

Non-Life Insurance

Assignment 2

- 1) c) Earned premium
- 2) b) Damage caused to another vehicle when hit by insured's vehicle
- 3) Types of cover in motor insurance:
 - **Own Damage Insurance**: It is a customized motor insurance policy designed to protect you and your insured vehicle from your own damages, i.e. damages and losses caused to your own vehicle.
 - **Third-party liability cover**: It is the portion of an insurance policy that protects you if you're sued (or threatened to be sued) for a physical injury or damage to someone else's property.
 - **Comprehensive insurance**: It is one of the most valuable types of vehicle insurance that covers both third-party liabilities and damages to your own vehicle as well.
- 4) Add-on coverages in motor insurance:
 - **No claim bonus** –
No claim bonus (NCB) is a discount, given by an insurer to a policyholder for making no claims during the policy term.
NCB can be accumulated over the years and the discount ranges from 20% to 50% on the own damage premium
 - **NCB Retention Add on Cover** –
Protects the NCB of the insured even if he/she claims (Own Damage) during the policy period wherein the claim amount is more than 25% of IDV.
 - **Nil Depreciation**-
This cover pays the amount of depreciation deducted on the value of parts replaced under own damage claim
 - **Total Cover** –
This cover pays for the amount spent on the registration fee, Octroi and/ or any other charges levied by the government authority towards the insured vehicle. Also, the insurance premium shall be paid.
 - **Engine protection cover** –
It offers financial protection for damages caused to the engine of the vehicle.
 - **Consumables cover** –
It pays for the cost of consumables, like engine oil, gear oil, nuts and bolts, lubricants and similar items except for fuel, required to be refilled or replaced because of the accident.
 - **Return to invoice** –
In case of theft or damages beyond repair, return to invoice add-on gives you the benefit of getting back the complete amount of your car/bike invoice value, including the cost of registering a new vehicle and its road tax respectively.
 - **Roadside assistance**-

How do you fancy your set of wheels breaking down on a lonely dacoit infested road at the stroke of midnight? Fear not, roadside assistance is there to rescue. All you need to do is give them a call and they'll come to the spot and repair your vehicle. If not possible they will tow it to the nearest service station and towing charges will be paid by the insurer. A ride for you might also be arranged.

- Tyre Protect Cover-

Generally, tyre damage isn't covered in standard insurance unless the damage takes place during an accident. That's why this tyre protect add-on gives you the benefit to safeguard and cover for your car's tyre damages such as tyre bursts, bulges or cuts during all other situations possible.

Other Add-ons:

- Loss of personal belongings-
- Key replacement

5) Health insurance is a type of insurance coverage that pays for medical and surgical expenses incurred by the insured.

- Ambulatory patient services Emergency services
- Hospitalization (like surgery and overnight stays)
- Pregnancy, maternity, and newborn care
- Mental health and substance use disorder services, including behavioral health treatment
- Prescription drugs
- Rehabilitative and habilitative services and devices (services and devices to help people with injuries, disabilities, or chronic conditions gain or recover mental and physical skills)
- Laboratory services
- Preventive and wellness services and chronic disease management
- Pediatric services, including oral and vision care

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6) Underwriting factors:

Travel insurance:

1. Age
2. Trip cost
3. Trip length
4. Destination
5. Departure window - The amount of time between the date travel is booked and the date insureds depart on their trip
6. Departure Month
7. Number of destinations

Marine insurance:

1. names and brief details of vessels covered
2. value of vessels
3. periods of cover
4. deductions for brokerage, etc
5. class and type of cover
6. general conditions

Fire insurance:

1. Type of construction
2. Adjacent exposure data and general liability exposures
3. Construction material
4. Fire safety
5. Protection and control systems
6. Compliance with engineering recommendations
7. Location of water sources
8. Age of building and utilities, Estimated loss
9. Estimated replacement cost
10. Residential or commercial, if commercial, what business is being conducted
11. Type of contents of the building
12. Claims history
13. Credit rating of the owner.

Motor insurance:

1. Age of the proposer
2. Sex
3. Marital status
4. Driving history of the proposer
5. Address of the proposer
6. Proposer's history involving insurance in general
7. Ownership of or financial interest in the motor vehicle
8. Description of use and distance to be covered by the motor vehicle
9. Particulars of the motor vehicle

7) Uncovered factors:

Health insurance:

1. elective or cosmetic procedures
2. beauty treatments
3. Fertility treatments
4. off-label prescriptions
5. New technology in product or services

Travel insurance:

1. Warfare
2. Pre-existing ailments
3. Sporting injury during travel
4. Pregnancy
5. When the tour operator cancels trip

Fire insurance:

1. loss due to fire caused by earthquake, invasion, act of foreign enemy, hostilities or
2. war, civil strife, riots, mutiny, martial law, military rising or rebellion or insurrection.
3. loss caused by subterranean (underground) fire.
4. loss caused by burning of property by order of any public authority.
5. loss by theft during or after the occurrence of fire.
6. loss or damage to property caused by its own fermentation or spontaneous combustion e.g. exploding of a bomb due to an inherent defect in it.
7. loss or damage by lightening or explosion is not covered unless these cause actual ignition which spread into fire.

Marine insurance:

1. Wilful, planned or intentional misconduct
2. Strike, rioting, war
3. Poor packaging quality of the cargo
4. Delays
5. General leakage or wear and tear of the cargo
6. Financial distress or insolvency of the shipping line

Motor insurance

1. Third party liabilities
2. Insured driving drunk
3. Driving without a license - As a standard rule, no insurance can accept claims if the said
4. person is driving illegally. Therefore, claims can only be made if you were rightly driving
5. with a valid driver's license.
6. Add-ons not bought
7. Consequential damages - Consequential damages refer to damages that take place after an
8. accident. Unfortunately, those won't be covered unless the damage has happened during
9. the accident itself.

- 8) Insurance fraud is an illegal act on the part of either the buyer or seller of an insurance contract. Insurance fraud from the issuer includes selling policies from non-existent companies, failing to submit premiums, and churning policies to create more commissions. Buyer fraud, meanwhile, can consist of exaggerated claims, falsified medical history, post-dated policies, viatical fraud, faked death or kidnapping, and murder.

Underwriting in health insurance:

- ✓ Age

- ✓ Sum Insured
- ✓ Demography
- ✓ Medical Condition
- ✓ Gender
- ✓ Policy Type

Soft Fraud:

- ✓ Exaggerating damages/loss
- ✓ Deliberate or subtle lagging of claims resolution

Hard Fraud:

- ✓ Staging the occurrence of incidents
- ✓ Medical claims fraud

9) TYPES OF COVERAGES-

Travel insurance

- Trip Cancellation: Reimbursement of costs previously paid, and not otherwise refunded, for a trip cancelled prior to departure.
- Trip Interruption: Reimbursement of additional costs, or of unused prepaid costs (e.g., excursions, hotel, etc.), incurred due to returning from a trip earlier than expected.
- Travel Delay: Reimbursement of costs incurred because travel did not occur at the time expected.
- Baggage Damage or Loss: Payments to replace personal items damaged or lost while on a trip.
- Baggage Delay: Reimbursement of additional costs incurred to replace personal items that did not arrive at the intended destination when expected.
- Emergency Medical or Dental: Reimbursement of unexpected medical costs incurred due to injury or illness while traveling.
- Emergency Evacuation: Providing specialized transportation (e.g., air ambulance), typically, in response to a medical emergency or severe medical need.
- Repatriation of Remains: Providing transport for an insured who dies during travel from the travel destination to a family-designated funeral home.
- Rental Car Collision Damage: Reimbursement of amounts paid to a rental car agency due to damage to, or loss of, a rental car.

Marine insurance:

- Hull - covers physical damage to vessels including machinery and fuel but not their cargo
- Cargo - covers physical damage or loss of goods while in transit
- Voyage – provides coverage for a specific voyage . It covers the cargo and not the ship.
- Freight – covers the loss of freight suffered by the vessel if the ship-owner cannot complete his contract.
- Liability - if the vessel collides with another vessel and there is damage, the liability suffered by the owner of the vessel for such collision is covered.
- Time policy – the policy provides coverage upto a specified time
- Mixed policy - this policy combines time policy and voyage policy and covers voyages taken between specific destinations during a specific time period.

- Valued policy - under this policy the value of the cargo being transported is mentioned
- beforehand which specifies the coverage level of the plan. In case of loss of cargo, the value mentioned in the policy is paid as claim
- Unvalued policy – when the value of the cargo is not determined beforehand, it is called an unvalued policy. Under this policy, the loss suffered would be estimated when the loss happens.

Personal accident insurance:

- Accidental damages caused by external means.
- Burglary, Theft and Housebreaking.
- Fire, Explosions, Implosions, Lightning, and self-ignition.
- Natural calamities like flood, typhoon, cyclone, hailstorm, etc.
- Earthquake, landslide and rockslides.
- Transit of vehicles by rail, road, air, or inland waterways.
- Terrorism Attacks, Riots and Strikes, or Malicious Damage.

11) Lloyd's Coffee House

From 1661, in Lombard street, the coffeehouse became a place to discuss marine affairs. Edward Lloyd started giving out news –sheet. They pooled their money for insurance against risk connected with the sea.

The need for underwriting led to formation of Lloyd's of London. Contrary to popular belief, Lloyd's of London was not the first group of people to offer a maritime commerce. The first form of marine insurance dates back to year 3000 BC when Chinese merchants dispersed their shipments amongst several vessels so as to abridge the possibility of damage to the products. The earliest account of insurance came in the form of 'bottom', a monetary payment that protects traders from debt if merchandise is lost or damaged.

Types of Policies

- Time policy – the policy provides coverage upto a specified time
- Mixed policy - this policy combines time policy and voyage policy and covers voyages taken between specific destinations during a specific time period.
- Valued policy - under this policy the value of the cargo being transported is mentioned beforehand which specifies the coverage level of the plan. In case of loss of cargo, the value mentioned in the policy is paid as claim
- Unvalued policy – when the value of the cargo is not determined beforehand, it is called an unvalued policy. Under this policy, the loss suffered would be estimated when the loss happens.
- Floating policy - Under this policy the policyholder buys the policy for a lump-sum value. Nothing else is specified. When the goods are actually transported, a declaration is made for the value of goods which is deducted from the lump sum amount selected under the policy. The policy, therefore, covers multiple voyages up to the lump sum limit. This policy is for businesses which transport goods frequently.

- Block policy - A block policy is an all-risk insurance policy providing coverage against risks faced by goods transported or stored by third parties. It also covers property in storage and the equipment required to make the transportation and storage of goods possible, Companies wanting their products covered against a wide variety of perils during transport and storage may buy a type of inland marine insurance or block coverage.
- Composite policy - this policy is underwritten by multiple underwriters and each underwriter has a fixed liability.
- Fleet policy - this policy is taken by the owner of the vessel to cover the fleet of vessels which he owns i.e. a single policy for a group of vessels.

12)

Expenses = 8500

Commission = 5700

Net claims insured = 150000

Net written premium = 50000

Net premium earned = 75000

NET combined ratio = Loss ratio + Expense ratio + Commission ratio

$$\begin{aligned}
 &= \frac{150000}{75000} + \frac{8500}{50000} + \frac{5700}{50000} \\
 &= 2.284
 \end{aligned}$$

13) Crop insurance is a means of protecting the agriculturist against financial losses due to uncertainties that may arise from crop failures/losses arising from named or all unforeseen perils beyond their control.

Coverages

- ✓ Localized calamities
- ✓ Sowing/ planting/ germination risk
- ✓ Standing crop loss – non-preventable risks such as hail storm, dry spells, flood, cyclone
- ✓ Post-harvest losses

Exclusions

- ✓ Losses arising out of war, nuclear risks
- ✓ Malicious damage and other preventable risk arising out of negligence by the farmer or the manpower employed by the farmer
- ✓ Burning of the crop by order of a public authority
- ✓ Damage caused by birds or animals
- ✓ Ionizing radiations or contamination by nuclear waste
- ✓ Harvested crops bundled and heaped before threshing

14) Underwriting for credit insurance is carried out on the basis of the quality of the customer base, previous loss records, expected future losses for the client's portfolio and sector, anticipated turnover, and trading expectations.

15) Engineering insurance refers to the insurance that provides economic safeguard to the risks faced by the ongoing construction project, installation project, and machines and equipment in project operation.

The types of machinery and equipment that can be covered has become more varied too, ranging from:

- Power plant
- boilers
- transformers
- generators
- turbines
- process machinery
- paper-making machines and printing machines
- Computers, mainframes and software systems

Engineer insurance also covers business interruption, machinery movement, plant hired in or out and deterioration of stock.