



Lesson Plan: Renter Insurance

This lesson plan is the collaborative effort of Janet Duncan, John Korte and Gloria Stegemann, of the Missouri Department of Insurance. For more information on the Insurance Education Initiative, access the following website: <http://insurance.mo.gov/consumer/teens/educators.htm>

Subject: Consumer Economics

Grade Level: 11 - 12

Length: Three Class Periods

Objective: Students will develop a knowledge base pertinent to renters insurance through the study of core definitions and by taking scenarios and determining the cost to the consumer and the cost to the insurance company.

Materials: Student - pen or pencil, page of scenarios and worksheets
Teacher - Copies of transparencies, worksheets, overhead projector

Background: Students will have completed the health insurance and auto insurance lessons available through the Missouri Department of Insurance website, to develop basic insurance background.

Activities: DAY 1: The teacher will present key terms and basic concepts. Then students will be grouped to attempt to achieve a monetary total relating to their personal property. Crossword or Word Search assignment.

DAY 2: Review and correct previous day's assignment. Go over sample scenario in class, then assign scenario worksheet.

DAY 3: Review and correct previous day's assignment. A small test may be given to conclude this lesson plan.

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, 3, 4, 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, 3-3, 3-4, 3-5, 3-6, 3-7, 3-8, 4-1, 4-3, 4-5, 4-6

P.O. Box 690
Jefferson City, MO 65102
1-800-726-7390
<http://insurance.mo.gov>

Don't RISK IT

1

2

3

4

Step 4: Cover your home



Moving Out

So, you're movin' out. Goin' to get your own place. King of your own domain. Do you really need Renter's Insurance? Whether headed out on your own, facing college, or planning a military career, you need to have your stuff covered with renter's insurance.

Renter's insurance is designed to protect you from a total loss of your property. Remember that the best way to learn about your policy is to read it completely.

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

If you had to go out today and replace all the clothes in your closet, how much would it cost? Do you have that kind of cash? Your landlord's property policy does not cover your TV, your bed, your clothes, or your CD collection.

If you're headed to the military...

The military probably won't replace that new \$5,000 camera you put in your footlocker, although they may have alternative compensation. If you have personal items in on-base housing, you need to check with your superior officers to see how your stuff is covered. You may want to search for an insurance agent in the area. Many companies and agents give special rates for military personnel.

If you're headed to college...

Check your parent's policy. Most homeowner's policies will cover items away from the home, up to a certain dollar amount. If you are in doubt after checking the policy, talk to your parent's insurance agent and ask details about their policy. You may not need a renter's policy.... BUT, be careful about that first move into your own apartment. If you move off campus, you may not be covered by your parent's policy.



What your policy covers

Personal Items

Your stuff at home is covered in case of fire or theft. Estimate and itemize the dollar value of the things you own, once a year. Put that information in a safe place away from your home, like at your parent's house or in a safety deposit box in a bank.

Unintentional Damage

If your candle starts a fire or your roommate is a bad cook and starts a grease fire and the apartment complex burns down, there's a good chance the owner will come after you to pay for the building. It sure would be hard to pay for a new apartment building.

Liability

Pays for personal damage or injuries to others.

- Baseball goes through neighbors window
- Dog bites (check your policy for exclusions)

Medical Payments

So you're having a party at your new duplex and someone slips and falls on your deck. Most insurance will cover the medical expenses of your visitors.

Additional Living Expense

If you had a fire and your apartment is getting fixed, renters insurance will pay for you to stay in a different place.

You can get additional coverage for a specific piece of property. Renters insurance policies may limit coverage or exclude coverage on certain types of valuables. If you have something of particular value, for example, over \$500, you will want to make sure that the company covers it. If not, look into getting a separate endorsement for that valuable item.



What you should know

Proof of Loss: When you have a claim you must be able to prove you had a loss. You're going to have to produce some kind of proof of ownership. This is why Mom always says - **"Keep your receipts"**!

Deductible: 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.*

Actual Cash Value (ACV) Policy: ACV is the current value of your TV if you sold it in the newspaper today.

- TV purchased in 1995 = \$350
- TV value today (ACV) = \$50

Replacement Cost (RC) Policy: RC is the amount that it would cost you to go out and buy that same TV in the store today.

- TV purchased in 1995 = \$350
- TV replaced today (RC) = \$575

Replacement cost policies typically cost more than actual cash value policies.



Get the facts

Small Claims Can Hurt

Your property is stolen and was worth = \$350
Renter's Insurance policy has a deductible = \$250
Your insurance company pays you = \$100

The severity of a claim does not matter to some insurance companies, simply the number of claims. Most insurance companies will look at your claims record from the previous 5 years.

Many companies will not insure those who have had 2-3 claims in 3 years, no matter the dollar amount of the claims.

Discounts with Auto Insurance

Most companies have big discounts on car insurance if you have a renter's policy with them. Sometimes the savings is large enough that it covers the price of the renter's insurance.



Simple Lesson

Your neighbor above you installs a hot tub, but your lease says you're not allowed to have hot tubs. It breaks and leaks into your apartment!

1. Your neighbor might be liable for the damage to your stuff, but refuses to pay for anything. If you have renter's insurance and your neighbor doesn't have insurance, who pays for your stuff to be fixed?

2. Now, what is the answer if neither of you have insurance? Who pays for your stuff?

3. What if you were the neighbor with the hot tub and no insurance? Can you afford to pay for the damage to your apartment plus someone else's damaged apartment?

Let's estimate the current dollar value of your bedroom.

1. Clothes: if you had to replace your entire wardrobe how much would it cost? Remember coats, shoes, hats, ect.
\$_____
2. Bed, Dresser, Furniture, Lamps
\$_____
3. TV, Computer, Stereo, CD's, DVD's
\$_____
4. Pictures, Rugs, Paint \$_____
5. TOTAL \$_____

1. Your insurance company pays you for your damage and your company would go after your neighbor to get reimbursed. 2. You do, unless you get a lawyer or a nice neighbor. 3. For the price of 2 pizzas per month, insurance sounds better than what a lawsuit may cost you!

Answers:

Renter Insurance:

You're getting closer, and closer to graduation all the time...

So whether you are heading out to

. . . college

. . . the military

. . . or out on your own

Renters Insurance may be the most important thing to have!

Key Terms:

Proof of Loss: verification of purchase (date of purchase, purchased from where, purchase amount).

Deductible: an agreed upon amount, between you and your insurer, that you will pay before the insurance company pays anything.

(Can be negotiated, at the time of insurance purchase, to make your premium lower . . . the higher the deductible, the lower the premium).

Actual Cash Value (ACV): the current value of an item. (It's what you would get for something if you would try to sell it in the paper).

Replacement Cost: the cost of an item, if it is replaced new from the store.

Depreciates: the value of an item goes down with time.

Estimate the value of your stuff:

Clothes

(PJs, socks, shoes, jeans, shirts, etc.)

\$ _____

Bedroom furniture

(Bed, dresser, nightstand, lamps, etc.)

\$ _____

Electronic Equipment

(TV, computer, stereo, CDs, DVDs, etc.)

\$ _____

Decorative

(pictures, lighting, rugs, etc.)

\$ _____

Grand Total

\$ _____

Scenario:

John has the following renter insurance policy:

- \$250 deductible
- \$30,000 Personal Property Limit
- \$2,500 Special Limit for Certain Property
- \$100,000 Liability

John moved out of the dorms into an apartment with his friends, Chris and Randy. After talking to an insurance producer, John decided to carry renter insurance on his stuff. He gave the producer the following list of items to be covered:

- Clothes - \$8,000
- College books - \$2,000
- Couch - \$150
- Coffee table set - \$100
- Lamps - 3 @ \$25 each = \$75
- Bed - \$200

Chris & Randy owned the \$900 35-inch TV, \$2,000 stereo, and \$3,000 computer along with their beds, books and clothes, but they decided that they did not need insurance.

While on break from school, Chris had a grease fire in the kitchen, and everything was lost.

- How much did John pay?
- How much did Chris & Randy pay?
- How much did the insurance company pay?

Break it down:

John Pays		Insurance Co. Pays
\$250	Deductible	\$0
\$0	Clothes	\$8,000
\$0	College Books	\$2,000
\$0	Couch	\$150
\$0	Coffee table set	\$75
\$0	Lamps	\$75
\$0	Bed	\$200
<hr/> \$250	Total	<hr/> \$10,525

Chris and Randy ended up with nothing. They did not insure what they had and don't have the money to immediately replace all of their stuff.

Scenario Worksheet:

POLICY LIMITS (for all of the following scenarios):

Liability	\$100,000
Personal Property Limit	\$30,000 (replacement cost)
Special Limit for Certain Property	\$2,500
Deductible	\$250

1. Ricky moved into his own apartment right after high school. He got a good job as a forklift operator in a local warehouse. With his extra money, Ricky liked to "invest" in his competition stereo, which had components that he could easily remove from his car. Last week, Ricky moved the stereo from his car and put it just inside his front door. That night, thieves kicked in his door and took the first expensive thing (the stereo) they found and ran.

Since these parts were not permanently attached to his car, the Renters Insurance Company would cover them. The value of Ricky's competition stereo was \$7,500.

- How much did Ricky pay?_____
 - How much did the insurance company pay?_____
 - What needs to be considered or changed about this situation in the future?_____
-

2. Debbie likes to sit on her patio and sip lemonade in the back yard of her duplex. One night her patio furniture was stolen from her back yard. Feeling hurt that someone stole from her, Debbie filed a police report and called her insurance company to file a claim. The claim she filed was for the replacement price of the patio furniture at \$400.

- How much did Debbie pay?_____
 - How much did the insurance company pay?_____
 - What needs to be considered or changed about this situation in the future?_____
-

3. Courtney and a couple of friends are renting a house near campus to save money and cut expenses, while going to college. Courtney decided to cook her boyfriend, Bobby, a Valentine's dinner. It turned out to be a little more than she could handle, and the end result was a fire in the kitchen. All major kitchen appliances were lost, the rest of the apartment experienced smoke and water damage. The total cost of the claim was \$27,500.

- How much did Courtney pay?_____
 - How much did the insurance company pay?_____
 - What needs to be considered or changed about this situation in the future?_____
-

Answer Key:

POLICY LIMITS (for all of the following scenarios):

Liability	\$100,000	
Personal Property Limit	\$30,000	(replacement cost)
Special Limit for Certain Property	\$2,500	
Deductible	\$250	

NOTE FOR TEACHER:

Make sure that students know that additions to a policy are known as "riders". Riders are optional coverages that can be purchased along with the basic coverage. Remind students that they should check to see if the personal property coverage has been issued on a "replacement cost" or an "actual cash value" basis.

1. How much did Ricky pay? \$250
How much did the insurance company pay? \$2,500
What needs to be considered or changed about this situation in the future? He should have gotten a rider to his policy to insure that his competition stereo equipment was covered.
2. How much did Debbie pay? \$250
How much did the insurance company pay? \$150
What needs to be considered or changed about this situation in the future? Insurance companies are sensitive to frivolous claims, and may cancel the policies after one or two claims. Is it worth it?
Probably not.
3. How much did Courtney pay? \$250
How much did the insurance company pay? \$27,250
What needs to be considered or changed about this situation in the future? While this was a valid use of the liability portion of her policy, the company may cancel the policy after its paid. Is it worth it?
Yes.



**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