Expected Value Strategy Comparison

Today's Standard

HSS.MD.B5b - Evaluate and compare strategies on the basis of expected values. For example, compare a high-deductible versus a low-deductible automobile insurance policy using various, but reasonable, chances of having a minor or a major accident.

Cues	Notes
Expected value	Expected value helps compare different strategies by averaging possible outcomes.
Insurance policy comparison	
Risk management	A high-deductible insurance policy can be beneficial depending on the likelihood of filing a claim.
Investment evaluation	Expected value is an average outcome, not a guaranteed result.
Probability basics	Understanding basic probability and statistics is essential for calculating expected value.
	Real-world applications include insurance, investments, business strategies, and medical decisions.

Summary

Expected value is a key concept in evaluating and comparing different strategies based on their average outcomes. It is crucial for making informed decisions in various real-world scenarios, from insurance to investments. Understanding basic probability and statistics is essential for mastering this concept.