Teacher Discussion for Insurance Pools

Teacher Directions: Read through the following questions and review the answers with students. Instruct students to give a thumbs up for 'yes' and a thumbs down for 'no' for questions that apply.

1. Did any pools insure all their drivers?
2. Is the pool that takes in more money going to make more profit?

   Not necessarily, if that pool took on some drivers who turn out to be risky.
3. Did anyone fail to get insurance? Why?

   The riskiest drivers may not have gotten insurance. The pools didn't want to take a chance on their driving habits.
4. How is this example different from getting real insurance?

   Many answers are possible; there are many insurers in the real world; people make deals in an insurance market rather than being in small insurance pools. Most importantly, in real insurance markets people pay different premiums. In this simulated market, everyone pays the same $2,000 premium regardless of risk.
5. Did any safe drivers generate a big loss because of a bad roll of the dice?

   Usually, yes.
6. What does this represent?

   A safe driver getting unlucky and getting into a costly accident.
7. Why should two equally safe drivers pay different amounts for insurance, just because one is driving an old sedan and the other is driving a new sports car?

   Because an accident will cause a higher loss in the case of a new sports car.
8. How could an insurer be induced to take on someone with a bad driving record?

   Possibly have the driver with the bad record pay more.