**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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* introduction
* coverage
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here i am taking two different types of insurance policies :

1. life insurance
2. car insurance

**CAR INSURANCE :**



 Car insurance is effectively a contract between yourself and an insurance company in which you agree to pay premiums in exchange for protection against financial losses stemming from an accident or other damage to the vehicle. Auto insurance can offer coverage for:

* Vehicle damages, including your car or another driver's vehicle
* Property damage or bodily injuries caused by an accident
* Medical bills and/or funeral expenses associated with injuries sustained in an accident.

**LIFE INSURANCE :**



Life Insurance is a contract between an insurance policy holder and an insurer, where the insurer promises to pay a sum of money to the beneficiary when the insured person dies or after a pre-determined period in exchange for the premiums paid by policyholder.

### COVERAGE : What Risks And Events Covered By The Policy ?

### CAR INSURANCE :

**1. Third-Party Liability Only Cover**

The Motor Vehicle Act 1988 mandates that every motorised vehicle on Indian roads should have a third-party liability only cover.  The “third-party” in third-party car insurance is any property, person, or vehicle that sustains damage due to the actions of the insured while driving their vehicle. This is one of the more affordable kinds of insurance for cars in the country, as the scope of its coverage is limited.

**These are the incidents that will be covered under third-party liability only cover:**

* Damages to the third-party vehicle
* Damages to the third-party property
* cost of hospitalization and treatment of third parties
* Liabilities arising out of the deaths of third parties

### 2. Own Damage (OD) Cover

Under the collision damage cover insurance policy, the insured will be reimbursed for the cost of repairs to your damaged vehicle. The premium for these types of car insurance in India will be calculated based on the vehicle’s age and its insured declared value (IDV). The insured declared value of the car is nothing but its market value.

In the event that the cost of damages to your vehicle exceeds the current value of the vehicle, the insurance company will pay the current market value of the automobile in question. For older vehicles, the collision cover can be as low as possible. You must buy coalition cover if there is a lien on your vehicle.

### 3. Personal Accident Cover

A personal accident cover can protect the owner of the car in case of an accident by covering the medical expenses that are incurred after the accident. These types of motor insurance can also protect passengers and drivers from medical bills in case of an accident. The insurance company will take care of the medical expenses, regardless of whether the accident was caused by the driver of the insured vehicle or another party. In the event of a death due to the accident, the insurance company will pay a lump sum to the family that suffered the loss.

### 4. Uninsured Motorist Protection

When an accident occurs, the insurance of the person who caused the accident should cover the cost of damages to your vehicle. But what happens when the other vehicle's owner does not have insurance? You would be forced to bear the cost of damages, right? This is where uninsured motorist protection comes in. These types of vehicle insurance

can protect the insured when the person who caused the accident does not have insurance. It can also come to your rescue when third-party insurance is not enough to compensate for the damages caused to your vehicle. Uninsured motorist protection will take care of both repairs to your vehicle and medical bills caused by the accident.

### 5. Comprehensive Car Insurance

As the name suggests, this is the most comprehensive type of car insurance you can choose for your automobile. The damage covered under a [comprehensive insurance](https://www.acko.com/car-insurance/comprehensive-car-insurance/) policy includes damage from third parties and damage to your own vehicle. It basically guarantees complete protection. Even though the price of these types of car insurance can be higher than that of a third-party liability-only cover, the range of protection offered against all the risk factors that you can face when your vehicle hits the road is unmatched with these types of car insurance in India. This insurance policy can also protect your vehicle from:

* Natural disasters
* Man-made calamities
* Fire
* Terrorist activities

### LIFE INSURANCE :

* **Daily Living Expenses:**  
  The death benefit can help cover everyday costs like groceries, utilities, and rent. This support is crucial, especially if the departed was the primary earner in the family.

* **Children’s Education:**  
  Parents always dream of a bright future for their children. [Life insurance benefits](https://lifeinsurance.adityabirlacapital.com/articles/life-insurance/what-is-life-insurance-and-benefits-of-life-insurance) can ensure that your children's education goals are not compromised, covering school fees and higher education expenses.

* **Debts and Loans:**  
  If there were any outstanding debts or loans, like a home loan or personal loan, the death benefit could be used to pay these off, reducing the financial burden on the family.
* **Medical and Funeral Expenses:**  
  Unfortunately, medical bills can be substantial, especially if there is a prolonged illness. Life insurance can cover these costs, along with funeral expenses.
* **Future Goals and Plans:**  
  Whether it’s buying a home or starting a business, life insurance benefits can help keep those dreams alive for your family, even in your absence.
* **Critical Illness Rider:**  
  This pays out a lump sum if you're diagnosed with one of the critical illnesses specified in the policy, like cancer or heart attack.

* **Accidental Death Rider:**  
  This offers an additional payout if death occurs due to an accident.

* **Waiver of Premium Rider:**  
  If you become disabled and can't earn an income, this rider waives off future premiums while keeping the policy active.

### PREMIUMS : What are the premium costs for each policy ?

### CAR INSURANCE :

### Though one can manually find out the premium by a simple formula, calculating the car insurance policy gets easier with the help of the car insurance calculator.

## Third-Party Liability Premium Rates (1-Year Policy)

The following table provides more details on the third-party liability premium rates for a 1-year policy.

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## Long-Term Third-Party Liability Premium Rates (3-Year Policy)

The following table provides more details on the third-party liability premium rates for a 3-year policy.

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### LIFE INSURANCE :

Life insurance premium refers to a specific amount to be paid periodically by the insured individual to maintain their insurance coverage, as calculated by the insurance company. For deciding the premium amount, an insurance company examines the type of coverage being opted, the lifestyle and health conditions, and the likelihood of a claim being made, among other factors. You may pay an insurance premium in a lump sum or as a regular sum.  The following are the major factors that may affect your premium amount:

### 1. Age

This is the most important factor while estimating your life insurance premium. The base mortality premium is entirely based on your age.

### 2. Occupation

Different professions have different levels of health and life risks. Jobs like mechanical and civil engineering are more risky as compared to office jobs. Thus, such professions attract a higher life insurance premium.

### 3. Lifestyle Habits

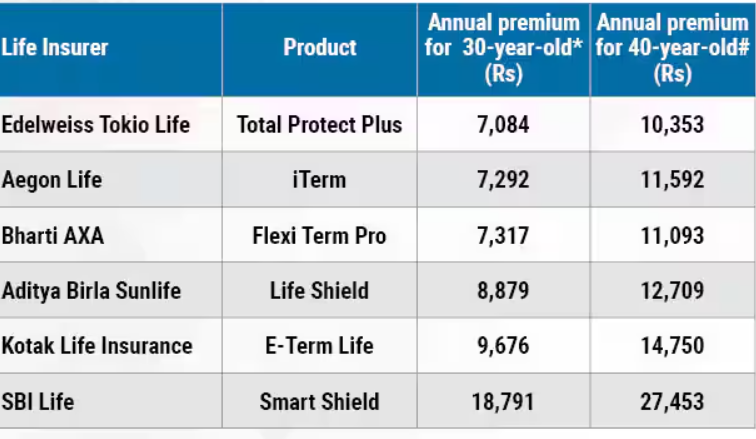
Lifestyle habits like smoking and drinking are linked to a higher risk of diseases, which might require you to pay higher life insurance premiums. So, adapting to a healthier lifestyle may not only keep you safe in the long run but also get you better rates with life insurance companies.

### 4. Present & Past Health

Present health conditions and past medical records are required to assess your future health and the possibility of future diagnosis. In case of serious illnesses, your policy may attract a higher premium.

### 5. Sum Assured Amount

The higher your [sum assured.](https://www.canarahsbclife.com/blog/saving-plan/sum-assured-meaning) the higher your premiums will be. However, with high premiums, you can attract discounts on the premium rates. Higher sum assured means that your coverage is high and for a high coverage, you will have to pay a higher life insurance premium.



### POLICY BENEFITS : what benefits or payouts does the policy offer ?

### CAR 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 provides protection against  permanent total disability, Death due to an accident. Furthermore, this cover can be taken for other passengers on  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.

### 5.   NO CLAIM BONUS

One of the major advantages of having car insurance  is the no claim bonus (NCB). Customer is eligible for this benefit for every claim-free year. This may be available as a discount on the premium, which makes car insurance even more affordable.

### LIFE INSURANCE :

## **Life Insurance Can Cover Final Expenses**

The national median cost of a funeral that includes a funeral and a burial was $7,848 as of 2021. The median cost of a funeral with cremation was approximately $6,971. Because many Americans do not have enough savings to cover even a $400 emergency expense, having to pay for a funeral can be a substantial financial burden for friends and family you leave behind. If you have a life insurance policy, your beneficiaries can use the money to pay for your burial expenses without having to dip into their own savings or use credit. Other covered final expenses may include additional funeral or cremation costs, medical bills, and estate settlement costs.

Some insurers offer final expense policies. These policies have low coverage amounts and relatively inexpensive monthly premiums.  Final expense insurance helps beneficiaries avoid a financial crisis when a family member passes. Depending on your policy, this could include covering funeral costs, medical bills, auto loans, paying off a mortgage, or a down payment for a new home.

## **Your Dependents Will Have Money for Living Expenses**

A common rule of thumb says your life insurance death benefit should be worth 10 times your income. If you have a policy (or policies) of that size, the people who depend on your income will still have money to cover their ongoing living expenses. Beneficiaries can use policy benefits to cover critical daily expenses like rent or mortgage payments, utility bills, and groceries. Average annual expenditures for households in 2022 were $72,967, according to the Bureau of Labor Statistics.

The exact amount of life insurance you should buy depends on your financial goals and other resources. You may want more if you'd like to cover other major expenses. For example, you'd like the insurance policy to pay for your children's college education so they don’t need to take out student loans. Alternatively, if you have a large sum of savings stored away, you may be okay with a smaller life insurance policy.

## **Life Insurance Payouts Are Tax-Free**

If you have a life insurance policy and die while your coverage is in effect, your beneficiaries will receive a lump sum death benefits. Life insurance payouts aren’t considered income for tax purposes, and your beneficiaries don’t have to report the money when they file their tax returns.

However, a beneficiary may receive earned interest if they choose an installment payout option. Any interest received is taxable and must be reported as such.Depending on your state’s laws, life insurance benefits may be used to offset some or all of owed estate taxes. In this case, your heirs won’t have to liquidate assets or pay out of their inheritance.

## **You Can Get Coverage for Chronic and Terminal Illnesses**

Many life insurance companies offer endorsements, also known as riders, that you can add to your policy to enhance or adjust your coverage. An accelerated benefits rider allows you to access some or all of your death benefit before you pass away. Under some policies, for example, if you are diagnosed with a terminal illness, you can use your death benefit while your’e still living to pay for your care or other expenses.

A long-term care (LTC) rider is another type of life insurance policy that pays for expenses not covered by traditional health insurance, such as a home health-care worker, long-term care facility, or nursing home care. The insurer may distribute your payout either as a lump sum, or as a monthly percentage of your death benefit (typically 1% to 4%). Most LTC policy riders have a waiting period (often 90 days) before you can start using the benefit.

## **Policies Can Supplement Your Retirement Savings**

If you purchase a whole, universal, or variable life insurance policy, it can accumulate cash value in addition to providing death benefits. The cash value grows at a guaranteed rate determined by the policy provider. Growth is not affected by market conditions, allowing the funds to accumulate at a stable rate over time. Additionally, the cash value of whole life insurance grows tax-deferred. This means there are no income taxes accrued on the cash value (or its growth) until it is withdrawn.

### EXCLUSIONS : What events or circumstances are not covered by the policy ?

### CAR INSURANCE :

No matter, if you purchase comprehensive car insurance online or offline, your policy will surely have some exclusions. Car insurance exclusions are the risks that are not covered in your policy. The things that are not covered under the plan are always mentioned in the policy document.

* **Damage Due to Normal Wear and Tear:**

 Motor insurance typically does not cover the damage arising due to its everyday use.

* **Damage Without Valid Driving Licence:**

Damage caused to the vehicle due to the person driving without a valid driving license is not covered under a motor insurance policy.

* **Damage Under Intoxication:**

If the damages have been incurred by the person who was driving under the influence of drugs or alcohol, then in this case also, a claim for damage won’t be covered

* **Claim on Lapsed Policy:**

If the policy is expired and there is any damage to the car for any reason, then the loss will not be covered. You can only claim for damage if the policy is running, for that, you need to pay a premium on time regularly.

* **Damage Due to Mechanical/Electrical Failure:**

If any damage arises due to mechanical or electrical fault, the claim is generally rejected.

* **Damages to Tyres/Tubes:**

 Damages to tires and tubes are not covered under a motor insurance policy unless the damage has been incurred due to any accident.

* **Damage Due to Pledging of Vehicle:**

 If a policyholder pledged his car to someone else for a certain period and the car gets damaged while being driven by someone else, then any loss due to this damage won’t be covered.

* **Damage Outside Geographical Area:**

  Typically, motor insurance companies process your claim for losses if it happened in India. Hence, any accident occurring outside the geographical area of operation is not

* **Damage in Specific Scenarios:**

Damages caused to the car due to war, terror attack, civil war, radiation, or nuclear material or weapons are not covered under a standard motor insurance policy.

### LIFE INSURANCE :

### Suicides within a year

As mentioned earlier, suicides have a specific condition under term insurance plans. If the insured commits suicide within 12 months of buying the policy, such a death would not be covered. In this case, the premium paid would be refunded back after applicable deductions, and the policy would be terminated.

Similarly, the death benefit would not be paid if the insured has revived a LAPSED TERM PLAN and then commits suicide within 12 months of such revival.

### Death when you are under the influence of intoxicants

If the insured is under the influence of alcohol, drugs, or any other intoxicating substance and then death occurs due to such an influence, the death would not be covered under the policy. Similarly, coverage would not be allowed if the insured is addicted to intoxicating substances and dies of the medical complications of such an addiction.

### Death due to HIV/AIDS

HIV/AIDS is not covered under term insurance plans. So, if the insured suffers from HIV/AIDS and succumbs to the illness, the death benefit might not be paid. However, some plans do cover this as well, and it’s important to check with your insurer before purchasing the plan about the specific details.

### Death due to an illness that you hid from the insurer

Term plans require you to disclose your medical health and past history truthfully. If you hide this material information, it is considered a breach of good faith. If the health or medical illness gets complicated and the insured dies due to the same, such a death would not be covered.

### Homicides

Though homicides are covered, there are instances when such deaths would be excluded. If the insurer finds out that the nominee or the beneficiary was involved in the murder or if the murder was done to acquire the insurance payout, the insurance company will reject the claim. In such cases, the death benefit would not be paid.

So, before you purchase your **TERM INSURANCE PLAN**, know which deaths would be covered and which won’t by ensuring you have read the policy terms & conditions properly. This would help you avoid claim rejections and get the term insurance benefits when it is most required.

### HYPOTHETICAL SCENARIO :

### CAR INSURANCE :

Certainly! car insurance needs can vary widely depending on individual circumstances. Here are hypothetical scenarios illustrating different car 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 vehiclein 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.

**4. Rideshare Driver with Special Requirements:**

Scenario: Emily drives for a rideshare company like Uber or Lyft in her spare time to earn extra income. She uses her car extensively for this purpose.

Insurance Need: Emily would need a specialized rideshare insurance policy. Many personal auto insurance policies exclude coverage for commercial activities like ridesharing. Rideshare insurance would provide coverage during periods when she's logged into the rideshare app but hasn't yet accepted a ride, as well as during trips with passengers.

**5. Frequent Traveler Requiring Additional Protection:**

Scenario: Alex travels extensively for work and often rents cars in different cities. He wants peace of mind knowing he's covered no matter where he drives.

Insurance Need: Alex would benefit from an insurance policy that includes rental car coverage and possibly extended coverage for driving outside of his home state or country. Some insurance companies offer policies with these features or allow for additional coverage options for travelers.

These scenarios highlight the importance of tailoring auto insurance coverage to individual needs and circumstances. It's essential to assess factors such as driving habits, vehicle value, budget, and risk tolerance when selecting the right insurancepolicy**.**

### LIFE INSURANCE :

If someone will suffer financially when you die, then you probably need life insurance.

It provides cash to your family after your death. Known as the “death benefit,” it replaces your income and can help your family with important financial needs such as funeral costs, daily living expenses and college funding. And there is no federal income tax on life insurance benefits.

**You’re Married**  
Would your surviving spouse’s income be enough to pay off debts such as credit card balances and car loans, monthly rent or mortgage, and utility bills? If you’re planning to have children, you’ll want to buy life insurance now because some insurance companies won’t issue policies to pregnant women.

**You’re Married With Kids**  
Most families depend on two incomes to make ends meet. If you died suddenly, could your family continue meet all of its financial obligations—from paying rent or the mortgage to daily living expenses? Could your family continue its standard of living on your spouse’s income alone? Would future plans such as college stay intact?

**You’re a Single Parent**  
Nearly four in 10 single parents have no life insurance, and many with coverage say they need more than they have. With so much responsibility resting on your shoulders, you need to make doubly sure that you have enough life insurance to safeguard your children’s financial future.

**You’re a Stay-At-Home Parent**  
Just because you don’t earn a salary doesn’t mean you don’t make a financial contribution to your family. Childcare, transportation, cleaning and cooking, and other household activities are important tasks, the replacement value of which often is severely underestimated.

**You Have Grown Children**  
If you died today, your spouse still would be faced with daily living expenses. Would your financial plan, without life insurance, enable your spouse to maintain the lifestyle you’ve worked so hard to achieve?

**You’re Retired**  
Depending on the size of your estate, your heirs could be hit with an estate-tax payment of up to 45 percent after you die. The proceeds of a life insurance policy are payable immediately, allowing heirs to take care of these taxes, funeral costs and other debts without having to hastily liquidate other assets, often at a fraction of their true value. Life insurance proceeds are also generally income-tax free and won’t add to your estate-tax liability if properly structured.

**You’re a Small-Business Owner**  
What would happen to your business if you, one of your fellow owners or a key employee died tomorrow? A life insurance policy can fund a buy-sell agreement, ensuring that the remaining business owners have the funds to buy the company interests of a deceased owner at a previously agreed upon price. That way, the owners get the business and the family gets the money.

**You’re Single**  
Most single people don’t need life insurance because no one depends on them financially. But there are exceptions. For instance, some single people provide financial support for aging parents or a sibling with special needs. Others may be carrying significant debt that they wouldn’t want to pass on to family members who survive them. If you’re young, healthy, and have a good family health history, your insurability is at its peak and you’ll be rewarded with the best rates on life insurance.

In short, life insurance makes sure that your plans for the future don’t die when you do.

### COMPARISION TABLE :

|  |  |  |
| --- | --- | --- |
| **BASIS** | CAR INSURANCE | LIFE INSURANCE |
| INTRODUCTION | Life insurance will help provide financially for your survivors. Health insurance protects you from catastrophic bills in case of a serious accident or illness. Long-term disability protects you from an unexpected loss of income. | Car insurance prevents you from bearing the financial burden of an expensive accident. |
| COVERGARE FOCUS | Motor insurance, also known as auto insurance or car insurance, focuses on providing coverage for vehicles. It offers protection against potential damages or losses related to accidents, theft, vandalism, or other incidents involving the insured vehicle. | Life insurance offers financial security to the beneficiaries designated by the policyholder in case of the policyholder's demise. It aims to offer support to the family or dependents left behind by providing a death benefit. |
| Insured Entity | Motor insurance covers the insured vehicle, rather than a specific person. The policyholder, who is the owner of the vehicle, pays premiums to the insurance company to protect against potential damages or losses associated with the insured vehicle. | In life insurance, the policyholder is the individual whose life is being insured. The policyholder pays premiums to the insurance company, and in the event of their death, the beneficiaries named in the policy receive the death benefit. |
| Coverage Duration | Motor insurance policies are usually annual contracts that require renewal each year. The coverage remains in effect as long as the policyholder pays the premiums and complies with the terms and conditions of the policy. | Life insurance policies usually involve long-term agreements that offer coverage for a designated duration, commonly spanning 10, 20, or 30 years. The death benefit is paid out to the beneficiaries if the policyholder passes away during the policy term. |
| Coverage Scope | Motor insurance coverage is typically tied to a specific vehicle or vehicles mentioned in the policy. It offers protection against damages or losses that occur while the insured vehicle is being used, whether it's on the road, parked, or in certain circumstances outlined in the policy. | Life insurance coverage is not limited to a specific location or situation. It provides protection to the policyholder's beneficiaries regardless of where the insured person passes away, as long as it is within the policy's terms and conditions. |
| Nature of Risks Covered | Motor insurance covers risks associated with owning and operating a vehicle. It protects against potential damages, losses, or liabilities arising from accidents, theft, fire, vandalism, or other incidents involving the insured vehicle. | Life insurance covers the risk of death. It provides financial support to the beneficiaries when the insured person passes away, helping them cope with the loss of income or other financial obligations. |

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