

Insurance Pools

Name: _____ Date: _____

Directions: This activity puts you into insurance pools to show how individual decisions affect both insurers and drivers.

The Game

1. You are about to play a game that puts you into student groups called "insurance pools."
2. In this game, your insurance pools will look at the front side of your Driver Cards and decide who should be insured. If you're insured you "pay" \$2000 and then the loss you'll incur, if any, is determined by a roll of two dice.
3. Think about the kinds of drivers that are least likely to get into expensive accidents. Also consider the drivers, and cars, that are the most likely to be in expensive accidents. (Notice that credit ratings run from 300 to 850, with the higher ratings being for responsible people who pay bills on time.
4. Write your name in the blank of your Driver Card and fold the card along the dotted line.
5. Notice that your folded card has two sides. The front side lists information about your riskiness. It also includes \$2000 to pay for insurance. The back side has additional information that the insurance pool doesn't yet know.
6. As a group, in your insurance pool, choose which drivers the pool will insure and the ones it will not. You want to help the members of your pool but you don't want to lose money by offering insurance to drivers that are too unsafe.
7. When all decisions have been made, you will now find out the profit or loss on each driver. Even safe drivers sometimes have accidents; risky drivers may go some time without an accident or loss. To represent the element of chance, two dice will be rolled for each driver. The outcome shows the claim that the insurance company must pay on the back of the Driver Card. For example, a roll of "2" represents perfectly safe driving with no accidents, and a loss of \$0.
8. Profits are determined on each driver, according to the roll of the dice and the formula on the card:

$$\text{Premium} - \text{Loss} = \text{Insurance Profit}$$