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CLASS: FY-A

PRODUCT DESIGN:--

FIVE PRIORITIES OF INSURANCE IN THE FUTURE:

1. **Closing the protection and resilience gap:** In many parts of the world access to insurance is not available, or the existing products are not meeting the needs of those most vulnerable to current and future risk. How can the industry build trust, capacity and long-term solutions where no markets currently exist or where rising risks threaten the availability of insurance?
2. **'Building back better':** After climate shocks, why are not all insurance repairs conducted with a low-carbon and climate-resilient future in mind? There are commitments on doing this both for the residential and industrial insurance business sides, but has this led to a real transformation?
3. **Investing in sustainable assets:** How can the industry address the disconnect between risk know-how on the underwriting side and investment decisions on the asset side? In other words - why are insurers still funding projects that they would not insure, whether on health, social or environmental grounds? How can insurers play a market-shaping role in terms of driving demand for green and sustainable assets, not least for sovereign bonds, often the largest asset class?
4. **Make resilience an investable proposition:** Why are we not able to attach monetary returns to investments in resilience? There is growing interest in generating returns from investments in resilience and climate adaptation but a good formula is still missing.
5. **Engaging with clients and customers through better risk signalling:** How could insurers set out requirements for their clients to demonstrate sustainable behaviour? Insurers can fill a void in terms of engaging with companies and governments in locations in which they invest or which they underwrite - can this help to encourage prioritisation of climate change and other sustainability concerns in planning and policymaking? How can insurers use risk signalling to inform other sectors and governments about the urgency of changing to more sustainable practices and policies?

AI AND INSURANCE ‘THE FUTURE’:

Explosion of data from connected devices

In industrial settings, equipment with sensors have been omnipresent for some time, but the coming years will see a huge increase in the number of connected consumer devices. The penetration of existing devices (such as cars, fitness trackers, home assistants, smartphones, and smart watches) will continue to increase rapidly, joined by new, growing categories such as clothing, eyewear, home appliances, medical devices, and shoes. Experts estimate there will be up to one trillion connected devices by 2025.

Advances in cognitive technologies

Convolutional neural networks and other deep learning technologies currently used primarily for image, voice, and unstructured text processing will evolve to be applied in a wide variety of applications. These cognitive technologies, which are loosely based on the human brain’s ability to learn through decomposition and inference, will become the standard approach for processing the incredibly large and complex data streams that will

be generated by “active” insurance products tied to an individual’s behavior and activities

Jamie’s Case study

Month	What happened?	Which insurance would cover this?	Did Jamie have coverage?	How much will Jamie have to pay? (If she has insurance, what is her copay or deductible?)
January	Jamie got sick and visited the doctor. Without insurance, the appointment cost Rs.120 and the antibiotics cost Rs.110.	Medical insurance	YES	out of Rs.230 she will have to pay Rs.40. as she is covered. Her copays of Rs 40.
March	Jamie fell on ice while hiking and had to get stitches in the emergency room. Without insurance, the procedure cost Rs.250.	Medical insurance	YES	Out of Rs 250 she will have to pay Rs 50. As she is covered. Her copays are of Rs 50
July	A kitchen fire in the apartment next door caused the sprinkler system to activate in Jamie's apartments well. Her couch, her television, her computer, and her bookcase were ruined. The cost of the damage was Rs.2,500.	Renter’s insurance	NO	She will have to pay the whole amount of Rs.2500. As she is NOT insured. She has to pay Rs 0 if she has insurance.
September	Jamie hit a deer when driving home from work. She wasn't hurt, but the damage to her car was Rs.3,400.	Auto insurance	YES	She will have to pay Rs 300. As she is insured. Her deductible is of Rs 300
October	Jamie got dirt in her eye while picking fruit at a local farm. She went to the eye doctor when her eye became red and swollen, the doctor prescribed eye drops. Without insurance, the	Vision insurance	YES	She will have to pay Rs 40. As she is insured . Her copays are of Rs.40

	appointment cost Rs.150, and the eye drops cost Rs.90.			
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1. Summarize the costs

Based on the insurance coverage Jamie had in place, how much did she have to spend herself that year?

How much more would it have been if she didn't have any insurance (including copays, deductibles, and the premiums)?

Ans.

(I) The amount she spent herself that year.

She had paid copays and deductibles of **Rs. 90, Rs.300, Rs.40** for medical treatment, car expenses and vision treatment respectively.

She paid **Rs. 1236 , Rs 24 , Rs 889** that year for Medical insurance premium ,Vision insurance premium and Auto insurance premium respectively that year.

She paid **Rs 2500** for house damage as she had **No** insurance.

So the total amount including copays, deductibles, premiums and damages was of **Rs 5079** .

(II) The amount she would pay if she didn't have any insurance.

January - **Rs. 230** (Medical treatment)

March - **Rs. 250** (Stitches treatment)

July - **Rs. 2500** (House damage)

September – **Rs. 3400** (Car damage)

October – **Rs. 240** (Vision treatment)

Total amount paid if she didn't have any insurance

Rs. 6620

She would have paid Rs. 1541 more if she didn't have any insurance.

With insurance - Rs. 5079

Without insurance – Rs. 6620

2) Consider insurance in your life. Life is full of surprises. Insurance is there to help us when things go wrong. What types of unexpected life events (illness, accident, surgery, natural disaster, dental emergency, etc.) have happened to you or to your family or friends in the past year that may have caused a financial burden? Which types of insurance coverage would be most helpful to protect people in these instances?

I would like to share three unexpected life events that had happened with my relatives, friends and people that I know.

(I)

This is a case about my friend She was 17 last year old and her father was only earning person in her family. Their family was living a comfortable life with all entertainment as well. Her father didn't have a life insurance. In end of 2020 her father got a stroke and was hospitalized in emergency. As the condition got worse, doctors were unable to save him. For next 2 months her wife was in deep depression. My friend had one sister. They moved to their native place for a few months as he was ex-navy officer, they had

some government benefits. He had left some savings. From that time their family's life has changed forever. They are living with their needs only. They have money to live for few years only. In the meantime, both the daughters will have to start earning to survive.

From this case I was saddened. I understood the importance of life insurance. Every individual, irrespective of their age should take an insurance. As death is uncertain. No one knows when and how they will die. Especially people who are single earners in their family must take it. Their family would never get healed emotionally from losing them but atleast they would be able to give living essentials for their loved ones.

(II)

This is a case about my friend who lives near the sea in Gujarat. Their family has a business of selling retail items. They are a middle-class family with one house. Few months ago cyclone Taukte disrupted Gujarat sea areas. There was red alert and cyclone was severe for two nights. My friend's family was evacuated by government before few days. In cyclone their house was destroyed. They didn't have any home insurance. They were evacuated in hurry. So, they lost with most essential items. They were now homeless. They are now living in relatives house and are pushed to poverty.

This case opened my eyes and I am sure everyone should get an home insurance to overcome these unexpected natural disaster .There is not any person's loss but getting homeless is a very big downfall.

(III)

This is a case of my neighbor. He was in construction business and was involved in many transactions with many people and he had not shared any details with his family.

He suddenly got faint and was hospitalized. Tragedy was his memory got erased and now he is like a small kid. He forgot all the financial transactions. People come to his wife for money and some people who owe them money never gave because his family knows nothing. His wife had to sell some jewelry and had to stop construction business. Now they are financially worsened.

If he had took an insurance of any disability then this situation would never come.

3) Jamie gives advice

Imagine that Jamie's cousin is getting ready to graduate and start his first job in a new town. After meeting with his new employer, he's asked Jamie for advice on whether insurance is worth the cost or not. Prepare a response as if you're Jamie, giving general advice about the important role insurance can have on a person's financial life. Include at least two examples from Jamie's experiences.

I would like to brief about all types of insurance, personally I had taken medical, auto and vision insurance. I think taking insurance is a very good decision because you will have a risk sharing company with you and it will give a great piece of mind. As premiums are way too less compared to claims and the aid, they will provide in case of any mishappening is a very good deal. I did not take renter's insurance by thinking that my area is safe. These things are not certain, anything can happen anytime with you, your house, your car. All insurances won't cost you a huge amount and will save you a lot

in future. Personally, one day I hit a deer and my car was damaged. It would have caused me 3100 bucks more if I had no insurance. That insurance was a savior. It saved me a lot I would suggest you to take auto insurance. It is a good decision. This year my house items got damaged and all expenses were of twenty-five hundred bucks. I had no insurance. I regret that a lot. At last, if it is medical, auto, term, life, or house insurance you should consider that. If premiums are not a huge proportion of your earning, then you should take it all.

One day that will indeed be a big advantage and helper.