Learning Outcome 1.6

1.6 Identify appropriate types of insurance for particular personal needs and
consider costs, benefits and risks

Summary of Qs asked 2019-2026 on Learning Outcome 1.6

2019 Q4	Factors that will impact an insurance premium	Loading / Reductions / Premium	6m
2022 Q18 (a)(i)	Insurance principles mix and match	Insurance principles	9m
2022 Q18 (a)(iv)	Responsibility when shopping for insurance	Consumer responsibility	3m
2022 Q18 (a)(v)(vi)	Excess calculation, impact of a claim on premium	Excess, impact of a claim	6m
2023 Q10	Identify three types of insurance for a family	Types of insurance	6m
2024 Q3	Calculate premium, and reduction/discount	Calculation premium	6m
2025 Q11	Graph reading – explain premium, reasons for higher premiums for younger drivers (linked to graph)	Explain premium, reasons for higher premiums	6m
2026 Q4	Name and explain a type of motor insurance	Types of insurance	6m

Key skills required so far answering the JC Exam:

1. Factors that impact on insurance premiums
2. Insurance principles
3. Calculations (premiums, discounts, excess)
4. Types of insurance (Identify, name/explain)

Page 55 Introduction + Class Activity - True or false about insurance

Use the motor insurance graph for discussion – what is the trend/relationship between age and premium paid/cost of insurance – fairness of it, reasons for it, other reasons that may exist (no claims bonus, type of licence…)

1. A teenager who just passed their test and an experienced adult pay the same for motor insurance.

False. A young, inexperienced driver is a higher risk, so they receive a loading and pay more than an experienced driver.

2. A house with a burglar alarm costs the same to insure as a house with no alarm.

False. A burglar alarm lowers the risk of theft, so the insurer offers a reduction and the alarmed house costs less.

3. A more expensive car will cost more to insure.

True. A higher-value car costs more to repair or replace, so the premium is higher.

4. A driver can decide not to tell the insurer they have penalty points.

False. Utmost good faith requires all material facts to be disclosed; hiding penalty points could make the policy invalid.

Page 59 Class Activity - Identify the principles of insurance

- 1. Aoife does not mention a flood two years ago:
    - Utmost good faith - all material facts must be disclosed.
- 2. A car worth €5,000 and the owner tries to claim €8,000:
    - Indemnity - you cannot make a profit from insurance, only be put back as you were.
- 3. Sean insures his phone with two companies and claims from both:
    - Contribution - where the same risk is insured twice, the insurers share the cost; you cannot claim it in full from both.
- 4. The insurer takes legal action against the person responsible:
    - Subrogation - the insurer takes over the insured's right to recover the loss from the party at fault.
- 5. A person wants to insure their neighbour's car:
    - No. Insurable interest - you can only insure something you would suffer a financial loss from, and you have none in a neighbour's car.

Page 64 Class Activity - Calculate an insurance premium

Key ideas → Names the factors that trigger a loading and works a percentage loading on a base premium.

- 1. Two factors that would trigger a loading, and why they raise the risk:
    - A young or inexperienced driver: more likely to have an accident.
    - Penalty points: a record of unsafe driving, so a higher risk.
    - A high-value car: costs more to repair or replace.
- 2. Base premium €600 with a 30% loading (high-risk urban area):
    - **Loading = €600 x 30% = €180; premium = €600 + €180 = €780.**
- 3. Would a house holding a lot of expensive jewellery cost more to insure?
    - **Yes. The contents are worth more, so there is more to pay out on a claim, which raises the premium.**

Page 66 Class Activity - Calculate the impact of a reduction
Key ideas → Separates loadings from reductions and works a house premium and the saving from a discount.

- A. True or false:
  - 1. A loading increases the cost of a premium: True.
  - 2. A no claims bonus is an example of a loading: False, it is a reduction.
  - 3. A young inexperienced driver pays a lower premium than an experienced driver: False, they are higher risk so pay more.
  - 4. Installing a burglar alarm can reduce a house premium: True.
  - 5. The higher the value of a house, the higher the premium: True.
- B. Questions:
  - 1. Two factors that trigger a reduction: a no claims bonus (the driver has shown low risk), security features such as a burglar alarm (lower risk of theft), or a higher voluntary excess (the insured covers part of any claim).
  - 2. House valued €240,000, rate €2.50 per €1,000:
  - (i) Annual premium = €240,000 / €1,000 x €2.50 = €600.
  - (ii) A 10% discount for an alarm = €600 x 10% = €60 saved.
  - 3. No claim in five years:
  - The driver earns a no claims bonus (a reduction), so their premium is lower.

Page 67 Class Activity – Policy Excess

- 1. Damage €900 – Excess €750 = €150 Compensation/pay out
- 2. It has a lower excess so Ciaran would receive more compensation on any claim than Option B
- 3. Its cheaper/ lower price €700 vs €900
  - Encourage them to back up anything with data/figures to get them used to that for exams.