Complete Insurance Knowledge Base with Numbers, Tenure & More

Beginner's Guide to Insurance

Q: What is the basic concept of insurance?

A: Insurance is a risk management tool that provides financial protection against unexpected losses or events. By paying a premium, a person transfers the financial risk to an insurance company.

Q: Why do people need insurance?

A: Insurance helps individuals and businesses recover from unexpected financial losses such as accidents, illnesses, theft, or natural disasters. It ensures peace of mind and financial security.

Q: How does an insurance policy work?

A: An insurance policy is a contract between the policyholder and the insurer. The policyholder pays a premium, and the insurer agrees to pay for covered losses under certain conditions.

Q: What are the key components of an insurance policy?

A: Key components include the premium, policy limit, deductible, exclusions, coverage terms, and the insured object or individual.

Q: Who regulates insurance companies?

A: In most countries, government bodies regulate insurance to protect policyholders. For example, the IRDAI in India or the NAIC in the U.S.

Q: What is risk pooling in insurance?

A: Risk pooling means combining the risks of many individuals to make the financial impact of losses more manageable for the insurer.

Q: How do insurance companies make money?

A: Insurers earn through premium collection and investing those funds. They aim to pay less in claims than they collect in premiums.

Q: What is underwriting in insurance?

A: Underwriting is the process of evaluating the risk and exposure of potential clients before issuing a policy.

Q: What is an insurance broker or agent?

A: An agent represents one insurer, while a broker may represent multiple insurers and helps customers find suitable policies.

Q: What is a claim settlement?

A: It's the process where the insurance company pays out the agreed amount to the insured or beneficiary when a covered event occurs.

General Insurance Overview

Q: What is insurance?

A: Insurance is a financial agreement that provides protection against financial loss in exchange for premium payments.

Q: Why is insurance important?

A: Insurance helps individuals and businesses manage risks, ensuring financial stability during unforeseen events.

Q: What are the different types of insurance available?

A: The most common types include life, health, auto, home, travel, and liability insurance.

Q: What is the role of an insurance company?

A: An insurance company assesses risks, provides coverage, collects premiums, and pays out claims.

Q: What is a premium in insurance?

A: A premium is the amount paid periodically by the insured to the insurer for covering their risk.

Q: How does insurance work?

A: The insured pays a premium, and in case of a covered event, the insurer compensates for the losses.

Q: What are the common terms used in insurance?

A: Terms include premium, deductible, policyholder, sum insured, claim, coverage, and beneficiary.

Q: How can I choose the right insurance policy?

A: Compare policies based on coverage, exclusions, premium, claim process, and insurer reputation.

Q: What is a policyholder?

A: A policyholder is the individual or entity that owns the insurance policy.

Q: Can one person have multiple insurance policies?

A: Yes, an individual can hold multiple policies across different insurance types.

Health Insurance

Q: What is health insurance?

A: Health insurance provides coverage for medical expenses incurred due to illnesses or injuries.

Q: What does health insurance typically cover?

A: It covers doctor consultations, hospitalizations, surgeries, diagnostic tests, and sometimes dental and vision.

Q: What is not covered under health insurance?

A: Cosmetic surgeries, self-inflicted injuries, alternative therapies, and experimental treatments are usually excluded.

Q: What is a pre-existing condition?

A: A pre-existing condition is any health issue the insured had before purchasing the policy.

Q: What is a co-payment?

A: A co-payment is a fixed amount the insured pays for medical services, with the insurer paying the rest.

Q: What is a deductible in health insurance?

A: It is the amount the insured must pay before the insurer starts covering expenses.

Q: What is a network hospital?

A: A network hospital has a tie-up with the insurer to provide cashless treatment.

Q: How do I file a health insurance claim?

A: Inform the insurer, fill out a claim form, attach medical documents, and submit for approval.

Q: What is the waiting period in health insurance?

A: It's the time you must wait after purchasing the policy before coverage starts for specific conditions.

Q: What is a cashless facility?

A: It allows the insured to receive treatment at network hospitals without paying upfront.

Life Insurance

Q: What is life insurance?

A: Life insurance is a contract where the insurer pays a death benefit to beneficiaries upon the insured's death.

Q: What are the types of life insurance policies?

A: Term, whole life, universal life, and endowment are common types.

Q: What is term life insurance?

A: It provides coverage for a fixed term and pays out only if the insured dies during the policy term.

Q: What is whole life insurance?

A: Whole life insurance offers lifelong coverage and builds cash value over time.

Q: What is a beneficiary?

A: A beneficiary is a person or entity entitled to receive the policy benefits upon the insured's death.

Q: Can life insurance be used as an investment?

A: Yes, some policies like whole life and endowment plans have investment components.

Q: What are riders in life insurance?

A: Riders are optional add-ons that enhance or customize policy coverage, like critical illness cover.

Q: What happens if I stop paying my premium?

A: The policy may lapse or convert to a reduced benefit plan depending on the terms.

Q: Is the payout from life insurance taxable?

A: Generally, life insurance payouts to beneficiaries are tax-free.

Q: How much life insurance coverage do I need?

A: You should consider debts, income replacement, future obligations, and lifestyle when calculating it.

Auto Insurance

Q: What is auto insurance?

A: Auto insurance covers financial losses due to vehicle accidents, theft, or damage.

Q: What types of coverage are offered in auto insurance?

A: Common coverages include liability, collision, comprehensive, and personal injury protection.

Q: What is third-party liability?

A: It covers damages caused to another person or property by your vehicle.

Q: What is comprehensive coverage?

A: It covers damages to your car not caused by a collision, like theft or natural disasters.

Q: What affects my auto insurance premium?

A: Driving history, vehicle type, location, age, and coverage limits impact the premium.

Q: What should I do after a car accident?

A: Ensure safety, inform the police and insurer, take pictures, and file a claim.

Q: How do I file an auto insurance claim?

A: Report the incident, submit the required documents, and cooperate with the insurer's assessment.

Q: What documents are needed for auto insurance claims?

A: You'll need the policy document, FIR (if required), photos, license, and repair bills.

Q: What is a no-claim bonus?

A: A discount given for not making any claims during a policy year.

Q: Can auto insurance be transferred to a new owner?

A: Yes, it should be transferred to the new owner upon sale of the vehicle.

Home Insurance

Q: What is home insurance?

A: Home insurance protects your house and its contents against damage or loss.

Q: What does home insurance cover?

A: It covers structural damage, theft, fire, and natural disasters depending on the policy.

Q: Does home insurance cover natural disasters?

A: Most policies offer this as an optional or add-on coverage.

Q: What is not covered by home insurance?

A: Negligence, intentional damage, and wear and tear are often excluded.

Q: How is the premium for home insurance calculated?

A: Based on property value, location, coverage amount, and construction type.

Q: What is the sum insured in home insurance?

A: It is the maximum amount payable by the insurer in case of a claim.

Q: What should I do in case of a home insurance claim?

A: Notify the insurer, document the damage, submit required paperwork, and assist with surveys.

Q: How long does it take to settle a home insurance claim?

A: Usually within 2-4 weeks after submission of complete documents.

Q: Can I increase the coverage later?

A: Yes, you can enhance coverage during renewal or via policy endorsements.

Q: What are endorsements in home insurance?

A: They are modifications or additions to the standard policy coverage.

Health Insurance - Policy Numbers and Limits

Q: What is the typical tenure of a health insurance policy?

A: Health insurance policies usually have a tenure of 1 year, with options to renew annually. Some plans also offer 2- or 3-year tenures.

Q: What is the minimum and maximum entry age for health insurance?

A: The entry age generally ranges from 18 to 65 years for adults, and from 90 days to 25 years for dependent children.

Q: What is the maximum sum insured available under health insurance?

A: The sum insured can range from Rs.1 lakh to over Rs.1 crore, depending on the plan and insurer.

Q: What is the maximum claim limit in a health insurance policy?

A: It is usually capped at the sum insured, but some plans offer unlimited or reinstated sum insured features.

Q: How is the no-claim bonus calculated?

A: For each claim-free year, the sum insured increases by a certain percentage (typically 10-50%) without an increase in premium.

Life Insurance - Policy Numbers and Limits

Q: What is the typical tenure of a life insurance policy?

A: Term life insurance can have tenures from 5 to 40 years. Whole life policies cover until 99 or 100 years of age.

Q: What is the minimum age to buy life insurance?

A: Most life insurance policies can be purchased from the age of 18.

Q: What is the maximum maturity age for life insurance?

A: Policies usually mature at age 65 to 100, depending on the policy type.

Q: What is the minimum sum assured in a life insurance policy?

A: This can range from Rs.50,000 to Rs.5 lakh depending on the insurer. Some plans have higher minimums.

Q: Can I increase the sum assured later?

A: Some policies allow increase in sum assured at life stages (marriage, childbirth) through riders or additional premium.

Auto Insurance - Policy Numbers and Limits

Q: What is the validity period of auto insurance in India?

A: A standard auto insurance policy is valid for 1 year. New vehicles may come with 3-year third-party insurance.

Q: Is long-term auto insurance available?

A: Yes, long-term plans of 3 or 5 years are available for two-wheelers and newly purchased vehicles.

Q: What is the maximum IDV (Insured Declared Value)?

A: The IDV is the current market value of the vehicle, which depreciates yearly. There's no hard cap, but it must reflect the true value.

Q: Is there a deductible in auto insurance?

A: Yes, a compulsory deductible applies (e.g., Rs.1,000 for cars), and voluntary deductibles can reduce premiums.

Q: Can I insure accessories in my vehicle?

A: Yes, you can insure electrical and non-electrical accessories for an additional premium.