**Accounting and financial analytics with zoho books**

**Assignment – 4**

**Task 2: Insurance policy comparison**

**Title: comparing two types of insurance policies**

**Objective:** comparing two different types of insurance policies i.e. **Auto insurance** VS **Health insurance.**

**Introduction**

1. **Auto insurance**

**Auto insurance** (also known as **car insurance**, **motor insurance**, or **vehicle insurance**) is insurance for cars, trucks, motorcycles, and other road vehicles. Its primary use is to provide financial protection against physical damage or bodily injury resulting from traffic collisions and against liability that could also arise from incidents in a vehicle. Vehicle insurance may additionally offer financial protection against theft of the vehicle, and against damage to the vehicle sustained from events other than traffic collisions, such as keying, weather or natural disasters, and damage sustained by colliding with stationary objects. The specific terms of vehicle insurance vary with legal regulations in each region.

1. **Health insurance**

**Health insurance** or **medical insurance** (also known as **medical aid** in South Africa) is a type of insurance that covers the whole or a part of the risk of a person incurring medical expenses. As with other types of insurance, risk is shared among many individuals. By estimating the overall risk of health risk and health system expenses over the risk pool, an insurer can develop a routine finance structure, such as a monthly premium or payroll tax, to provide the money to pay for the health care benefits specified in the insurance agreement.[[1]](https://en.wikipedia.org/wiki/Health_insurance#cite_note-Vuongetal2017b-1) The benefit is administered by a central organization, such as a government agency, private business, or not-for-profit entity.

According to the Health Insurance Association of America, health insurance is defined as "coverage that provides for the payments of benefits as a result of sickness or injury. It includes insurance for losses from accident, medical expense, disability, or accidental death and dismemberment".

**Differences between auto insurance and health insurance.**

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| **Basis** | **Auto insurance** | **Health insurance** |
| **Coverage** | **1.Liability Coverage:** This covers bodily injury and property damage that you may cause to others in an accident. It's usually required by law in most states.  **2.Collision Coverage:** This pays for damage to your car resulting from a collision with another vehicle or object.  **3.Comprehensive Coverage:** This covers damage to your car that's not caused by a collision, such as theft, vandalism, fire, or natural disasters. | **1.Hospitalization:** Coverage for expenses related to hospital stays, including room and board, surgeries, and other necessary treatments.  **2.Outpatient Care:** Coverage for services received outside of a hospital setting, such as doctor's office visits, diagnostic tests, outpatient surgeries, and specialist consultations.  **3.Prescription Drugs:** Coverage for prescription medications, either through a formulary (a list of covered drugs) or a co-payment system. |
| **Benefits** | **1.Financial Protection:** Auto insurance protects you financially in case of accidents, theft, vandalism, or other damages to your vehicle. Without insurance, you would be responsible for covering these costs out of pocket, which can be substantial.  **2.Legal Compliance:** In many places, having auto insurance is a legal requirement. By having the necessary coverage, you comply with the law and avoid potential penalties, fines, or legal consequences.  **3.Medical Coverage:** Many auto insurance policies include medical coverage, such as personal injury protection (PIP) or medical payments coverage. This can help cover medical expenses for you and your passengers in case of injuries sustained in an accident, regardless of fault. | **1.Access to Healthcare Services:** Health insurance enables individuals to access a wide range of healthcare services, including doctor visits, specialist consultations, diagnostic tests, surgeries, and preventive care.  **2.Financial Protection:** Health insurance helps protect against high medical costs. Without insurance, individuals may face substantial expenses for medical treatments, hospital stays, surgeries, and prescription medications. Health insurance coverage helps mitigate these costs, reducing the financial burden on policyholders.  **3.Preventive Care and Wellness Programs:** Many health insurance plans include coverage for preventive care services such as screenings, vaccinations. |
| **Exclusions** | **1.Intentional Damage:** Insurance usually does not cover damage caused intentionally by the policyholder or anyone else covered under the policy.  **2. Racing or Reckless Driving:** If your vehicle is damaged while participating in racing or reckless driving activities, your insurance may not cover the damages.  **3. Driving Under the Influence:** Damages resulting from driving under the influence of alcohol or drugs may be excluded from coverage. | **1.Pre-existing Conditions:** Some health insurance plans may exclude coverage for pre-existing medical conditions, at least for a certain period after enrolment.  **2.Cosmetic Procedures:** Health insurance typically does not cover elective cosmetic procedures or treatments considered to be for aesthetic purposes only, such as plastic surgery, cosmetic dentistry, or weight loss surgery.  **3.Experimental or Investigational Treatments:** Insurance may not cover treatments, medications, or procedures that are considered experimental or investigational and have not yet been proven to be safe and effective. |
| **Premiums** | **1.Driving Record:** Your driving history is one of the most significant factors affecting your premium. If you have a clean driving record with no accidents or traffic violations, you're likely to pay lower premiums compared to someone with a history of accidents or tickets.  **2.Age and Gender:** Younger drivers, especially teenagers, typically have higher premiums due to their lack of driving experience and higher likelihood of accidents. Additionally, male drivers tend to have higher premiums than female drivers, statistically speaking.  **3.Vehicle Type:** The make, model, and age of your vehicle can impact your insurance premium. Generally, newer and more expensive cars cost more to insure because they are more expensive to repair or replace. | **1.Coverage Level:** The extent of coverage you choose significantly impacts your premium. Plans with higher coverage levels, offering more benefits and lower out-of-pocket costs, typically have higher premiums.  **2.Deductible:** The deductible is the amount you must pay out of pocket before your insurance begins to cover costs. Plans with higher deductibles usually have lower premiums, and vice versa.  **3.Co-payments and Coinsurance:** Co-payments are fixed amounts you pay for specific services, while coinsurance is a percentage of the cost you pay. Plans with lower co-payments and coinsurance typically have higher premiums. |

**Hypothetical scenario**

* **Creating hypothetical scenario representing auto insurance needs and assessing sustainability.**

Sarah is a 30-year-old professional who commutes to work every day and owns a reliable sedan. She lives in a suburban area with moderate traffic and occasionally drives for leisure on weekends. Sarah values safety and wants to ensure she has adequate insurance coverage in case of an accident or unforeseen circumstances.

**Auto Insurance Needs:**

**1.Liability Coverage:** Sarah should consider liability coverage to protect herself financially in case she's at fault in an accident that causes bodily injury or property damage to others. A coverage limit of at least $100,000 per person/$300,000 per accident for bodily injury, and $50,000 for property damage would be a good starting point.

**2.Collision Coverage:** Since Sarah relies on her car for commuting and leisure activities, collision coverage would be beneficial. This coverage would help repair or replace her vehicle if she's involved in a collision with another vehicle or object, regardless of fault.

**3.Comprehensive Coverage:** Considering Sarah's commitment to safety and her desire for comprehensive protection, adding comprehensive coverage to her policy would be wise. This coverage protects her vehicle against non-collision incidents such as theft, vandalism, fire, or damage from natural disasters.

**4.Medical Payments Coverage:** Sarah may want to consider adding medical payments coverage to her policy to cover medical expenses for herself and her passengers in the event of an accident, regardless of who's at fault. This coverage can provide peace of mind and help mitigate potential medical costs.

**5.Uninsured/Underinsured Motorist Coverage:** Given that Sarah spends a significant amount of time on the road commuting and driving for leisure, uninsured/underinsured motorist coverage would be valuable. This coverage protects her in case she's involved in an accident with a driver who doesn't have sufficient insurance coverage to pay for damages or injuries.

* **Creating hypothetical scenario representing health insurance needs and assessing sustainability.**

Alex is a 35-year-old freelance graphic designer living in a suburban area. He enjoys an active lifestyle, exercises regularly, and maintains a balanced diet. Alex has no pre-existing medical conditions but understands the importance of having health insurance to protect himself financially and ensure access to quality healthcare.

**Health Insurance Needs:**

**1.Basic Health Coverage:** Alex should look for a health insurance plan that provides coverage for essential medical services, including doctor visits, hospitalization, emergency care, and prescription drugs. This coverage ensures that he can receive necessary medical treatment without worrying about high out-of-pocket costs.

**2.Preventive Care Services:** Given Alex's proactive approach to health, he should prioritize a health insurance plan that includes coverage for preventive care services. This may include annual check-ups, screenings for conditions like cancer and heart disease, vaccinations, and counselling services for maintaining a healthy lifestyle.

**3.Out-of-Network Coverage:** As a freelance professional, Alex may have the flexibility to choose healthcare providers outside of a specific network. Therefore, he should consider a health insurance plan that offers out-of-network coverage, allowing him to access care from a wider range of providers if needed, although this may come with higher out-of-pocket costs.

**4.Mental Health Coverage:** Mental health is an essential aspect of overall well-being. Alex should ensure that his health insurance plan includes coverage for mental health services, including therapy, counselling, and psychiatric care, to address any mental health concerns that may arise.

**5.Maternity Coverage (if applicable):** If Alex is planning to start a family or already has children, he should consider a health insurance plan that includes maternity coverage. This coverage typically includes prenatal care, childbirth, and postnatal care for both mother and baby.

**Key differences between Auto Insurance and Health Insurance**

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| **Basis** | **Auto Insurance** | **Health Insurance** |
| **Coverage type** | Auto insurance provides coverage for damage to vehicles and liability for injuries or property damage resulting from accidents involving automobiles. | Health insurance covers medical expenses, including doctor visits, hospitalization, prescription drugs, preventive care, and treatment for illnesses and injuries. |
| **Nature of risk** | The primary risk covered by auto insurance is related to accidents, collisions, theft, and damage to vehicles. | Health insurance covers the risk of illness, injury, and the associated medical costs. |
| **Legal requirements** | In most places, auto insurance is legally required to drive a vehicle on public roads. | While there may be legal requirements related to health insurance, such as the individual mandate under the Affordable Care Act (ACA) in the United States (as of my last update), the requirement is generally not as universally enforced as with auto insurance. |
| **Type of coverage** | Common types of coverage include liability coverage, collision coverage, comprehensive coverage, uninsured/underinsured motorist coverage, and personal injury protection (PIP). | Common types of coverage include hospitalization, outpatient care, prescription drugs, preventive care, mental health services, maternity care (if applicable), and sometimes dental and vision care. |
| **Cost structure** | Premiums for auto insurance are often based on factors such as the driver's age, driving history, type of vehicle, location, and coverage limits. | Premiums for health insurance are influenced by factors such as age, location, plan type, coverage level, and whether the policy is obtained through an employer or purchased individually. |

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