IAQS: SEMESTER - 2

SUBJECT: NON-LIFE INSURANCE – PPP

ASSIGNMENT 2

1. c) Earned Premium

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

3. The different types of cover in Motor Insurance are:

- Own Damage Cover: protects the insured's own vehicle from damages
- Third Party Liability: covers injury to a third party or damage to the third party's vehicle
- Comprehensive Cover: covers own damage cover as well as third party liability

4. Few add-on coverages in Motor Insurance are:

- No Claim Bonus: discount given to the insured for making zero claims during the policy term
- Nil Depreciation: pays the amount of depreciation that was deducted from the value of parts of the vehicle that were replaced
- Engine Protection Cover: offers protection against damages caused to the engine of the vehicle
- Consumables Cover: pays for the cost of consumables like nuts, bolts, lubricants, engine oil etc
- Loss of personal belongings: cost of personal belongings lost in a car accident can be claimed

5. The following are covered under Health Insurance:

- Outpatient services
- Hospitalisation
- Emergency services
- Maternity and Pregnancy care
- Mental health services and rehabilitative services
- Prescription drugs
- Paediatric care
- Substance abuse treatment

6. The underwriting factors of the following are:

a) Travel Insurance:

- Age of the insured: older insureds are more likely to sustain injuries or contract illnesses that affect travelling than younger insureds

- Destination: locations prone to natural disasters or unpredictable weather conditions have higher expected losses

- The number of destinations: the greater the number of destinations, the greater the exposure to travel delays and loss of baggage

- Cost of the trip: cost charged in case of trip cancellations

- Duration of the trip: the longer the insureds are on a trip, the more exposure to potential illnesses or injury that may require medical attention or evacuation

- the travel season at the time of undertaking the trip: expected losses for baggage delay and travel delays may be more during peak travelling seasons.

b) Marine Insurance:

- Trade routes and limits.

- The cargo carried.

- Past claims experience.

- Management, quality, and ownership.

- The conditions of insurance and size of deductibles.

c) Fire Insurance:

- construction material and type (wood, brick or concrete walls, shape of the roof etc)

- fire safety measures in place if any.

- protection and control systems (electric and plumbing updates).

- compliance with engineering recommendations.

- location of the building itself as well as water sources.

- age of building and utilities.

d) Motor Insurance:

- Age of the proposed insured

- Driving history of the proposed insured

- Financial interest of the insured in the vehicle

- Gender

- Marital status

- Address of the proposed insured

7. The following are not covered under:

a) Health Insurance:

- Cosmetic procedures
- Beauty treatments
- Fertility treatments
- Any off-label prescriptions

b) Travel Insurance:

- Pregnancy
- Any pre-existing ailments
- Any injury sustained during travelling due to hazardous sports and activities
- Warfare
- If the trip is cancelled by the tour operator

c) Fire Insurance:

- any loss that arises due to fire caused by earthquakes, invasions, wars, riots, martial laws, military rebellions etc
- loss caused by an underground fire
- loss due to theft during or after the occurrence of fire
- loss caused by burning of the property by any public authority order
- loss caused to the property by its own combustion

d) Marine Insurance:

- Planned or intentional misconduct
- War, riots or strikes
- Poor packaging quality of the cargo
- General leakage or any wear and tear of the cargo
- Removal of wreck
- Delays
- Insolvency of the shipping line

e) Motor Insurance:

- Depreciation
- Damage caused due to drunken driving

- Damage caused due to driving under the influence of drugs
- Damage caused due to the natural wear and tear of the vehicle
- Damage caused to the vehicle if the insured was driving without a valid license
- Damage caused to the vehicle due to war, mutiny, or nuclear risk

8.

Insurance fraud is any illegal act committed by the insurer or the insured to defraud an insurance process. This occurs when an insured's attempt to obtain a benefit they he or she is not entitled to, or when an insurer knowingly denies the insured a benefit that is due.

An insurer can commit an insurance fraud by selling policies from non-existent companies, by failing to submit the premiums received from the insured and by churning policies to generate more commissions.

An insured can commit an insurance fraud by means of exaggerated claims, providing false medical history, claiming post-dated policy benefits and by faking his death, kidnapping or murder to receive the benefit.

Health Insurance frauds can be classified into two broad categories:

a) Soft Frauds: this includes exaggerated claims and the deliberate lagging of claims resolution

b) Hard Frauds: this includes medical claims fraud and staging the occurrence of incidents

The objective of health underwriting is to measure and quantify the health risk of a proposed insured. The underwriting of health insurances should be such that the insurance company has a good mix of well and unwell lives. The underwriter should make sure to charge fair rates while taking specific risks into consideration as well competitive business rates. Information about the insured is collected by the underwriter that takes into consideration the risk factors including age, gender, medical condition, medical history, demographics, income and lifestyle and habits of the proposed insured. The proposed insured may be approached to fill out proposal forms, fill out medical questionnaires, undergo complete medical tests and provide reports for any previous or current health conditions.

9. The coverages in the following are:

a) Travel Insurance:

- Domestic travel insurance provides coverage for medical emergencies, permanent disability, death, baggage loss and travel delay while traveling within one's own country (India)

- International travel insurance provides coverage for medical expenses, hijack, baggage and travel delays while travelling oversees as well as coverage for evacuation to own country (India) and loss of passport

- Travel Accident Insurance: provides term life and accidental death benefit for the insured and his family and covers sudden losses that occur because of travel or flight accidents

- Medical Evacuation Insurance: provides cover for the cost of evacuations and repatriation, the cost of an emergency medical reunion and the cost of returning any minor children home

b) Marine Insurance:

- Cargo: provides coverage for physical damage or loss of goods while in transit

- Hull: provides coverage for physical damage to vessels, including machinery and fuel, but not the cargo

- Land Cargo Insurance: provides coverage from theft and collisions for all the domestic land transportations like trucks and other small utility vehicles

- Marine Cargo Insurance: provides coverage from damages due to cargo loading and unloading, weather emergencies and piracies for international transportation carried our either in sea or by air

c) Personal Accident Insurance:

- Individual Accident Insurance: provides coverage against accidental death, loss of limbs or sight, or other permanent disabilities resulting due to an accident of an individual

- Group Accident Insurance: it is bought by employers to obtain coverage for the employees in case of death or temporary, partial disablement or permanent, total disablement of the insured due to accidents occurring anywhere in the world.

10. Travel Insurance is different from other non-life insurances as:

- Since travel insurances are mostly purchased for specific trips, this per-trip coverage generally begins when the insured purchases the policy and ends when the insured returns home after travelling. This is different than the standard approach of maintaining continuous coverage for most lines of insurance

- Renewals are not applicable for travel insurance as for each new trip taken, the insured would need to purchase a new policy. Even consumers who purchase travel insurance from the same insurer every time they travel, are considered a new business since each trip is different and hence the coverages purchased for each trip is different. This contrasts with the traditional lines of insurance where policies are usually renewed continuously from one year to the next with the same coverages

- Travel insurance also has relatively low premiums and a lower loss ratio as compared to other lines of insurance since the nature of some operational expenses for travel insurance is fixed, resulting in a high expense ratio

- Travel insurance has no investment income available that other lines of insurance usually do, and thus require a higher level of underwriting profit

- Unlike other lines of insurance, travel insurance policies are usually sold without individual underwriting on a take all comers basis, as it may not be cost effective for the insurer to individually underwrite each policy due to its low cost

11. The types of marine insurance policies are:

- Voyage Policy: it covers the risk of loss or damage to any property of the insured from the port of departure up to the port of destination of the voyage

- Time Policy: the policy is issued for a fixed period (generally for a year), with the ship being insured for a fixed period irrespective of voyages

- Open Policy: the value of the cargo and consignment is not put down in the policy beforehand and reimbursement is done only after the loss is inspected and valued

- Mixed Policy: it offers a client the benefit of both, a time policy, and a voyage policy

- Valued Policy: the value of the cargo and consignment is ascertained and mentioned in the policy document beforehand, thus making the value of the reimbursements in case of any loss clear

- Port Risk Policy: it is taken out to ensure the safety of the ship while it is stationed at a port

- Single Vessel Policy: it covers the risk of one vessel of the insured

- Fleet Policy: several ships belonging to one owner are insured under the same policy

12. Expenses = 8500, Commission = 5700, Net Claims Incurred = 150000, Net Written Premium = 50000, Net Premium Earned = 75000

Net Loss Ratio = Net Claims Incurred / Net Premium Earned

= 150000 / 75000 = 2

Net Expense Ratio = Expenses / Net Written Premium

= 8500 / 50000 = 0.17

Net Commission Ratio = Commission / Net Written Premium

= 5700 / 50000 = 0.114

Net Combined Ratio = Loss Ratio + Expense Ratio + Commission Ratio

= 2 + 0.17 + 0.114 = 2.284

13. Crop insurance is a type of insurance for protecting the agriculturist against financial losses due to uncertainties that may arise from crop failures, named perils or any unforeseen perils that are beyond his control

Crop Insurance covers the following:

- Loss from local calamities
- Against any sowing, planting, or germination risks
- Against any post-harvest losses
- Against non-preventable risks such as hailstorms, floods, cyclones etc known as standing crop loss

However, Crop Insurance does not cover the following:

- Any loss arising out of war or nuclear risks
- Damage caused due to birds or animals
- Contamination by nuclear waste
- Any malicious or intended damage to the crops by the farmer
- Preventable risks arising out of negligence by the farmer or the employed manpower
- Burning of the crop by a public authority order

14. The underwriting factors for Credit Insurance are:

- the size of the company or business, its branches, and the number of employees in each branch
- the annual turnover of the business and the products manufactured or sold by the business
- the accounts of the business
- the geographical location of the business and the risks associated with the neighbourhood
- the history of bad debt and consequent defaults by the business if any
- the history of any frauds by the members of the business
- the claims history of the applicant and the members of the business
- the implementation of safety precautions (financial or procedural) to avoid liability exposures

15. Engineering insurance is a comprehensive insurance policy that provides protection against various risks related to engineering. The policy may include:

- cover for all the parties involved in the erection work (processes like erection, storage, testing and commissioning)
- coverage for higher costs or financial losses incurred due to delays in an infrastructure or construction project
- protection against any physical damage experienced by the machinery due to any unforeseen circumstances like effects of overheating or lubrication
- protection against electronic devices used that can attract low power and voltage
- coverage for machinery repair and movable plant equipment such as bulldozers, cranes, excavators etc
- coverage for the contactors which is essential for civil engineering projects like flyovers, airports etc