

FAMILY ACTIVITY 1: Insuring for the Uncertain



Actuaries help insurance companies decide what to charge their customers. A *premium* is an annual rate the customer pays to buy insurance coverage. A *deductible* is the amount of money a family pays initially before the insurance company contributes its share: the higher the deductible, the lower the premium. *Risk* is the likelihood that you will need to repair or replace something damaged from an unexpected event.

Floods and flash floods happen in all 50 states. Some houses and buildings are repeatedly at risk because of their construction or location. Look at the table and answer the questions below. Use additional paper if needed.

	Dwelling	Location	Structure
Family 1	house in a valley	Cleveland, OH	wood
Family 2	apartment on a hill	San Francisco, CA	concrete
Family 3	house on the coast	Miami, FL	brick



Photos, clockwise from top left: © Photodisc/age fotostock, inc.; © Brad Loper/Dallas Morning News/Corbis; © Ryan McVay/Photodisc/Getty images; © image 100/age fotostock, inc.

Questions:

- Which two families are at more risk for floods? _____ Do you think their premiums would be higher or lower than the third family's? _____
- The family next door to Family 1 has a brick house. Do you think Family 1 would pay a higher or lower premium than their next-door neighbor? _____
- Family 2 must get flood insurance and have to decide between a policy with a \$500 deductible and one with a \$1,000 deductible. Which should they choose and why? _____

Answers: 1. Families 1 and 3 have more risk for flooding. Their premiums would likely be higher. 2. Family 1 would likely pay a higher premium because a wooden structure is likely to be damaged more than a brick structure from water. 3. Answers will vary, but students should understand that paying a \$1,000 deductible would likely be a better choice unless the family is concerned about flooding and wants to pay a lower deductible and higher premium.

Talk About It

Are there any natural events that are common in your geographical area? How much does your family pay for insurance? What is your deductible?

