

INSURANCE DECISIONS

Comparing Auto Insurance Coverage and Costs

Detailed practice, calculation, decision-making, and assessment

GRADES 9-12	TIME 2 x 42 min	GROUPING I / pairs / whole	PRODUCT Recommendation
YOUR CHALLENGE Interpret common auto coverages, compare fictional quotes, calculate deductibles and limits, and make a reasoned recommendation without treating price as the only factor.			

Insurance Is a Risk-Management Tool

Auto insurance transfers specified financial risks to an insurer in exchange for a premium. Coverage names do not mean every loss is covered. The declarations page, policy form, endorsements, exclusions, limits, and deductibles work together.

Term	Meaning in this packet
Premium	Amount charged for the policy.
Deductible	Amount the insured generally pays on a covered physical-damage claim before the insurer pays.
Liability	Coverage for certain injury or property-damage claims made by others.
Collision	Coverage to check for damage to the insured car from a collision.
Comprehensive	Coverage to check for certain non-collision losses, such as theft or falling objects.
Limit	Most the policy will pay for a covered loss, subject to its terms.
IMPORTANT All companies, plans, prices, people, and claims in this packet are fictional. Real policies contain definitions, limits, exclusions, conditions, and location-specific rules that must be checked before making a decision.	

Part 1 - Match Coverage to the Loss

Read each fictional event. Decide whose loss is involved and which coverage should be checked first.

Event	Whose loss?	Coverage to check	Reason
Avery backs into another driver's fence.			
A tree branch dents Avery's parked car.			
Avery hits a guardrail.			
A passenger is injured.			
An uninsured driver damages Avery's car.			

Explain why liability coverage is not designed to repair Avery's own car.

Part 2 - Compare Two Fictional Quotes

Both quotes cover the same driver and car. Annual premiums and deductibles differ.

Feature	Quote A	Quote B	Decision effect
Annual premium	\$2,160	\$1,920	
Liability limits	25/50/10	100/300/50	
Collision deductible	\$500	\$1,000	
Comprehensive deductible	\$250	\$500	
Roadside assistance	Included	Not included	

Calculate monthly premium for each quote and annual savings from Quote B. Identify two reasons the cheapest premium may not mean the lowest risk.

Part 3 - Calculate Claim Costs

Use the fictional policy details. Ignore taxes, rental costs, and premium changes.

Scenario	Covered damage	Deductible	Insurer pays	Driver pays
Collision claim A	\$3,200	\$500		
Collision claim B	\$3,200	\$1,000		
Comprehensive claim A	\$900	\$250		
Loss below deductible	\$400	\$500		

Use insurer payment = covered damage minus deductible, but never below \$0. Explain why a deductible should fit the emergency fund.

Part 4 - Interpret Liability Limits

For classroom practice, read 100/300/50 as \$100,000 bodily injury per person, \$300,000 per accident, and \$50,000 property damage per accident.

Loss	Applicable limit	Loss amount	Possible amount above limit
One person’s injury	Per-person bodily injury	\$135,000	
Three people’s injuries	Per-accident bodily injury	\$360,000	
Property damage	Property damage	\$62,000	

Calculate the possible amount above each stated limit. Why is meeting a legal minimum different from choosing enough protection?

Part 5 - Write an Auto Insurance Decision Brief

Assume Avery has a \$1,200 emergency fund, drives daily, and could not easily replace the car. Recommend a quote only after addressing coverage, limits, deductibles, and missing facts.

Decision check	My evidence
Monthly and annual premium	
Liability limits	
Collision deductible	
Comprehensive deductible	
Emergency-fund fit	
Coverage trade-off	
Three facts to verify	
Recommendation with limitation	

Write 150-200 words. State that a licensed professional and the actual policy documents are needed for a real purchase.

Self-check: Did you use the same coverage assumptions for both quotes and identify information missing from the summary?