

Non-Life Insurance Assignment 2

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Question and Answers

- 1. The premium collected by an insurance company for the portion of a policy that has expired is called:**

Ans. c) Earned Premium

- 2. Third Party Liability Insurance covers:**

Ans. b) Damage caused to another vehicle when hit by insured's vehicle

- 3. What are the types of cover in motor insurance?**

Ans. Following are the types of cover in motor insurance:

- i. By fire explosion self-ignition or lightning
- ii. By burglary housebreaking or theft
- iii. By riot and strike
- iv. By earthquake (fire and shock damage)
- v. By flood typhoon hurricane storm tempest inundation cyclone hailstorm frost
- vi. By accidental external means
- vii. By malicious act
- viii. By terrorist activity
- ix. Whilst in transit by road rail inland-waterway lift elevator or air
- x. By landslide rockslide

- 4. Mention few add-on coverages in motor insurance.**

Ans. Following are the few add-on coverages in motor insurance:

- i. No Claim Bonus (NCB) protection cover
- ii. Road side assistance
- iii. Loss of personal belongings
- iv. Key replacement
- v. Return of invoice
- vi. Engine protection cover
- vii. Tyre protection cover
- viii. Consumable's cover

- 5. What is covered under health insurance?**

Ans. Following is covered under health insurance:

- i. Ambulatory patient services (outpatient care you get without being admitted to a hospital)
- ii. Emergency services
- iii. Hospitalization (like surgery and overnight stays)
- iv. Pregnancy, maternity, and newborn care (both before and after birth)

- v. Mental health and substance use disorder services, including behavioral health treatment (this includes counseling and psychotherapy) (2017)
- vi. Prescription drugs
- vii. 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)
- viii. Laboratory services
- ix. Preventive and wellness services and chronic disease management
- x. Pediatric services, including oral and vision care (but adult dental and vision coverage aren't essential health benefits)

6. What are the underwriting factors in travel insurance, marine insurance, fire insurance and motor insurance?

Ans. Following are the underwriting factors of

- i. **Travel Insurance:**
 - a. Age
 - b. Trip cost
 - c. Trip length
 - d. Destination
 - e. Departure window - The amount of time between the date travel is booked and the
 - f. date insureds depart on their trip
 - g. Departure Month
 - h. Number of destinations
- ii. **Marine Insurance:**
 - a. Names and brief details of vessels covered
 - b. Value of vessels
 - c. Period of cover
 - d. Deduction for brokerage, etc.
 - e. Class and type of cover
 - f. General condition
- iii. **Fire Insurance:**
 - a. Age
 - b. Trip cost
 - c. Trip length
 - d. Destination
 - e. Departure window - The amount of time between the date travel is booked and the date insureds depart on their trip
 - f. Departure Month
 - g. Number of destinations
- iv. **Motor Insurance:**
 - a. Age
 - b. Trip cost
 - c. Trip length
 - d. Destination
 - e. Departure window - The amount of time between the date travel is booked and the
 - f. date insureds depart on their trip
 - g. Departure Month
 - h. Number of destinations

7. What is not covered under health insurance, travel insurance, fire insurance, marine insurance and motor insurance?

Ans. Following is not covered in:

- i. Health Insurance**
 - a. Elective or cosmetic procedures
 - b. Beauty treatments
 - c. Fertility treatments
 - d. Off-label prescriptions
 - e. New technology in product or services
- ii. Travel Insurance**
 - a. Warfare
 - b. Pre-existing ailments
 - c. Sporting injury during travel
 - d. Pregnancy
 - e. When the tour operator cancels trip
- iii. Fire Insurance**
 - a. Loss due to fire caused by earthquake, invasion, act of foreign enemy, hostilities or war, civil strife, riots, mutiny, martial law, military rising or rebellion or insurrection
 - b. Loss caused by subterranean(underground) fire
 - c. Loss caused by burning of property by order of any public authority
 - d. Loss by theft during or after the occurrence of fire
 - e. 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
 - f. Loss or damage by lightening or explosion is not covered unless this cause actual ignition which spread into fire
- iv. Marine Insurance**
 - a. Wilful, planned or intentional misconduct
 - b. Strike, rioting, war
 - c. Poor packaging quality of the cargo
 - d. Delays
 - e. General leakage or wear and tear of the cargo
 - f. Financial distress or insolvency of the shipping line
 - g. Removal of wreck
- v. Motor Insurance**
 - a. Third party liabilities
 - b. Insured driving drunk
 - c. Driving without license
 - d. Add-ons not bought
 - e. Consequential damages

8. What are insurance frauds? Give ways of committing fraud against an insurance company. Discuss a health insurance fraud. Discuss underwriting in health insurance.

Ans. Insurance fraud- 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.

i. Ways of committing frauds:

Soft Fraud:

- a. Exaggerating damages/loss
- b. Deliberate or subtle lagging of claims resolution

Hard Fraud:

- a. Staging the occurrence of incidents
- b. Medical claims fraud

ii. Health insurance fraud-

- a. Insurer: ICICI Lombard General Insurance Company
- b. Insured: Darbari Lal Dhawan
- c. Claim lodged on 11.08.2016
- d. As per the claimant the Insured died on 25.07. 2016.
- e. Period Of Insurance policy: from 2016-2021.
- f. Detailed Description of the Death: Car accident.
- g. After social media forensic analysis, it was found that the insured had died before July 2016.
- h. The family's Facebook accounts were checked and they found posts indicating the loss of Darbari Lal on various dates before July 2016. One post also indicated his death in 2012.
- i. ICICI detected the false claim and refused the payout

iii. Underwriting factors in health insurance-

- a. Age
- b. Sum Insured
- c. Demography
- d. Medical Condition
- e. Gender
- f. Policy Type

9. What are the coverages in travel insurance, marine insurance, personal accident insurance?

Ans. Coverages include:

i. Travel insurance-

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

ii. Marine insurance-

- a. Fire, explosion
- b. Contact with water
- c. Breakage

- d. Accident
- e. Derailment of conveyance
- f. Theft
- g. Pilferage
- h. Non-delivery

10. How is travel insurance different from other non-life insurance products like health insurance and motor insurance?

Ans. Travel insurance is the potential overlap with other insurance products. For example, automobile insurance may provide rental car collision damage insurance, home owner insurance may cover lost or damaged baggage, and health insurance may cover emergency costs while traveling. Even in cases where a traditional policy may provide a benefit, travel insurance remains distinctive because it only covers exposures related to travel, and usually tied to a specific trip.

11. Discuss the history and type of Marine insurance policies.

Ans. History of marine insurance-

- i. Lloyd's Coffee House
- ii. From 1661, in Lombard Street, the coffeehouse became a place to discuss marine affairs
- iii. Edward Lloyd started giving out news –sheet. They pooled their money for insurance against risk
- iv. connected with the sea.
- v. The need for underwriting led to formation of Lloyd's of London.
- vi. Contrary to popular belief, Lloyd's of London was not the first group of people to offer a maritime
- vii. commerce. The first form of marine insurance dates back to year 3000 BC when Chinese merchants
- viii. dispersed their shipments amongst several vessels so as to abridge the possibility of damage to the
- ix. products. The earliest account of insurance came in the form of 'bottomry', a monetary payment
- x. that protects traders from debt if merchandise is lost or damaged.

Types of marine insurance-

- i. Time policy – the policy provides coverage up to a specified time
- ii. Mixed policy - this policy combines time policy and voyage policy and covers voyages taken between specific destinations during a specific time period.
- iii. 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
- iv. 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.

12. Calculate combined ratio using the following information: expense amount to \$8500, commission is \$5700, net claims incurred in the period amount to \$150000. The net written premium is \$50000 and net premium earned is \$75000.

Ans.

Expense Amount = \$8500

Commission = \$5700

Net Claims Incurred in the Period Amount = \$150000

Net Written Premium = \$50000

Net Premium Earned = \$75000

Loss Ratio = $150000/7500 = 2\%$

Expense Ratio = $8500/50000 = 0.17$

Commission Ratio = $5700/50000 = 0.114$

Combined Ratio = $2+0.17+0.114 = 2.284$

13. What do you understand by crop insurance? Discuss what is covered and not covered under crop insurance.

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

i. Covers in crop insurance-

- a.** Localized calamities
- b.** Sowing/ planting/ germination risk
- c.** Standing crop loss – non-preventable risks such as hail storm, dry spells, flood, cyclone
- d.** Post-harvest losses

ii. Exclusions in crop insurance-

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

14. What are underwriting factors for credit insurance?

Ans. Underwriting factor for credit insurance-

- i.** Geographical location
- ii.** Character, reputation, and lifestyle of applicant
- iii.** Claims history
- iv.** Implementation of safety precautions by the applicant
- v.** Previous criminal convictions
- vi.** Nature and particulars of liability

15. What is engineering insurance?

Ans. Engineering insurance- 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. Product categories: Depending on the project, it can be divided into construction project all risks insurance and installation project all risks insurance; depending on the attribute of the object, it can be divided into project all risks insurance, and machinery breakdown insurance