educational materials you use in your classroom?

Examples of other insurance material may be M.I.E.F.'s CD or DESE's Family/Consumer Resource Management [#40-3109-I]

Did you use any DIFP Teens worksheets (General, Auto, Health, Renters) in your classroom, other than the one included with your lesson plan?

- Yes
- No

Please rate the educational value of the DIFP material used in your classroom.

- 1** (High)
- 2**
- 3**
- 4**
- 5** (Low)

How did your students react to the lessons taught?

- Excellent
- Good
- Poor

Additional comments or recommendations:

Thank you for your input about the DIFP Insurance Education Initiative.

For more information contact us at 1-800-726-7390 or email us by going to

www.insurance.mo.gov then Ask MDI then Teen info

The DIFP Teen worksheets can be found at <http://insurance.mo.gov/consumer/teens>