

ASSIGNMENT 4 TASK 2

COMPARE TWO INSURANCE POLICIES BY RESEARCHING THEIR COVERAGE, BENEFITS, EXCLUSIONS, AND PREMIUMS. IDENTIFY HYPOTHETICAL SCENARIOS AND ASSESS THE SUITABILITY OF EACH POLICY BASED ON AFFORDABILITY, COVERAGE LIMITS, AND LONG-TERM BENEFITS. FINALLY, PRESENT OUR FINDINGS IN A COMPARISON TABLE OR CHART.

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AUTO INSURANCE



What is 'Auto Insurance'

Definition: More popularly known as motor insurance, this type of insurance provides cover for loss or damage to any vehicle like a car, two-wheeler commercial vehicle, etc

Description: This insurance helps mitigate monetary harms due to accidents causing damage to the vehicles. The premium amounts that are payable by the person securing insurance for his vehicle depend on various factors like the insured declared value, type of vehicle, age of vehicle, fuel type, age of the insured, etc.

Who Does Auto Insurance Coverage Protect?

An auto insurance policy will cover you and other family members on the policy, whether driving your car or someone else's car (with their permission). Your policy also provides coverage to someone who is not on your policy and is driving your car with your consent.

Personal auto insurance only covers personal driving. It will not provide coverage if you [use your car for commercial purposes](#)—such as making deliveries. Neither will it provide coverage if you use your car to work for ride-sharing services such as Uber or Lyft. Some auto insurers now offer supplemental insurance products (at additional cost) that extend coverage for vehicle owners who provide ride-sharing services

BENEFITS OF AUTO INSURANCE

1. DAMAGE OR LOSS TO INSURED VEHICLE

In case your vehicle is damaged due to an accident, fire, or self-ignition, you are protected. Furthermore, if the car suffers losses due to burglary or theft, strikes, riots, or terrorism, your insurance policy covers these. Another benefit of car insurance is that it covers loss or damage while in transit by rail, inland waterways, air, road, or lift.

2. PERSONAL ACCIDENT COVER

Another advantage of car insurance is that it offers personal accident cover for a pre-determined amount. Personal Accident cover protects permanent total disability and death due to an accident. Furthermore, this cover can be taken for other passengers on an unnamed basis (maximum as per the vehicle's seating capacity) for a pre-determined amount under the car insurance policy.

3. LARGE NETWORK OF GARAGES

HDFC ERGO Car Insurance maintains a large network of garages across the country. This ensures you receive cashless services in all these locations, in case the need arises. This feature makes it convenient to avail of repair services in case of any damage to your vehicle.

4. THIRD PARTY LIABILITIES

If your car is involved in an accident that results in damage or loss to the property of any third parties, it is covered under the car insurance. Furthermore, if you face any legal liabilities in case of any bodily injury or death of a third party, your car insurance protects you against the same.

Vehicle Type

The manufacturer's name and the vehicle model are associated with a specific label on the vehicle related to its brand. Along with the variant and version, the label is the identification of the car. Every variant will have a varied insurance rate even for the same automobile model from the same manufacturer. This happens because every variation is uniquely created and will cost you more to replace than its spare parts.

The insurance cost of a car with advanced specifications and features will go up because these cars are highly expensive and to fix them and get replacement for

Car Type	Third-Party Insurance Cost	Comprehensive Insurance Cost
Sedan	INR 5,000 - INR 10,000	INR 10,000 - INR 20,000
Hatchback	INR 4,000 - INR 8,000*	INR 8,000 - INR 15,000
SUVs	INR 7,000 - INR 15,000	INR 15,000 - INR 30,000
Luxury Cars	INR 8,000 - INR 18,000	INR 10,000 - INR 25,000

HYPOTHETICAL SCENARIO'S

Certainly! Auto insurance needs can vary widely depending on individual circumstances. Here are hypothetical scenarios illustrating different auto insurance needs:

1. Basic Coverage for a Budget-Conscious Driver:

Scenario: Sarah, a college student on a tight budget, owns an older car that's not worth much. She mainly uses it for short trips around town and occasional weekend road trips.

Insurance Need: Sarah would likely opt for state-minimum liability coverage to fulfill legal requirements. This would cover damages to other vehicles and property if she's at fault in an accident. Comprehensive and collision coverage might not be necessary for her, as the cost could outweigh the value of her car.

2. Comprehensive Coverage for a New Car Owner:

Scenario: John just bought a brand-new SUV, and it's his primary mode of transportation for commuting to work and taking his family on vacations.

Insurance Need: John would want comprehensive coverage in addition to liability insurance. Comprehensive coverage would protect his new investment against theft, vandalism, natural disasters, and other non-collision damages. Collision coverage would also be important to cover damages to his vehicle in case of an accident.

3. High-Risk Driver Needing Full Coverage:

Scenario: Mike has a history of traffic violations and was recently involved in a couple of minor accidents. He needs his car for work and has a long commute through heavy traffic.

Insurance Need: Mike would need full coverage, including liability, collision, and comprehensive coverage. Since he's at a higher risk for accidents, he needs coverage that protects both him and his vehicle. However, he should expect higher premiums due to his driving record.



Health insurance covers cost of an insured individual's medical and surgical expenses. Subject to the terms of insurance coverage, either the insured pays costs out-of-pocket and is subsequently reimbursed by the company or the company reimburses costs directly.

Health insurance is an insurance product that covers the medical and surgical expenses of an insured individual. It reimburses the expenses incurred due to illness or injury or pays the care provider of the insured individual directly.

Types of Health Insurance

Every individual is different and has a unique set of needs. A single health insurance product is not enough to cover every person's individual requirements. This is precisely where there are a number of different types of health insurance plans available. Let's take a look at what they are:

1. Individual Health Insurance

You can purchase an individual health insurance policy to provide cover for yourself, your spouse, your children and your parents. These policies typically cover all kinds of medical expenses, including hospitalisation, daycare procedures, hospital room rent and more. Under an individual health insurance plan, each member has their own sum insured amount. So, let's say you've taken an individual plan for yourself, your spouse and both your parents with a sum insured of INR 8 lakhs. Each of you will be able to claim a maximum amount of 8 lakhs per policy year against your health insurance.

2. Family Floater Health Insurance

A family floater plan allows you to cover your family members under a single policy and everybody shares the sum insured amount. These plans are typically more affordable than individual plans since the sum insured

is shared. Let's say you purchase a family floater plan for you and your spouse with a sum insured of INR 8 lakhs. In a single policy year, you can make claims worth only INR 8 lakhs. Your spouse may make claims worth INR 6 lakhs and you could make claims worth INR 2 lakhs or vice-versa. Typically, family floater plans are ideal for young nuclear families.

3. Senior Citizens Health Insurance

These health plans have been designed specifically keeping the medical needs and requirements of senior citizens in mind. Most senior citizens policies offer additional cover, such as domiciliary hospitalization and even some psychiatric benefits. Since older citizens are more likely to have health issues, these policies may require a full medical check-up beforehand and could be more expensive than regular insurance policies.

4. Critical Illness Insurance

There are a number of lifestyle-related diseases that are on the rise. Health issues such as cancer, stroke, kidney failure and cardiac diseases can be very expensive to deal with and manage long-term. This is precisely why critical illness insurance policies have been created. They can either be purchased as a rider or add-on with your regular health insurance plan or separately as their own plan. These policies offer cover for very specific issues and often provide claim payouts as a single lump sum payment after the diagnosis of a critical illness.

5. Group Health Insurance

Unlike individual and family floater policies, group health insurance plans can be purchased by a group manager for a large number of individuals. For example, an employer can purchase group insurance for all their employees or a building secretary may purchase such a plan for all the residents of the building. These plans are fairly affordable, but they often only provide cover for basic health issues. Employers often purchase these plans as an additional benefit for employees.

Benefits of Health Insurance

Purchasing health insurance is crucial for a number of reasons. Let's take a look at the most important benefits of our health insurance policies:

1. Helps Deal with Rising Medical Costs

People purchase [health insurance policies](#) to safeguard their finances against ever-rising medical costs. An accident or medical emergency could end up costing you more than a few thousand rupees. With a medical insurance plan, you enjoy cover for everything from ambulance charges to daycare procedures, making it easier for you to get the care you need to recover.

2. Critical Illness Cover

Many health insurance policies will also offer cover for critical illnesses at an additional cost. Given the rising incidence of lifestyle-related diseases today, this is another crucial cover to have. You will be provided with a lump sum payout in case you are diagnosed with any of the covered critical illnesses. These issues are often very expensive to deal with and manage, so critical illness cover is another vital benefit of having health insurance.

3. Easy Cashless Claims

Every health insurance provider will tie-up with a number of network hospitals where you can enjoy cashless claims. This makes the entire process of receiving emergency medical care much easier. At a network hospital, you aren't really required to pay for any of the covered treatments. For all valid claims, we'll take care of the medical costs, without you having to pay for anything, except non-covered expenses and the mandatory deductibles.

4. Added Protection

If you enjoy cover under a group health insurance plan, you may wonder why you should purchase your own health insurance policy. Well, individual health insurance plans offer provider more and better cover

than group plans. Additionally, if you happen to leave the group at any time, you risk losing the cover, which could make you and your finances vulnerable.

5. Tax Savings

Under Section 80D of the Income Tax Act, 1961, premiums paid towards the upkeep of health insurance policies are eligible for tax deductions. For a policy for yourself, your spouse, your children and parents below the age of 60, you can claim a deduction of up to INR 25,000 per year from your taxable income. If you've also purchased a policy for a parent who is over the age of 60, you can claim an additional deduction of INR 50,000.

1. **Health Maintenance Organization (HMO) Plans:** HMO plans typically have lower premiums compared to other types of plans but require you to choose a primary care physician (PCP) and get referrals to see specialists.
2. **Preferred Provider Organization (PPO) Plans:** PPO plans offer more flexibility in choosing healthcare providers without needing referrals, but premiums may be higher compared to HMO plans.
3. **Exclusive Provider Organization (EPO) Plans:** EPO plans are similar to PPO plans but usually have a narrower network of healthcare providers. Premiums can vary but may be lower than PPO plans.
4. **Point of Service (POS) Plans:** POS plans combine features of HMO and PPO plans, offering lower premiums for in-network care but with the option to see out-of-network providers for higher costs.
5. **High Deductible Health Plans (HDHPs) with Health Savings Accounts (HSAs):** HDHPs typically have lower premiums but higher deductibles. HSAs allow you to save money tax-free to pay for qualified medical expenses.

Factors that can affect premium costs include:

- Age: Older individuals generally pay higher premiums due to higher healthcare utilization.
- Location: Health insurance premiums can vary by geographic location due to differences in healthcare costs and regulations.
- Tobacco Use: Tobacco users may face higher premiums due to increased health risks associated with smoking.
- Coverage Level: Plans with more comprehensive coverage often have higher premiums.
- Pre-existing Conditions: Before the Affordable Care Act (ACA), pre-existing conditions could lead to higher premiums or denial of coverage. However, the ACA prohibits insurers from denying coverage or charging higher premiums based on pre-existing conditions.

It's essential to shop around and compare plans to find one that fits your healthcare needs and budget. Additionally, many factors contribute to the final premium cost, so it's best to consult with insurance providers or use online tools to get personalized quotes.

HYPOTHETICAL SCENARIO'S

Certainly! Here are a few hypothetical scenarios illustrating how different factors can influence health insurance premiums:

1. Age and Smoking Habits:

***Scenario*:** John is a 25-year-old non-smoker, and his friend Sarah is also 25 but smokes a pack of cigarettes a day.

***Outcome*:** John will likely have lower health insurance premiums compared to Sarah due to her smoking habit. Insurers often charge higher premiums for tobacco users because of the increased health risks associated with smoking.

2. Coverage Level and Pre-existing Conditions:

***Scenario*:** Emily has asthma and requires regular medication and doctor visits. She is comparing two health insurance plans: Plan A with comprehensive coverage and a higher premium, and Plan B with basic coverage and a lower premium.

***Outcome*:** Emily may opt for Plan A despite its higher premium because it provides better coverage for her pre-existing condition. While Plan B has a lower premium, it may not cover Emily's asthma-related expenses adequately, resulting in higher out-of-pocket costs.

3. Geographic Location:

***Scenario*:** Mark lives in a rural area, while Lisa lives in a major city. They are both 35 years old and non-smokers.

***Outcome*:** Lisa may face higher health insurance premiums compared to Mark due to the higher healthcare costs associated with living in a major city. Insurers often adjust premiums based on factors like healthcare provider fees, cost of living, and regional healthcare utilization rates.

4. Family Size and Coverage Needs:

***Scenario*:** The Smith family consists of Tom, Sarah, and their two children. They are comparing family health insurance plans with different coverage levels.

***Outcome*:** The Smiths may choose a plan with comprehensive coverage despite its higher premium to ensure their family's healthcare needs are adequately met. While a plan with a lower premium may seem attractive, it may not provide sufficient coverage for their children's healthcare expenses, leading to higher out-of-pocket costs in the long run.

5. Employer-sponsored Insurance vs. Individual Market:

***Scenario*:** David has the option to enroll in his employer's health insurance plan or purchase coverage through the individual market.

***Outcome*:** David may find that his employer-sponsored plan offers more affordable premiums compared to individual market plans due to, and out-of-pocket costs before making a decision.
