



Cents for Teens - Insurance

Name:

1. How do insurance companies make money?

Let's say the insurance company Alex got a quote from has 10000 customers and each customer pays a \$100 premium per month. In 5 years the company paid 50 claims with an average cost of \$20000 each. How much profit did the company make in 5 years?

Revenue per customer per month = \$100

Revenue per customer per year =

Total revenue for all 10,000 customers per year =

Average cost per claim = \$20,000

Number of claims = 50

Total cost of all claims =

Profit = Total Revenue - Total Cost

Profit =

2. How much will it cost with and without insurance?

Let's say Alex caused an accident and the following happened:

\$5000

The body of Alex's car is damaged and it will cost \$5000 to repair it

\$2500

Alex had a fracture and his hospital bills were \$2500

\$22500

The other car was totaled and the replacement cost is \$22500

\$20000

The other driver had injuries and the bills totaled \$20000

What is Alex's cost without auto insurance and what is his cost if he has auto insurance with a deductible of \$2500?

Cost without auto insurance =

Cost with auto insurance =