**INSURANCE**

**POLICY COMPARISON**

By,

B Geeth Sri Vamsi Srujan

Regd. No: 121128807008

BBA,

DR. Lankapalli Bullayya College

**CONTENTS**

1. Insurance overview
2. Coverage
3. Benefits
4. Exclusions
5. Hypothetical situation
6. Conclusion

**INSURANCE OVERVIEW:**

Insurance Is a legal agreement between an insurer and insured that provides financial protection against losses in exchange for regulator payments called premiums. It’s a form of risk management that helps protect against uncertain losses such as emergencies, expenses and damage to assets.

* **TERM LIFE INSURANCE POLICY:**

Term life insurance is a type of insurance policy that provides coverage for a specified period of time or term of years. If the insured dies during the time period specified and the policy is active, then a death benefit will be paid

**Example:**Tata AIA Life Insurance

* **MOTOR INSURANCE:**

**** Motor insurance, also known as auto insurance or vehicle insurance, is a contract between an insurance company and a policyholder that provides financial protection for vehicles. It protects the vehicle from damage caused by accidents, fire, natural disasters, and theft.

**Example:**Tata AIG General Insurance Company Limited

**COVERAGE**

* **TERM LIFE INSURANCE:**

Term life insurance is a life insurance product that offers financial coverage for a specific period of time. The policyholder pays a premium each month, and in return, the company pays a death benefit if the policyholder dies during the term. The term is usually between 10 and 30 years. Once the term ends, the policyholder can renew it, convert it to permanent coverage, or let it lapse.

**There are several types of term life insurance plans, including:**

* Level term plans: The basic form of term life insurance
* Increasing term insurance: A type of term insurance
* Decreasing term insurance: A death benefit that decreases at a predetermined rate over the policy's life
* Return of premium term insurance: A type of term insurance
* Convertible term plans: A type of term insurance
* **MOTOR INSURANCE:**

Motor insurance policies cover damage to the insured vehicle caused by accidents, theft, natural disasters, or third-party liability. Here are some types of motor insurance coverage:

* Comprehensive insurance: Covers damage to the vehicle due to theft, accident, natural disasters, or third-party liability
* Third-party insurance: Mandatory under the Motor Vehicles Act
* Own damage insurance: Covers damages or losses to the insured vehicle
* Personal accident insurance: Covers the owner or driver of the vehicle in case of injury or death due to an accident

**BENEFITS**

* **TERM LIFE INSURANCE:**

**Term life insurance plans can offer several benefits, including:**

* **Affordable premiums:** Term insurance plans can offer high-value life cover at an affordable premium amount. The earlier you buy a term insurance plan, the lower the premium amount you have to pay.
* **Whole life cover:** Term insurance plans offer substantially longer coverage.
* **Financial security:** Term insurance plans can offer financial security for the entire family in case of the unfortunate death of the policyholder.
* **Protect family expenses:** A term insurance plan can help cover various expenses like education, housing, groceries, and more.
* **MOTOR INSURANCE:**

Motor insurance can provide a number of benefits, including:

* **Third-party liability:** Covers damage to other people
* **Protection against natural disasters**: Can protect against natural disasters
* **Protection against theft**: Can protect against theft
* **Flexibility to choose add-on covers**: Can offer add-ons or riders that provide extra coverage for specific situations
* **No claim bonus**: Can provide a discount of 20–50% on premium payable if the policyholder has not made a claim in the preceding years

**EXCLUSIONS**

* **TERM LIFE INSURANCE:**

Term life insurance plans typically don't cover deaths due to:

* Pre-existing health conditions, Alcohol or drugs use are not covered under term life insurance
* Adventure sports & racing events are not covered under term life insurance
* Pregnancy and childbirth .and Suicide
* War or terrorism, Criminal activities and Life-threatening activities or hobbies are also not covered under term life insurance
* Aviation-related deaths, Natural calamities and Murder
* **MOTOR INSURANCE:**

Motor insurance policies typically don't cover damage caused by everyday use, such as normal wear and tear, tire wear, or mechanical failure. Common exclusions include:

* Damage caused by driving without a valid license
* Damage caused by driving under the influence of drugs or alcohol
* Damage resulting from prearranged racing
* Broken glass
* Non-permanent electronics
* Any intentional damage
* Loss, damage, or liability arising from an act of nature, such as flood, storm, or landslide
* Damage to the car due to acts of nuclear activities, war, or terror attacks
* Damages to the car's engine due to oil leakage

**Hypothetical Situation**

* **TERM LIFE INSURANCE:**

Thirty-year-old George wants to protect his family in the unlikely event of his early death. He buys a 10-year, ₹50,00,000 term life insurance policy with a premium of ₹1000 per month.

If George dies within the 10-year term, the policy will pay George’s beneficiary ₹50,00,000. If he dies after the policy has expired, his beneficiary will receive no benefit. If he remains alive and renews the policy after 10 years, the premiums will be higher than his initial policy because they will be based on his current age of 40 rather than 30.

If George is diagnosed with a terminal illness during the first policy term, he probably will not be eligible to renew the policy when it expires. Some policies do offer guaranteed re-insurability (without proof of insurability), but such features come with a higher cost.

* **MOTOR INSURANCE:**

A car driven by a third party skidded onto the complainants’ driveway and hit their motorhome, damaging the side panel. The complainants raised a claim to cover the cost of repairs with their insurance company. The insurance company asked for garage A’s expert to examine the damage. Garage A’s expert concluded that the vehicle was not roadworthy based on the condition of the chassis. The insurance company therefore decided to reject the claim based on the term of the policy stating that claims will not be accepted if the vehicle is not kept in a roadworthy condition.

**COMPARISON OF POLICIES:**

|  |  |  |
| --- | --- | --- |
| **Aspect** | **Term Life Insurance** | **Motor Insurance** |
| Purpose | Provides financial protection to beneficiaries in case of the insured's death during the policy term. | Provides financial protection against damage to the insured vehicle and liability arising from accidents |
| Coverage | Covers the life of the insured for a specific term. | Covers the insured vehicle against accidents, theft, and other damages. Also covers liability for third-party injuries or property damage. |
| Premium Determination | Based on factors such as age, health, coverage amount, and term length. | Based on factors such as the type of vehicle, age of the vehicle, driver's history, and location. |
| Pay-out | Pays out a lump sum to the beneficiaries if the insured dies during the policy term. | Pays for repairs or replacement of the insured vehicle in case of damage, theft, or total loss. Also covers costs related to third-party claims. |
| Term Length | Typically ranges from 5 to 30 years. | Policy is usually annual and renewable. |
| Renewability | Typically, renewable but premiums may increase upon renewal based on age and health status  . | Renewed annually with premiums adjusted based on claims history and other risk factors. |
| Example | John purchases a 20-year term life insurance policy with a $500,000 death benefit to ensure his family's financial security. | Sarah buys comprehensive motor insurance for her car, covering damages from accidents, theft, and liability for third-party injuries. |

**Example for Term Life Insurance:**John is a 35-year-old professional who recently got married and has two young children. He wants to ensure that his family will be financially secure if something were to happen to him. He purchases a 20-year term life insurance policy with a death benefit of $500,000. This policy will provide financial protection to his family in case of his untimely death during the term of the policy.**Example for Motor Insurance:**Sarah owns a new car that she uses for commuting to work and running errands. She wants to protect her vehicle against any unforeseen circumstances such as accidents, theft, or damages. She purchases comprehensive motor insurance coverage for her car. This policy not only covers damages to her car but also provides liability coverage for any injuries or property damage caused to third parties in case of an accident.

**CONCLUSION**

In conclusion, while both term life insurance and motor insurance provide financial protection, they serve different purposes and cover different risks. From the analysis of TERM LIFE INSURANCE and MOTOR INSURANCE we can determine that both the policies offer a wide range of opportunities for the policyholders to decrease the risk of uncertainty both in relation to life and vehicle. There are a large number of public and private sector banks offering these policies and even a few multinational corporations to the public in return for a predetermined constant amount called PREMIUM. These policies offer coverage benefits to its holders and protect them against uncertainties. It is advised even in some mandated by the government to take insurance to protect the public. In essence, term life insurance is essential for providing financial security to loved ones in the event of the insured's death, while motor insurance is crucial for protecting vehicles against various risks and ensuring financial coverage for damages and liabilities resulting from accidents. Each type of insurance serves its unique purpose and is tailored to address specific needs and risks. Therefore, individuals should carefully assess their requirements and choose the appropriate insurance policies to safeguard their financial well-being and assets.

**THANK**

**YOU**