

TO: Commissioner Mark Fowler (Co-Chair) and Commissioner Michael Humphreys (Co-Chair, NAIC Special Committee on Race and Insurance Life Workstream

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RE: Endorsement of Mandated High School Financial Literacy Courses

DATE: April 1, 2024

We are writing to support the proposed NAIC Special Committee on Race and Insurance endorsement of mandated financial literacy courses in high schools. As the current draft of the endorsement correctly notes, financial education in high schools has been linked with many positive outcomes, including improved credit scores and reduced loan default rates,¹ increased savings and net worth in adulthood,² reduced non-student debt, and improved student loan decisions.³

¹ Brown, A., Collins, J. M. Schmeiser, M., & Urban, C. (2014).. State mandated financial education and the credit behavior of young adults. Federal Reserve Board.

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2498087. Urban, C., Schmeiser, M., Collins, J. A., & Brown, A. (2020). The effects of high school personal finance education policies on financial behavior.

Economics of Education Review, 78, 101786.

<https://www.sciencedirect.com/science/article/pii/S0272775718301699>

² Bernheim, B. D., Garrett, D. M., & Maki, D. M. (2001). Education and saving: The long-term effect of high school curriculum mandates. *Journal of Public Economics*, 80(3), 435-465.

<https://www.sciencedirect.com/science/article/pii/S0047272700001201>

³ Stoddard, C., & Urban, C. (2020). The effects of state mandated financial education on college financing behaviors. https://www.nefe.org/_images/research/Effects-of-K-12-Financial-Education-Mandates/Effect-State-Mandated-Fin-Ed-June25-2018.pdf

We offer a number of edits to the endorsement that we believe will substantially improve specific aspects. Two of the undersigned (Cude and Kitt) bring to the conversation decades of experience teaching financial literacy education and developing financial education curriculum.

Mandating that financial literacy content be taught in schools typically also requires identifying and/or creating an approved or recommended curriculum. Thus, we encourage adding a sentence such as the following:

Insurance regulators are uniquely positioned to offer expertise in identifying key insurance concepts and skills to be included in the curriculum of a mandated course. We encourage insurance regulators to partner with those who have experience and expertise developing curriculum and teaching high school students to identify or create curriculum that includes insurance content for a mandated course.

For perspective, we have attached what is currently included in popular personal finance curriculum for use in high schools about insurance. (See Appendix.)

We also recommend the language below for the “Financial Literacy and Insurance” section:

The key insurance concepts and skills to include in a curriculum should be tailored to the teachable moment that occurs when high school students are exposed to financial literacy education. We believe the key concepts should focus on an understanding of the fundamentals of insurance, including risk pooling, cost sharing, underwriting factors, and comparing premiums. Application to cell phone insurance, auto insurance, and renter’s insurance (and for some students health and pet insurance) are more likely to resonate with high school students than application to other lines of insurance that will have more relevance later in life. However, an understanding of the fundamentals of insurance is an important foundation to prepare high school students for significant decisions they will make after high school, such as about life insurance and homeowners insurance.

We also note that a partner for insurance regulators in some states may be the state’s Council for Economic Education, as they are likely to be engaged in the development of curriculum. State insurance regulators can find a link to the state Councils [here](#). The national Council also produces reports about financial education requirements in the states; the latest report is available [here](#).

Mandates to teach content in high school rarely are accompanied by sufficient additional resources to train existing teachers to deliver the content. It is even more rare that mandates are accompanied by funding to hire new educators. It is unlikely that most high school teachers would be prepared to teach to most of the learning objectives for students in the Appendix without additional resources and training. Thus, we also recommend the addition of this sentence:

Insurance regulators can also offer their expertise to serve as resources for teachers as they prepare to deliver insurance-related content, including partnering with those designing and delivering teacher training.

We also recommend an additional paragraph that recognizes the limitations of a mandated financial literacy high school course.

Finally while mandating financial education high school courses is an excellent step toward improving the financial literacy of Americans, there are many reasons why it is not sufficient to create a financially literate nation. This is especially true for historically underrepresented populations if they are more likely than others to end their formal education before encountering a high school financial literacy course or if teachers in their schools are less well prepared than other teachers to deliver the content effectively.

Thus, we also recommend that insurance regulators seek partnerships with those providing workplace financial education and offer their expertise to encourage and support inclusion of insurance-related content.

For additional information about our recommendations, please contact Brenda Cude at bcude@uga.edu.

Appendix

Next Gen Personal Finance Curriculum: Learning Objectives for Insurance

Introduction to Insurance: Students will be able to:

- Illustrate how everyone risks financial loss and how insurance shares that risk
- Identify factors that impact insurance premiums and the relationship between premiums, deductibles, and coverage limits
- Explain how the insurance industry uses risk pooling and math to provide insurance coverage and make a profit

Auto Insurance: Students will be able to:

- Explain a deductible, out-of-pocket expenses, and what insurance will pay for in different situations
- List factors that determine auto insurance premiums
- Describe the main types of auto insurance policies and compare state requirements
- Choose an appropriate level of car insurance coverage

Renters and Homeowners Insurance: Students will be able to:

- Distinguish the similarities and differences between renters and homeowners insurance
- Read the fine print of a rental insurance agreement
- Assess whether they will need renters insurance after high school
- Appreciate why it is valuable to have insurance, regardless of whether you own or rent a home
- Enumerate what types of perils are and are not covered by standard renters and homeowners insurance policies

How Health Insurance Works: Students will be able to:

- Understand the importance of having health insurance
- Identify the various costs affiliated with having health insurance
- Explain how health insurance works and the different types of plans available to them
- Explore steps they can take to lower their medical costs

How to Access Health Insurance: Students will be able to:

- Explain the pros and cons of enrolling in employer-sponsored health plans vs individual plans from the Marketplace
- Explore the specific coverage areas and benefits of healthcare.gov Marketplace plans
- Understand how government healthcare programs like Medicaid, CHIP, and Medicare work and who qualifies for them

- Investigate health insurance policies and eligibility in their states

Other Types of Insurance: Students will be able to:

- Explain how pet insurance works and how it compares to human health insurance
- Differentiate between short- and long-term disability insurance
- Decide when a life insurance policy is appropriate and how to select the best type for their needs

Standard Learning Outcomes -- Students will know that...

- People vary with respect to their willingness to accept risk and in how much they are willing to pay for insurance that will allow them to minimize future financial loss.
- The decision to buy insurance depends on perceived risk exposure, the price of insurance coverage, and individual characteristics such as risk attitudes, age, occupation, lifestyle, and financial profile.
- Some types of insurance coverage are mandatory. Insurance premiums are lower for people who take actions to reduce the likelihood and/or financial cost of losses and for those who buy policies with larger deductibles or copayments.
- Health insurance provides coverage for medically necessary health care and may also cover some preventive care. It is sometimes offered as an employee benefit with the employer paying some or all of the premium cost.
- Disability insurance replaces income lost when a person is unable to earn their regular income due to injury or illness. In addition to privately purchased policies, some government programs provide disability protection.
- Auto, homeowner's and renter's insurance reimburse policyholders for financial losses to their covered property and the costs of legal liability for their damages to other people or property.
- Life insurance provides funds for beneficiaries in the event of an insured person's death. Policy proceeds are intended to replace the insured's lost wages and/or to fund their dependents' future financial needs.
- Unemployment insurance, Medicaid, and Medicare are public insurance programs that protect individuals from economic hardship caused by certain risks.
- Insurance fraud is a crime that encompasses illegal actions by the buyer (e.g., falsified claims) or seller (e.g., representing non-existent companies) of an insurance contract.
- Online transactions and failure to safeguard personal documents can make consumers vulnerable to privacy infringement, identity theft, and fraud.
- Extended warranties and service contracts are like an insurance policy.