

Activity 1 - What is Insurance

Question	Definitions / answers
What is Insurance?	Where the insurer agrees to compensate for the financial losses incurred on a specific event e.g. car accident or lost phone
Why do we have it?	<ul style="list-style-type: none">• To help reduce financial risks e.g. the risk of paying for all the car repairs if you had a car accident• Provides a safety net for major life events e.g. not having to pay all the cost to rebuild your house should it burn down.• For financial protection against the legal costs of defending yourself should an incident occur• In some cases, insurance is a legal requirement e.g. third party car insurance
Different types of insurance:	<ul style="list-style-type: none">• House - buildings and contents• Car - <u>third party</u> and <u>fully comprehensive</u>• Gadget - includes loss and damage• Travel - includes lost items, illness while away, cancellation• Private medical insurance• Pet insurance• Household appliances - repair or replacement• Life insurance• Personal liability• Dental insurance• Permanent health insurance• Almost anything else

Activity 2- Definitions

Define the following and consider their interactions:

Premium - is the cost of buying insurance protection

Excess - The first portion of the loss that is not covered by the insurance. This will be agreed upfront and form part of your Policy (ie the agreement between you and the Insurance Company). It is always the first part of the loss. For example, if the Excess in your travel insurance is £100 and you lose a camera on holiday worth £80, the insurance company will not pay any amount. If the camera was worth £150, the insurance company would pay £50.

Exclusions - What your Policy does not cover

Interactions between them: The lower the excess and fewer exclusions the higher the premium is likely to be

Activity 3- What factors affect your premiums?

For the following insurance policies, list some factors that may affect the premium

Life insurance - Age of person whose life is being insured, eating habits, smoking, alcohol drinking, exercise, place of birth, income, family health issues, medical history, etc...

Car insurance - Age of applicant, type of car, length of time driving, accident history, limit on the number of claims in a given time, duration of Policy, telematics*, etc...

House and contents insurance - how often the house is unoccupied, location, size, neighbourhood, house structure, history of claims, limit on the number of claims in a given time, etc...

Activity 4- How insurance is calculated

Which of the following might have the lower premium?

There is no right answer - not enough detail to determine an outright answer and the purpose of this exercise is to show how different factors affect premiums

Activity 5 - Choosing Policies

Below are the terms of four different car insurance companies' Policies. Review the information and answer the questions based on the information given.

Company	Premium	Excess	Limit	Exclusions
HotWheelies	£55 a month	£200	£2500	<i>Theft</i>
Belfort	£600 a year	£350	£5000	<i>None</i>
Kaleidoscope	£1250 over two years	£150	£1750	<i>Fire Damage</i>

1. Which policy has the cheapest premium?

Belfort

2. Which policy is the most expensive per month?

HotWheelies

4. Dale purchases a policy with Kaleidoscope. He is involved in a crash and the damage to his car will cost £600 to repair. How much of the repair costs will Dale have to pay himself?

£150

5. 10 years later Dale purchases a different policy with HotWheelies. The car is hit by a tree causing £600 of damage.. How much will the insurance company have to pay out?

£400

6. Which Policy do you think is the best?

For students to discuss the various pros and cons - no answer.