

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. **Life insurance VS marine insurance.**

Introduction

1) Life insurance

Life insurance is a financial product that provides a lump sum payment to designated beneficiaries upon the death of the insured person. It serves as a means of financial protection for loved ones, helping to replace lost income, cover funeral expenses, pay off debts, and maintain their standard of living in the event of the policyholder's death. There are various types of life insurance policies, including term life insurance, whole life insurance, and universal life insurance, each with its own features and benefits.

2) Marine insurance

Marine insurance is a type of insurance that provides coverage for ships, cargo, terminals, and other vessels or properties involved in maritime transport or navigation. It protects against losses or damages incurred during sea voyages or transportation by covering risks such as shipwrecks, piracy, collisions, and natural disasters. Marine insurance can be tailored to specific needs, including hull insurance for the ship itself, cargo insurance for goods being transported, and liability insurance for third-party claims. It plays a crucial role in the global shipping industry by mitigating financial risks for shipowners, cargo owners, and other stakeholders involved in maritime trade.

Differences between Life insurance and Marine insurance.

Basis	Life insurance	Marine insurance
Coverage	<p>Life insurance provides coverage for the insured person's life. In the event of the insured's death, the policy pays out a predetermined sum of money (the death benefit) to designated beneficiaries.</p> <p>Coverage typically includes death from illness, accidents, or natural causes, depending on the terms and conditions of the policy.</p> <p>Some life insurance policies may also include additional benefits, such as disability coverage or critical illness coverage, depending on the policy type and options chosen by the insured.</p>	<p>Marine insurance provides coverage for physical assets involved in maritime transport, such as ships, cargo, terminals, and other maritime properties.</p> <p>Coverage includes protection against various risks encountered during sea voyages or transportation, including shipwrecks, piracy, collisions, fires, theft, and natural disasters like storms or earthquakes.</p> <p>Different types of marine insurance policies offer coverage tailored to specific needs, such as hull insurance for ships, cargo insurance for goods being transported, and liability insurance for third-party claims arising from maritime activities.</p>

Benefits	<p>1. *Financial Protection*: Provides a lump sum payment to beneficiaries upon the insured's death, ensuring financial security for loved ones.</p> <p>2. *Income Replacement*: Helps replace lost income, ensuring that dependents can maintain their standard of living.</p> <p>3. *Debt Repayment*: Can be used to pay off outstanding debts, such as mortgages, loans, and credit card balances.</p>	<p>1. *Risk Mitigation*: Provides coverage for ships, cargo, and other maritime properties against various risks encountered during sea voyages or transportation.</p> <p>2. *Financial Protection*: Offers compensation for losses or damages incurred due to shipwrecks, piracy, collisions, fires, theft, and natural disasters.</p> <p>3. *Business Continuity*: Ensures the financial stability and continuity of businesses involved in maritime trade by mitigating financial risks associated with transportation</p>

Hypo

- **Creating hypothetical scenario representing Life insurance needs and assessing sustainability.**

John is a 35-year-old married man with two young children. He is the primary breadwinner in the family, and his wife Sarah stays at home to take care of the children. John's current income supports the family's lifestyle, including mortgage payments, bills, and other expenses. He wants to ensure that his family is financially secure in case something happens to him.

Life Insurance Needs:

1. *Assessing Life Insurance Needs*:

- John's primary concern is ensuring that his family can maintain their current standard of living if he were to pass away prematurely.
- He calculates the family's financial needs, including:
 - Paying off the remaining mortgage balance (\$250,000).
 - Covering future education expenses for their children (\$100,000 per child).
 - Replacing his income for a certain number of years to support his family's living expenses (\$50,000 per year for 15 years).
- Total estimated life insurance needs: \$1,100,000.

2. *Choosing the Right Policy*:

- John decides to purchase a term life insurance policy with a coverage amount of \$1,100,000 and a term of 20 years. Term life insurance provides coverage for a specified period (in this case, 20 years) and pays out a death benefit if the insured dies during the term.
- He selects a policy with level premiums, meaning the premium remains the same throughout the term.

3. *Assessing Sustainability*:

- John's annual premium for the \$1,100,000 term life insurance policy is \$800.

Health Insurance Needs:

1. *Assessing Marine Insurance Needs*:

- Sarah's primary concern is protecting her vessels and cargo against potential risks such as damage, loss, theft, and liability.
- She calculates the insurance needs for her fleet, including:
 - Hull insurance to cover the physical damage to her vessels (\$500,000 per vessel).
 - Cargo insurance to protect the goods being transported (\$1,000,000 per shipment on average).
 - Liability insurance to cover legal liabilities arising from accidents or damages caused by her vessels.
- Total estimated marine insurance needs: \$3,500,000 (including hull, cargo, and liability coverage).

2. *Choosing the Right Policy*:

- Sarah decides to purchase a comprehensive marine insurance policy that provides coverage for hull, cargo, and liability risks.
- She selects a policy with a reputable insurance provider that offers tailored coverage options for her specific business needs.

3. *Assessing Sustainability*:

- Sarah's annual premium for the comprehensive marine insurance policy is \$50,000.
- To assess sustainability, Sarah evaluates her company's ability to afford the premiums:
 - She reviews her company's financial statements and projections to ensure that they can comfortably afford the \$50,000 annual premium without significantly impacting their operations.
 - Sarah considers potential changes in the shipping industry, regulatory requirements, and market conditions that may affect insurance premiums in the future.

Key differences between Life Insurance and Marine Insurance

Basis	Life Insurance	Marine Insurance
Coverage and Risks	Life insurance provides financial protection to individuals and their beneficiaries in the event of the insured's death. It typically pays out a death benefit to the beneficiaries named in the policy. Life insurance covers the risk of premature death, providing financial support to dependents, paying off debts, covering funeral expenses, and replacing lost income.	Marine insurance, on the other hand, provides coverage for risks associated with maritime transportation, including damage to vessels (hull insurance), loss or damage to cargo (cargo insurance), and legal liabilities arising from maritime activities (liability insurance). Marine insurance protects shipowners, cargo owners, charterers, and other parties involved in maritime commerce from financial losses due to accidents, theft, piracy, collisions, or other perils at sea.

<p>Assets Protected</p>	<p>Life insurance primarily protects human life and the financial well-being of the insured's beneficiaries. It provides peace of mind by ensuring that loved ones are provided for financially in the event of the insured's death.</p>	<p>Marine insurance protects physical assets related to maritime activities, including ships, cargo, and liability exposures associated with operating vessels. It safeguards the investments and operations of shipping companies, cargo owners, and other stakeholders in the maritime industry.</p>
<p>Legal requirements</p>	<p>In most jurisdictions, there is no legal requirement for individuals to have life insurance. However, there are some exceptions:</p> <p>- Mortgage Life Insurance: In some countries, lenders may require borrowers to purchase mortgage life insurance as a condition for obtaining a mortgage loan. This type of insurance ensures that the outstanding mortgage balance is paid off if the</p>	<p>The legal requirement for marine insurance varies depending on factors such as the jurisdiction, type of operation, and specific regulations governing maritime commerce. In many cases, there is no universal legal mandate for marine insurance. However, some countries may have regulations or requirements for certain aspects of marine insurance, such as liability coverage for</p>

	<p>borrower dies before the loan is fully repaid.</p> <p>- Divorce Settlements: Courts may require individuals to maintain life insurance coverage as part of a divorce settlement, particularly if there are child support or alimony obligations involved.</p>	<p>vessel operators or cargo insurance for certain types of shipments.</p>
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